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

For the fiscal year ended December 31, 1997

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.

-----  
(Exact name of registrant as specified in its charter)

ALASKA  
(State or other jurisdiction of  
incorporation or organization)

92-0072737  
(I.R.S. Employer  
Identification No.)

2550 Denali Street Suite 1000 Anchorage, Alaska

99503

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

-----  
(Zip Code)

Registrant's telephone number, including area code: (907) 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 .  
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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 27, 1998 was approximately  
\$240,855,000.

The number of shares outstanding of the registrant's common stock as of  
February 27, 1998, was:

Class A common stock - 45,329,069 shares; and

Class B common stock - 4,062,864 shares.

DOCUMENTS INCORPORATED BY REFERENCE  
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Certain portions of the registrant's definitive Proxy Statement to be filed  
pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended,  
in connection with the Annual Meeting of Stockholders of the registrant to be  
held on June 4, 1998 are incorporated by reference into Part III of this report.

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## PART I

### Item 1. BUSINESS

#### General Background and Description of Business

General Communication, Inc. ("GCI") was incorporated in 1979 under the laws of the State of Alaska. GCI is primarily a holding company and together with its subsidiaries (collectively the "Company"), is a diversified telecommunications provider with a leading position in facilities-based long distance service in the State of Alaska and is Alaska's leading cable television service provider. The Company seeks to become the first significant provider in Alaska of an integrated package of long distance, local and wireless telecommunications services, cable television services and Internet services.

Complementing its long distance, cable, and cellular resale operations, the Company introduced facilities based competitive local exchange services in Anchorage, Alaska in 1997. The Company has announced plans to provide similar competitive local exchange services in Alaska's other major population centers. The Company also acquired a state-wide 30 MHz B block personal communication service ("PCS") license in June 1995 and is currently evaluating various technologies for a proposed wireless PCS network. The Company has obtained financing and has begun construction of an undersea fiber optic cable linking

Alaska with the lower 48 states. The Company plans to offer retail Internet services in 1998.

**Telecommunication Services.** The Company supplies a full range of common-carrier long-distance and other telecommunication products and services to residential, commercial and government users. The Company operates a state-of-the-art, competitive telecommunications network employing the latest digital transmission technology based upon fiber optic and digital microwave facilities within and between Anchorage, Fairbanks and Juneau, a digital fiber optic cable linking Alaska to the networks of other carriers in the lower 49 states and the use of satellite transmission to remote areas of Alaska (and for certain interstate traffic as well). The Company also offers data communication equipment sales and technical services. Telecommunication services that the Company provides are carried over facilities that are owned by the Company or are leased from other companies.

**Cable Services.** As a result of acquisitions completed effective October 31, 1996, the Company has become Alaska's leading cable television service provider to residential, commercial and government users in the State of Alaska. The Company's cable systems serve 26 communities and areas in Alaska, including the state's three largest urban areas, Anchorage, Fairbanks, and Juneau. The Company cable systems consist of approximately 1,820 miles of installed cable plant having 300 to 450 MHz of channel capacity.

**Local Services.** The Company's local services division entered the local services market in Anchorage in 1997, providing services to residential, commercial, and government users. The Company can access approximately 95% of Anchorage area local loops from its colocated remote digital facilities and digital line carrier installations. The Company offers resale of its competitor's local service where the Company does not have access to loop facilities.

#### Industries

**General.** The Company's management believes that the size and growth potential of the voice, video and data market, the increasing deregulation of telecommunications services, and the increased convergence of telephony, wireless and cable services offer the Company considerable opportunities to integrate its telecommunications and cable services and expand into communications markets both within and, longer-term, outside of Alaska. The Company's management expects the rate of growth in industry-wide telecommunications revenues to increase as the historical dominance of monopoly providers is challenged as a result of deregulation. Considerable deregulation has already taken place in the United States as a result of the Federal

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Telecommunications Act of 1996 (the "1996 Telecom Act") with the barriers to competition between telecommunications, local exchange and cable providers being lowered. The Company's management believes that its acquisition of cable television systems and its development of local exchange service and ultimately, PCS leave it well positioned to take advantage of this deregulation of telecommunications markets.

The telecommunications and cable television industries have been characterized by rapid technological change, frequent new service introductions and evolving industry standards. 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 could stimulate ongoing volume gains, even in the heavily saturated U.S. market. The 1996 Telecom Act, 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.

The impact of deregulation will continue to affect the telecommunications industry going forward. The participation of interexchange carriers ("IXCs") in the local market should eventually exert downward pressure on pricing. In the short-run, however, some analysts expect the reduction in access fees to reduce the subsidy to local services, and local rates may increase. At the same time, growing use of the Internet and computer networking, and the continuing transformation to an information-based economy, are expected to stimulate demand for new facilities and higher usage levels. In addition, the growing number of teenagers in the home, stemming from the rise in births that began in the 1980s, are expected to generate an added demand for access lines in the home.

Deregulation is expected to drive access rates down, but lower long distance rates should lead to increased long distance volume, which should help offset the drop in rates. Currently, Internet service providers ("ISPs") are exempt from paying access fees, a key factor in allowing them to offer flat-rate

pricing which has helped drive Internet usage. The Regional Bell Operating Companies ("RBOCs") have petitioned the Federal Communications Commissions ("FCC") to require the ISPs to pay access fees. Access revenue growth is expected to trend downward over the remainder of the decade, but total revenues are expected increase to \$35.0 billion in 2000.

The size of the competitive local marketplace has doubled in the year and a half since passage of the 1996 Telecom Act. Many companies now compete with incumbent providers. Many of the facilities-based competitive local exchange carriers ("CLECs") have begun to deploy digital switches to compete head-to-head with incumbents in the switched dial tone arena. Still other CLECs have begun to offer high-speed data services including Internet access for ISPs, Intranets for corporate customers, and frame relay over state-of-the-art asynchronous transfer mode network backbones.

The confluence of new technology and consumer response is forcing competition among telephone, computer, and entertainment industries just as each industry converges on similar digital technologies. 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 will likely intensify. To survive in this competitive environment, the Company must respond to this technologically driven change with services that its customers demand.

Telecommunication Services. Among telecommunications services, toll service revenues represented the largest component, spurred by double-digit increases in international toll calls, an outgrowth of the expansion in international trade, and volume gains in domestic long distance service that more than offset price declines. Industry analysts believe that declining access fees resulting from deregulation, along with increased competition as local exchange carriers ("LECs") enter the interLATA market, will lower the cost of long distance service, which should further boost

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volume, as will continued economic expansion. Growth in Internet usage is expected to increase demand as Internet-access providers lease lines in order to facilitate Internet traffic.

Cable Services. The programmed video services industry includes traditional broadcast television, cable television, wireless cable, and direct broadcast satellite ("DBS") systems. Cable television providers have added non-broadcast programming, utilized improved technology to increase channel capacity and expanded service markets to include more densely populated areas and those communities in which off-air reception is not problematic. Broadcast television stations including network affiliates and independent stations generally serve the urban centers. One or more local television stations may serve smaller communities. Rural communities may not receive local broadcasting or have cable systems but may receive direct broadcast programming via a satellite dish.

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

Local Services. 1997 was distinguished by its lack of progress in opening the local access market up to significant competition on an industry-wide basis. While the most lucrative business customers have benefited from increased choice and lower prices, residential customers in most areas will have to wait as long distance companies and competitive local exchange carriers drive to lower access costs through regulatory relief, development of their own local access solutions or the use of third party suppliers.

Use of the Internet and expansion in the use of local area networks ("LANs") and wide area networks ("WANs") generated an increased demand for access lines. In the home, the growing use of computers, faxes, and the Internet led to increases in access lines and usage. The emergence of new services, including digital cellular radio, personal communications services, 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.

Wireless Services. Wireless communications services have posted annual growth rates in excess of 20 percent over the last decade. Declining prices and the increased productivity that mobile communications provides for both businesses and consumers have stimulated usage and spending. Declining prices have been an important factor in generating penetration growth for both the cellular and paging industries. Increased competition is prompting many cellular carriers to consider adopting dual branding strategies, segmenting the market

into early adopter and mass market audiences and targeting each with a different branded level of service.

The FCC adopted a broad set of rules for the licensing of PCS in September 1993. The FCC concluded an auction of spectrum to be used for the provision of PCS in March 1995. 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. 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 10 years. Industry analysts predict that PCS will grow rapidly, reaching 17.9 million subscribers by 2005. 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 rates and expanded coverage. All wireless communications services are expected to continue to expand at double-digit rates over the remainder of the decade.

New and Emerging Services. Communication sectors not traditionally competitive with telephone companies, such as cable and wireless services, are projected to grow an average of 10.9%

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per year. This compares with the projected 3% average per year growth in revenue for traditional local telephone services through 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 enable them 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.

Unlicensed PCS is an emerging area for on-site or campus-wide use. The unlicensed spectrum, previously occupied by microwave users, is in the process of being cleared for PCS by the FCC-endorsed industry coalition given this charter. Analysts believe the expansion of unlicensed PCS should lead to a jump in spending on in-building wireless communications equipment.

#### Geographic Concentration and Alaska Economy

The Company offers telecommunication and video services to customers primarily throughout Alaska. As a result of this geographic concentration, the Company's growth and operations depend upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, and in particular oil production, as well as tourism, government, and United States military spending. Any deterioration in these markets could have an adverse impact on the Company. Oil revenues over the past several years have contributed in excess of 75% of the revenues from all segments of the Alaska economy and are projected to account for 77% in 1998.

The volume of oil transported by the TransAlaska Oil Pipeline System over the past 20 years has been as high as 2.0 million barrels per day in 1988. Over the past several years, it has begun to decline. The two largest producers of oil in Alaska (the primary users of the TransAlaska Oil Pipeline System) continue to explore, develop and produce new oil fields and to enhance recovery from existing fields to offset the decline in production from the Prudhoe Bay field. Both companies have invested large sums of money in developing and implementing oil recovery techniques at the Prudhoe Bay field and other nearby fields. New oil field development is expected to result in an increase in oil production in 2000 and 2001. Oil production is projected to decline over the long term at approximately 6 percent per year.

Effective March 1997, the State of Alaska passed new legislation relaxing state oil royalties with respect to marginal oil fields that the oil companies claim would not be economic to develop otherwise. No assurance can be given that these two oil companies or other oil companies doing business in Alaska will be successful in discovering new fields or further developing existing fields which are economic to develop and produce oil with access to the pipeline or other means of transport to market, even with the reduced level of royalties. Should the oil companies not be successful in these discoveries or developments, the long term trend of continued decline in oil production from the Prudhoe Bay field area is inevitable with a corresponding adverse impact on the economy of the state, in general, and on demand for telecommunications and cable television services, and, therefore, on the Company, in particular.

Market prices for North Slope oil have declined to below \$11 per barrel in March 1998, below the average price of approximately \$18 per barrel used by the State of Alaska to budget its oil related revenues. The State of Alaska maintains surplus accounts that are intended to fund budgetary shortfalls and would be expected to fund all or a portion of the revenue shortfall. The Company is not able to predict the effect of declines in the price of North Slope oil on the State of Alaska's economy or on the Company.

The Company has, since its entry into the telecommunication marketplace aggressively marketed its services to seek a larger share of the available market. However, with a small population of approximately 600,000 people, one-half of whom are located in the Anchorage area and the rest of whom are spread out over the vast reaches of Alaska, the customer base in Alaska is limited. No assurance can be given that the driving forces in the Alaska economy, and in particular, oil production, will continue at levels to provide an environment for expanded economic activity.

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## Products

The Company operates in three industry segments and offers five primary product lines. The telecommunication services industry segment offers long-distance message toll services, private line and private network services, the cable services industry segment offers cable television services, and the local services industry segment offers local telecommunication services.

Telecommunication Services. The Company offers a broad spectrum of telecommunication services to residential, commercial and government customers primarily throughout Alaska.

The Company's long-distance services industry segment is engaged in the transmission of interstate and intrastate switched MTS and private line and private network communication service between the major communities in Alaska, and the remaining United States and foreign countries. The Company's message toll services include intrastate, interstate and international direct dial, 800 and 888, calling and debit card, operator and enhanced conference calling, as well as termination of northbound toll service for MCI, U. S. Sprint ("Sprint") and several large resellers who do not have facilities of their own in Alaska. The Company also provides origination of southbound calling card and 800 and 888 toll services for MCI and Sprint customers. 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, residential, and government subscribers. Subscribers may generally cancel service at any time. Toll related services account for approximately 70.0%, 86.5%, and 92.8% of the Company's 1997, 1996, and 1995 total revenues, respectively. 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.

The Company has positioned itself as a price and customer service leader in the Alaska telecommunication market. Rates charged for the Company's telecommunication services are designed to be equal to or below those for comparable services provided by its competitors.

In addition to providing communication services, the Company designs, 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 business. 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. The Company's equipment sales and services revenue totaled \$10.2 million in the year ended December 31, 1997, or approximately 4.6% of total revenues. Presently, there are five companies in Alaska that actively sell and maintain data and voice communication systems.

The Company's ability to integrate telecommunications networks and data communication equipment has allowed it to maintain its market position on the basis of "value added" support rather than price competition. The Company has expanded its technical services business to include outsourcing, onsite technical contract services and telecommunications consulting. The Company has consolidated its technical services business into a new department, Enterprise Services. This department provides a number of technical operating and engineering services directly to commercial customers. These services are blended with other transport products into unique customer solutions, including managed services and outsourcing.

The Company, using its new demand assigned multiple access ("DAMA") facilities, expanded its network to 56 additional locations within the State of Alaska in 1996. 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 Alaska Public Utilities Commission ("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 partial

deployment occurred in 1996, with deployment completed in 1997. At December 31, 1997 all but four sites were operating. The remaining sites are expected to begin operations in 1998. Construction, deployment and upgrade costs totaled \$23.0 million through December 31, 1997.

The FCC concluded an auction of spectrum to be used for the provision of PCS in March 1995. The FCC named the Company 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 \$1.7 million is anticipated to allow the Company to introduce new PCS services in Alaska.

Cable Services. The programming services offered to subscribers of the Company's cable television systems differ by system (all information as of December 31, 1997).

Anchorage, Bethel, Kenai and Soldotna systems. Each system offered a basic service. In addition, Anchorage and Bethel offer a cable programming service ("CPS"). A new product tier ("NPT") is only offered in the Anchorage cable system. The Anchorage system, which is located in the urban center for Alaska, is fully addressable, with all optional services scrambled, aside from the broadcast basic. Kenai, Soldotna, and Bethel had fewer channels, less service options and less an urban orientation, and use traps for program control. As a result, these smaller systems do not have access to pay-per-view services. These systems are expected to be upgraded in 1998 which will provide additional channel capacity and capabilities that will allow for new services such as pay-per-view and two-way transmissions.

The composition and rates of the levels of service vary between the systems. The Anchorage cable system offers a basic service that includes 18-channels. The Anchorage cable system offers a CPS that includes 26 channels at an additional cost. Subscribers, for an additional cost, receive the six channel NPT service which includes TNT, CNN, Discovery, MSNBC, Outdoor Life and the Sci-/Fi Channel. The Bethel cable system offers a basic service and a CPS of 13 channels for an additional cost per month. The basic service for the Kenai/Soldotna cable system consisted of 32 channels. Pay TV services are available either individually or as part of a discounted value package. Commercial subscribers such as hospitals, hotels and motels were charged negotiated monthly service fees. Apartment and other multi-unit dwelling complexes received basic services at a negotiated bulk rate.

Fairbanks, Juneau, Ketchikan and Sitka systems. The programming services currently offered to subscribers are structured so that each cable system offered a basic service and a CPS. Each of the cable systems has different basic service packages at different rates. Fairbanks, the second largest city in Alaska, has a fully addressable system and offers a 12-channel basic and 33 channel CPS tier. Two channels of pay-per-view are available to basic and CPS subscribers. Fairbanks, North Pole, Fort Wainwright, and Eielson Air Force Base are all served by the Fairbanks headend and have the same lineup. Fort Greely, a remote military post, is a stand-alone system, which is fully addressable. Fort Greely has 8 basic channels, a 21-channel CPS tier, and 1 pay-per-view channel available to all subscribers. The Juneau cable system offered an 11-channel basic service package and a Tier 1 that included the basic service plus an additional 4 channels. The system also offered a CPS Tier 2 that consisted of the basic service plus Tier 1 service and additional 34 channels. The Ketchikan system offered an 8-channel basic service and a CPS Tier 1 that consisted of the basic service plus 33 additional channels. The system also offered a NPT Tier 2 that consisted of the basic service, the CPS Tier 1 and an additional 5 channels. The Sitka system offered an 8 channel basic service. An expanded basic service included the basic service plus 38 additional channels.

The Juneau, Ketchikan and Sitka systems are expected to be upgraded in 1998. When complete, the systems will have the capacity to add an additional 16 channels. The Juneau and Ketchikan systems are expected to become addressable in 1998 allowing the introduction of additional pay-per-view channels.

Kodiak, Valdez, Cordova, Petersburg, Wrangell, Kotzebue and Nome systems. These systems offered up to 30 channels of the most popular basic cable channels, as well as the major broadcast networks, packaged into three levels of service. The basic service consisted of three channels, one

of which was a PBS channel. The CPS Tier 1 (which included the basic service) had either 24 or 25 channels. The CPS Tier 2 had between 8 and 14 cable channels. In addition, each system offered 4 or 5 channels of premium pay services, except for Kodiak, which offered 8 channels of premium pay services and 3 channels of pay-per-view programming. In 1994, the Kodiak cable system was rebuilt to allow added channel capacity. At that time, addressability was added to the system in order to add the 3 channels of pay-per-view movies. In 1998 Kodiak, Kotzebue, Nome, Valdez and Cordova plant upgrades are expected to be completed allowing for additional services and new technology.

Seward system. The Seward cable system was upgraded in 1997. Total channels were increased to 49 channels offered, packaged into two levels of service. Basic service was expanded from 3 to 8 channels. CPS had 30 channels (including the basic service) and was expanded to 44. All of the channels, with the exception of local origination programming and a single translator channel licensed to the City of Seward, were received via satellite. In addition there were five channels of premium pay services. The system is fully addressable. The system provides 12 channels to 300 outlets in a State of Alaska correction facility through a separate receive and headend site.

Homer system. The Homer cable system was upgraded in 1997. Total channels were increased to 50 packaged into two levels of service. Basic service was expanded from 8 channels to 12. CPS had 36 channels (including the basic service channels) and was expanded to 45 channels. All of the channels, with the exception of four local translator channels and local origination programming, are received via satellite. In addition, five channels of premium pay services are offered. The system is fully addressable.

Local Services. The Company began offering local exchange services initially in Anchorage during late September 1997. The Company's digital loop carrier ("DLC") system allows the Company to offer its own full featured, switched-based local service products to both residential and commercial customers. The Company can gain access to approximately 95% of the Anchorage area local loops from colocated remote facilities and DLC installations. In areas where the company does not have access to loop facilities, it offers resale of the Anchorage Telephone Utility's ("ATU") local service. ATU is a public utility owned by the Municipality of Anchorage.

#### Seasonality

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

#### Customer-sponsored research.

The Company has not expended material amounts during the last three fiscal years on customer-sponsored research activities.

#### Facilities

Telecommunication Services. Currently, the Company's telecommunication 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 centers are co-located. The Ketchikan, Prudhoe Bay, Valdez,

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Kodiak, Sitka, Unalaska and Cordova installations consist only of an earth station. The Company constructed microwave facilities serving the Kenai Peninsula communities and owns a 49 percent interest in an earth station located on Adak Island in Alaska. The Company 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 the Company's southbound traffic to the remaining 49 states and international destinations. During 1996, the Company expanded its network by constructing DAMA earth station facilities in 56 additional communities in rural Alaska.

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-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.

Pursuant to a purchase and lease-purchase option agreement entered into in August 1995 the Company leases C-band transponders on Hughes Communications Galaxy, Inc. ("Hughes") Galaxy IX satellite and has agreed to acquire satellite transponders on Hughes Galaxy X satellite to meet its long-term satellite capacity requirements. The Galaxy X satellite is expected to be placed in service during the third quarter of 1998. The Company paid a \$9.1 million deposit to Hughes during 1996. The balance payable upon expected delivery of the transponders in 1998 is not expected to exceed \$41 million.

The Company 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 or fiber optic transmission technology will be economically feasible in rural Alaska in the foreseeable future.

Cable Services. The Company's cable television businesses are located in Anchorage, Eagle River, Chugiak, Peters Creek, Kenai, Soldotna, Bethel, Fort Richardson, Elmendorf Air Force Base, Fairbanks, Fort Wainwright, North Pole, Fort Greely, Eielson Air Force Base, Juneau, Sitka, Ketchikan, Petersburg, Wrangell, Cordova, Homer, Sitka, Valdez, Kodiak, Kotzebue, and Nome, Alaska. Company facilities include cable plant and head-end distribution equipment. Certain of the head-end distribution centers are co-located with customer service and administrative offices.

Local Telecommunication Services. During 1997 the Company installed a host 5ESS switching system. Additionally the Company collocated beside or within ATU's local switching offices six (6) remote facilities to access unbundled loop network elements. In February 1998 the Company installed a digital loop carrier system beside a smaller, seventh ATU wire center. These remote and DLC facilities are interconnected to the host switch via Company-owned diversely routed fiber optic links.

#### Customers

Telecommunication Services. The Company had approximately 89,000, 93,900 and 85,600 active Alaska subscribers to its message telephone service at December 31, 1997, 1996 and 1995, respectively. Approximately 11,500, 11,000 and 9,500 of these were business and government users at December 31, 1997, 1996 and 1995, respectively, and the remainder were residential customers. MTS revenues averaged approximately \$10.9 million per month during 1997.

Substantially all service areas, in which the Company has facilities, except Bethel, Alaska and most locations serviced by DAMA facilities, have completed the equal access balloting process.

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The Company estimates it carries 33% to 49% of the southbound interstate MTS traffic and 21% to 48% of the intrastate MTS traffic originating in those service areas.

A summary of switched MTS traffic minutes follows:

	Interstate Minutes				Combined Interstate and Inter- national Minutes
	South- bound	North- bound	Calling Card	Inter- national Minutes	
Intrastate For Quarter ended Minutes [6~					
	-----				
	(amounts in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
March 31, 1995	58,759	41,600	4,351	1,381	106,091
21,208					
June 30, 1995	63,475	43,721	4,113	1,556	112,865
23,051					
September 30, 1995	70,219	45,027	4,233	1,699	121,178
23,883					
December 31, 1995	70,570	46,545	5,518	1,749	124,382
25,228					
	-----	-----	-----	-----	-----
Total 1995	263,023	176,893	18,215	6,385	464,516
93,370					

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March 31, 1996 28,910	76,369	49,158	6,094	1,890	133,511	
June 30, 1996 30,671	81,753	51,465	6,049	1,964	141,231	
September 30, 1996 31,253	86,094	52,856	6,453	1,896	147,299	
December 31, 1996 30,374	82,255	55,675	7,863	1,774	147,567	
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Total 1996 121,208	326,471	209,154	26,459	7,524	569,608	
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March 31, 1997 32,020	83,284	56,588	8,110	1,741	149,723	
June 30, 1997 34,405	85,933	58,420	7,189	1,795	153,337	
September 30, 1997 34,755	93,510	60,390	5,530	1,842	161,272	
December 31, 1997 31,962	87,657	61,992	5,157	1,703	156,509	
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Total 1997 133,142	350,384	237,390	25,986	7,081	620,841	
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All minutes data were taken from the Company's billing statistics reports.

In 1993, the Company entered into a significant business relationship with MCI which includes the following agreements: (1) the Company agreed to terminate all Alaska-bound MCI long distance traffic and MCI agreed to terminate all of the Company's long distance traffic terminating in the lower 49 states excluding Washington, Oregon and Hawaii; (2) MCI licensed certain service marks to the Company for use in Alaska; (3) MCI, in connection with providing to the Company credit enhancement to permit the Company to purchase an undersea cable linking Seward, Alaska, with Pacific City, Oregon, leased from the Company all of the capacity owned by the Company on the undersea fiber optic cable and the Company leased such capacity back from MCI; (4) MCI purchased certain service marks of the Company; and (5) the parties agreed to share some communications network resources and various marketing, engineering and operating resources. The Company also handles MCI's 800 and 888 traffic originating in Alaska and terminating in the lower 49 states and handles traffic for MCI's calling card customers when they are in Alaska. Concurrently with these agreements, MCI purchased approximately 31% (19.3% as of December 31, 1997) of GCI's Common Stock and presently controls nominations to two seats on the Board. In conjunction with the Cable Acquisition Transactions, MCI purchased an additional two million shares at a premium to the then current market price for \$13 million or \$6.50 per share.

Revenues attributed to the MCI Agreement in 1997, 1996, and 1995 totaled \$34.3 million, \$29.2 million and \$23.9 million, or 15.3%, 17.7% and 18.5% of total revenues, respectively. The contract was amended in March 1996 extending its term three years to March 31, 2001. The amendment also reduced the rate in dollars to be charged by the Company for certain MCI traffic for the period April 1, 1996 through July 1, 1999 and thereafter. With the amendments, the Company is assured that

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MCI, the Company's largest customer, will continue to make use of the Company's service during the extended term.

In 1993 the Company entered into a long-term agreement with Sprint, pursuant to which the Company agreed to terminate all Alaska-bound Sprint long-distance traffic and Sprint agreed to handle substantially all of the Company's international traffic. Services provided pursuant to the contract with Sprint resulted in revenues in 1997, 1996 and 1995 of approximately \$24.4 million, \$18.8 million and \$14.9 million, or approximately 10.9%, 11.4% and 11.5% of total revenues, respectively.

Both MCI and Sprint are major customers of the Company in its telecommunication 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 781 commercial and government accounts in 1997. Private lines and private network communication products and services generated approximately 7.1% of total long-distance revenues in the year ended December 31, 1997.

Although the Company has several agreements to facilitate the origination and termination of international toll traffic, it has neither foreign operations nor export sales (see -Foreign and Domestic Operations and Export Sales).

Cable Services. As of December 31, 1997 the Company cable systems passed approximately 167,500 homes or approximately 78% of all households in Alaska, and served approximately 108,000 subscribers. 1997 revenues derived from cable television services totaled \$55.2 million.

Local Services. The Company had approximately 3,300 active Anchorage subscribers to its local telecommunication service at December 31, 1997. 1997 revenues derived from local services totaled \$610,000.

#### Alaska Voice, Video and Data Markets

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

Alaska today relies extensively on satellite-based long distance transmission for intrastate calling between remote communities where investment in a terrestrial network would be uneconomic or impractical. Also, given the remoteness of Alaska's communities and lack, in many cases, of major civic institutions such as hospitals, libraries and universities, Alaskans are dependent on telecommunications to access the resources and information of large metropolitan areas in the rest of the U.S. and elsewhere. In addition to satellite-based communications, the telecommunications infrastructure in Alaska includes traditional copper wire, digital microwave links between Anchorage and Fairbanks and Juneau and fiber optic cable. For interstate and international communication, Alaska is currently connected to the lower 49 states by undersea fiber optic cable with a capacity of nine DS3s and is backed-up by additional satellite capacity.

Prior to 1982, Alascom was the sole long distance carrier in Alaska. Under an agreement with the State of Alaska, Alascom was required to maintain a number of low bandwidth links and expand service to remote or less developed areas of the state. Interstate rates initially charged for Alaska telecommunications services had been substantially higher than interstate rates in the contiguous 48 states. In 1972, the FCC established a policy of rate integration intended to equalize all domestic

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interstate rates based on distances of calls. This policy was used to support a subsidy mechanism to help Alascom cover higher costs associated with rural operations. When the Company began providing interstate long distance service in 1982, AT&T Corp. ("AT&T") provided almost all of the telecommunications services in the lower 49 states, and Alascom provided almost all of the long distance telecommunications services in Alaska and between Alaska and the lower 49 states and foreign countries. Although Alascom's business was highly subsidized, the Company competed against Alascom without the advantage of a subsidy. In 1983, the State of Alaska petitioned the FCC to initiate a rulemaking to determine how to rationalize the 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. This action ultimately led to a negotiated purchase of Alascom from Pacific Telecom, Inc. ("PTI") by AT&T in August 1995 for consideration of approximately \$350 million. After the purchase, Alascom changed its name to AT&T Alascom.

The Alaskan telecommunications business today comprises three distinct markets: long distance services (interstate and intrastate), local exchange services and wireless communications services (cellular and eventually PCS). In the local exchange market, the Company will compete against various incumbent local exchange carriers including ATU in Anchorage and PTI in Juneau. PTI acquired the local exchange portion of the Fairbanks Municipal Utilities System in 1997 and now provides local exchange services in Fairbanks. In the wireless

communications services market, the Company's PCS business expects to compete against the cellular subsidiaries of AT&T and ATU in the Anchorage market and the cellular subsidiaries of PTI and others outside of Anchorage. In the long distance market, the Company competes against AT&T Alascom, ATU and the Matanuska Telephone Cooperative and may in the future compete against new market entrants. For calendar year 1997, the Company estimates that the aggregate telecommunications market in Alaska generated revenues of approximately \$758 million. Of this amount, approximately \$433 million was attributable to interstate and intrastate long distance service, \$289 million was attributable to local exchange services, and \$36 million was attributable to wireless communications services.

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

In Alaska, cable television was introduced in the 1970s to provide television signals to communities with few or no available off-air television signals and to communities with poor reception or other reception difficulties caused by terrain interference. Since that time, as on the national level, the cable television providers in Alaska have added non-broadcast programming, utilized improved technology to increase channel capacity and expanded service markets to include more densely populated areas and those communities in which off-air reception is not problematic.

At present 26 communities and areas in Alaska, including the state's three largest urban areas (Anchorage, Fairbanks and Juneau) are served by the Company's cable systems. A number of cable operators other than the Company provide cable service in Alaska. All of these companies are relatively small, with the largest having fewer than 6,500 subscribers.

#### Competition

The Company is one of Alaska's leading providers of telecommunication and cable television services and maintains a strong competitive position. There is active competition in the sale of substantially all products and services offered by the Company.

The principal methods of competition in the Company's services are customer service, product innovation, quality and price. The company believes that its competitive strength rests on its

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customer service capabilities, its state-of-the-art facilities, its ability to develop new and improved products and services in response to the needs of its customers, and the consistent high quality of its products and services.

Telecommunication Services. The telecommunications industry is intensely competitive, rapidly evolving and subject to constant technological change. Competition is based upon price and pricing plans, the types of services offered, customer service, billing services, perceived quality, reliability and availability. Certain of the Company's competitors are substantially larger and have greater financial, technical and marketing resources than the Company. Although the Company believes it has the human and technical resources to pursue its strategy and compete effectively in this competitive environment, its success will depend upon its ability to profitably provide high quality, high value services at prices generally competitive with, or lower than, those charged by its competitors.

The Company's principal competitor in long distance services, AT&T Alascom, has substantially greater resources than the Company. This competitor's interstate rates are integrated with those of AT&T Corp. and are regulated in part by the FCC. While the Company initially competed based upon offering substantial discounts, those discounts have been eroded in recent years due to lowering of prices by AT&T Alascom. Under the terms of AT&T's acquisition of Alascom, AT&T Alascom rates and services must "mirror" those offered by AT&T, so changes in AT&T prices indirectly affect the rates and services of the Company. AT&T's and AT&T Alascom's interstate prices are regulated under a price cap plan whereby their rate of return is no longer regulated or restricted. Price increases by AT&T and AT&T Alascom 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. However, if AT&T Alascom significantly lowers its rates, the Company may be forced to reduce its rates, which could have a material adverse effect on the Company.

As allowed under the 1996 Telecom Act, ATU and other LECs entered the interstate and international long distance market and pursuant to APUC authorization entered the intrastate long distance market in 1997. ATU and other LECs resell other carriers' services in the provision of their interstate and intrastate long distance services.

Cable Services. Cable television systems face competition from alternative methods of receiving and distributing television signals and from other sources of news, information and entertainment such as off-air television broadcast programming, newspapers, movie theaters, live sporting events, interactive computer services and home video products, including videotape cassette and video disks. The extent to which a cable television system is competitive depends, in part, upon the cable system's ability to provide quality programming and other services at competitive prices.

The 1996 Telecom Act authorizes LECs and others to provide a wide variety of video services competitive with services provided by cable systems and to provide cable services directly to subscribers. Certain LECs in Alaska may seek to provide video services within their telephone service areas through a variety of distribution methods. Cable systems could be placed at a competitive disadvantage if the delivery of video services by LECs becomes widespread since LECs may not be required, under certain circumstances, to obtain local franchises to deliver such video services or to comply with the variety of obligations imposed upon cable systems under such franchises. Issues of cross-subsidization by LECs of video and telephony services also pose strategic disadvantages for cable operators seeking to compete with LECs who provide video services.

Cable television systems generally operate pursuant to franchises granted on a non-exclusive basis. The 1992 Cable Act gives local franchising authorities jurisdiction over basic cable service rates and equipment in the absence of "effective competition," prohibits franchising authorities from unreasonably denying requests for additional franchises and permits franchising authorities to operate cable systems. Well-financed businesses from outside the cable industry (such as the public

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utilities that own certain of the poles on which cable is attached) may become competitors for franchises or providers of competing services.

The Cable Systems face limited additional competition from private satellite master antenna television ("SMATV") systems that serve condominiums, apartment and office complexes and private residential developments. The operators of these SMATV systems often enter into exclusive agreements with building owners or homeowners' associations. Due to the widespread availability of reasonably priced earth stations, SMATV systems now can offer both improved reception of local television stations and many of the same satellite-delivered program services offered by franchised cable systems. The ability of the Cable Systems to compete for subscribers in residential and commercial developments served by SMATV operators is uncertain. The 1996 Telecom Act gives cable operators greater flexibility with respect to pricing of cable television services provided to subscribers in multi-dwelling unit residential and commercial developments. It also broadens the definition of SMATV systems not subject to regulation as a franchised cable television service.

The availability of reasonably-priced home satellite dish earth stations ("HSDs") enables individual households to receive many of the satellite-delivered program services formerly available only to cable subscribers. Furthermore, the 1992 Cable Act contains provisions, which the FCC has implemented with regulations, to enhance the ability of cable competitors to purchase and make available to HSD owners certain satellite-delivered cable programs at competitive costs.

In recent years, the FCC and the Congress have adopted policies providing a more favorable operating environment for new and existing technologies that provide, or have the potential to provide, substantial competition to cable systems. These technologies include, among others, DBS services that transmit signals by satellite to receiving facilities located on the premises of subscribers. Programming is currently available to the owners of DBS facilities through conventional, medium and high-powered satellites.

DBS systems are expected to use video compression technology to increase the channel capacity of their systems to provide movies, broadcast stations and other program services competitive with those of cable systems. The extent to which DBS systems are competitive with the service provided by cable systems depends, among other things, on the availability of reception equipment at reasonable prices and on the ability of DBS operators to provide competitive programming. DBS services do not currently provide local programming and DBS signals are subject to degradation from atmospheric conditions such as rain and snow. The receipt of DBS signals in Alaska currently has the disadvantage of requiring subscribers to install larger satellite dishes (generally three to six feet in diameter) because of the weaker satellite signals currently available in

northern latitudes. In addition, existing satellites have a relatively low altitude above the horizon when viewed from Alaska, making their signals subject to interference from mountains, buildings and other structures.

Cable television systems also compete with wireless program distribution services such as multichannel, multipoint distribution service ("MMDS") providers which use low-power microwave frequencies to transmit video programming over-the-air to subscribers. There are MMDS operators who are authorized to provide or are providing broadcast and satellite programming to subscribers in areas served by several of the Company's cable systems, including Anchorage, Fairbanks and Juneau. Additionally, the FCC has allocated frequencies in the 28 GHz band for a new multichannel wireless video service similar to MMDS. MMDS operations have the disadvantage of requiring line-of-sight access, making their signals subject to interference from mountains, buildings and other structures, and are subject to interference from rain, snow and wind. In 1997 ATU purchased a minority interest in a MMDS provider that currently provides service in some portions of Anchorage and Fairbanks. At this time, the MMDS service has not been integrated with ATU's telecommunications services. The Company is unable to predict whether wireless video services will have a material impact on its operations.

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

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

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

Local Services. In the local exchange services market, the Company believes that the 1996 Telecom Act and state legislative regulatory initiatives and developments, as well as a recent series of transactions and proposed transactions between telephone companies, long distance carriers and cable companies, increase the likelihood that barriers to local exchange competition will be substantially reduced or removed. These initiatives include requirements that local exchange carriers negotiate with entities such as the Company to provide interconnection to the existing local telephone network, to allow the purchase, at cost-based rates, of access to unbundled network elements, to establish dialing parity, to obtain access to rights-of-way and to resell services offered by the incumbent local exchange carriers.

Local exchange carriers in Alaska outside of Anchorage have a "rural [6-exemption]" from some of their obligations until and unless the exemption is terminated by the APUC. Certain pricing provisions of the Interconnection Decision implementing the interconnection portions of the 1996 Telecom Act have been challenged and are currently stayed by the U.S. Court of Appeals for the Eighth Circuit, on a jurisdictional basis. In addition the 1996 Telecom Act expressly prohibits any legal barriers to competition in intrastate or interstate communications service under state and local laws. The 1996 Telecom Act further empowers the FCC, after notice and an opportunity for comment, to preempt the enforcement of any statute, regulation or legal requirement that prohibits, or has the effect of prohibiting, the ability of any entity to provide any intrastate or interstate telecommunications service.

In early 1997 the Company received approval from the APUC to provide local exchange services throughout ATU's existing service area. The APUC also approved an interconnection agreement negotiated and arbitrated between the Company and ATU pursuant to the terms of the 1996 Telecom Act. By early 1998, the Company has positioned itself to offer local exchange services to substantially all consumers in the ATU service area, primarily through its own facilities and unbundled local loops leased from ATU.

The 1996 Telecom Act also provides incumbent local exchange carriers with new competitive opportunities. The Company believes that it has certain advantages over these companies in providing its telecommunications services, including the Company's brand awareness by Alaskan customers, its facilities based telecommunications network, and management's prior experience in, and

knowledge of, the Alaskan market. The 1996 Telecom Act provides that rates charged by incumbent local exchange carriers for interconnection to the incumbent carrier's network are to be nondiscriminatory and based upon the cost of providing such interconnection, and may include a "reasonable profit," which terms are subject to interpretation by regulatory authorities. If the incumbent local exchange carriers charge alternative providers such as the Company unreasonably high fees for interconnection to the local exchange carriers' networks, or significantly lower their retail rates for local exchange services, the Company's local service business could be placed at a significant competitive disadvantage.

Wireless Services. Competition for the Company's proposed PCS services will come primarily from traditional cellular providers and new PCS entrants. Anchorage has mature cellular systems in

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both the wireline (ATU) and non-wireline (AT&T Wireless) license blocks that together have achieved an estimated 20% penetration of potential subscribers based on the number of existing wireline access lines. Fairbanks and Juneau have not achieved the cellular penetration that has occurred in Anchorage. Cellular pricing has been high in Alaska compared to the lower 48 states, but rates in Anchorage have become more competitive since the Company entered the cellular resale market three years ago.

Of the five other PCS licensees, the Alaska A block PCS license owner has announced plans for service in Alaska as early as 1998. The high cost per POP of a PCS system infrastructure may deter some license owners from building a system. PCS has the potential disadvantage when compared to cellular service of requiring the licensee to enter into interconnection agreements with cellular providers in order to permit PCS subscribers with dual mode handsets to continue to receive service once they stray from the PCS service area. However, the Company believes that the portion of the Alaska population, which will need to operate outside the Company's planned PCS service areas, is small.

#### Financial Information About Industry Segments

For financial information with respect to industry segments of the Company, reference is made to the information set forth in note 9 of the Notes to Consolidated Financial Statements included in Part II of this Report.

#### Recent Developments

Financing Completed. The Company completed a major financing effort in August 1997 which raised \$550 million through a combination of the issuance of 7 million shares of class A stock, sale of senior notes totaling \$180 million, and refinancing its credit agreements. More than \$350 million of these proceeds will be invested in new telecommunication facilities in Alaska over the next five years. Part of this investment will be the Company's \$125 million fiber optic project called Alaska United. The balance will complete a major upgrade and expansion of the Company's telecommunications and cable systems throughout the state and the purchase of new satellite transponders. These systems will be connected to each other and the lower 48 by the Alaska United fiber and the Company's satellite systems.

Alaska United Project. The Alaska United project will provide a high capacity fiber optic link between Fairbanks, Anchorage, Valdez, and Juneau, Alaska, and the lower 48 states through Seattle, Washington. Its initial capacity will be more than five times the maximum capacity of Alaska's current undersea fiber to the lower 48. After a preliminary route survey was completed and initial cost components determined, a detailed sea floor survey was commissioned and completed in 1996. The results of this survey pinpointed the exact route that the Alaska United fiber would take. The Company entered into a contract with Tyco Submarine Systems, Ltd. ("TSS"), one of the world's leading submarine cable vendor which has installed more than 150,000 miles of undersea cable. TSS is to design, engineer, manufacture and install the undersea cable. On August 1, 1997 the Company issued a down payment to TSS to begin construction. Manufacturing of the cable and its electronics has been underway since that time. The cable is expected to be laid from August to October 1998. Testing will occur after that, and services are expected to commence in December 1998.

Alaska United will land in Whittier, Valdez and Juneau, Alaska. From Whittier, the fiber will follow the railroad, highway, and over-land rights-of-ways to Anchorage. Between Whittier and Valdez, the Company will construct a second undersea fiber optic cable. The cable will connect in Valdez with a fiber being constructed by Kanas Telecom, Inc. ("Kanas") as described below. In Juneau and Seattle, Alaska United will connect to the Company's existing network.

The Alaska United fiber will be 2,331 miles long (1,995 miles undersea and 336 over land). It will have a total design capacity of 10 billion bits per second (22 times what is currently available); it can route traffic in different

Company's existing capacity on the North Pacific Cable, users can achieve route diversity to achieve multiple fiber paths for back-up purposes. It will deliver a minimum of 32,256 simultaneous clear channel voice or data circuits at transmission speeds of 2.5 billion bits per second. As demand increases, capacity can be quadrupled to support a minimum of 129,024 simultaneous clear channel voice or data circuits at speeds of 10 billion bits per second. Currently, the only fiber optic cable connecting Alaska with the contiguous United States is nearing its capacity limit of 6,048 simultaneous voice or data circuits at transmission speeds of 420 million bits per second.

Financing for the Alaska United undersea fiber project includes \$75 million available through a new bank credit agreement dated January 27, 1998 and \$50 million from funds raised through the issuance of senior notes described above.

Fiber Capacity Exchange. The Company and Kanas signed a contract November 21, 1997 that provides for an exchange of fiber optic cable capacity between Anchorage and Fairbanks via Valdez. The Company and Kanas will trade "dark fiber" capacity connecting Fairbanks, Valdez, Whittier and Anchorage. Dark fiber is fiber optic line capacity without the electronic equipment needed to repeat the signal. Each company will provide their own electronic equipment to place their fiber into service. The Company will provide Kanas with dark fiber from Valdez to Anchorage. Kanas will provide the Company with dark fiber between Valdez and Fairbanks. Demand for bandwidth capacity is expected to grow sharply in the coming years to accommodate faster Internet access, ISDN, new data services and higher transmission rates.

The Company plans to build an underwater fiberoptic cable connecting Valdez with Whittier, and will construct a new fiberoptic link from Whittier to tie into the Company's Anchorage fiber network, all part of the Alaska United Project described above. Kanas' fiber optic system will follow the Trans-Alaska Pipeline from Valdez to Fairbanks, continuing north to Prudhoe Bay. The system is expected to be available for commercial service during December of 1998.

Acquisition. Effective December 2, 1997, the Company purchased all of the outstanding shares of Astrolabe Group, Inc. ("Astrolabe"). Astrolabe was founded in 1995 as a technology management-consulting firm helping Alaska based clients effectively plan, implement and operationally manage their network and information system investments. Astrolabe helps clients throughout Alaska manage their rural telecommunication networks, distributed information systems and distance delivery of health care educational services. Astrolabe has been an integral part of the Company's School Access project, providing the Internet software infrastructure central to the value of the Company's distance education product offerings. Following the acquisition, Astrolabe was merged into GCI Communication Corp. and operates as a distinct division named GCI Network Solutions. The \$1,324,000 purchase was accounted for using the purchase method. The purchase price consisted of a payment of \$600,000 and the issuance of options to purchase 100,000 shares of GCI's Class A common stock for \$.01 per share.

Local Services. PTI, the company providing local telephone services in Fairbanks and Juneau, Alaska, petitioned the APUC to exempt them from local service competition under the 1996 Telecom Act. PTI is owned by Century Telephone Company of Louisiana, one of the largest independent telephone companies in the Nation. The Company requested that the "rural exemption" be terminated. In January 1998, the APUC denied the Company's request to terminate the rural exemption. The basis of the APUC's decision was primarily that various rulemaking proceedings (including Universal Service, local competition, access charge reform, and rate restructuring) must be completed before the exemption would be revoked. Those rulemaking proceedings are now underway. Other legislative and judicial efforts are also underway to achieve a change in the APUC ruling. The Company may, however, provide local service on its own facilities to a limited number of consumers in Juneau and Fairbanks.

The Company believes local services competition is in the best interests of consumers and intends to vigorously contest the APUC decision. The Company cannot predict the effect that ongoing or future regulatory developments might have on competitive local services markets in Alaska or on the Company specifically.

Expansion in Rural Alaska. Both the APUC and the FCC maintain a restriction that prevents the Company from constructing duplicative satellite earth stations to provide interexchange services to approximately 200 of the smallest villages in Alaska. In 1995, the Company obtained a waiver to build facilities in 50 of those villages. In the Company's opinion, the APUC restriction has been preempted by section 253 of the 1996 Telecom Act, which prevents any state from

maintaining any rule that prohibits any entity from providing any telecommunications service. The Company has requested the FCC to preempt the APUC's restriction and the Company is also seeking a removal of the federal restriction. Removal of both restrictions will enable the Company to construct facilities throughout Alaska. Until that time, the Company relies on the facilities of AT&T Alascom for the termination of traffic.

**Cable Services Expansion.** The Company completed construction of 109 miles of a planned 160 mile fiber optic Metropolitan Area Network ("MAN") in Anchorage during 1996 and 1997, over which it began offering facilities-based local service to selected major customers in those cases where it was economically feasible to directly connect them to the network. Additionally, the Metropolitan Area Network will provide supplemental capacity and connectivity for cable television services and will improve the quality and reliability of services. The Company plans to upgrade cable television systems across the state with the installation of fiber optics and two-way capability. This will allow the Company to add more channels, develop new services and install cable modems that will provide high-speed access to the Internet.

**Customer Service Integration.** Customer service groups were consolidated in the Company's call centers during 1997 and new customer service representatives and support personnel were added throughout the state. Consolidation of customer service across product lines allows customers to access and change information and service from any of the Company's statewide offices. Customer service hours were expanded to 24 hours a day 7 days a week throughout the state.

#### Employees

The Company and its subsidiaries employ approximately 950 persons as of February 28, 1998. The Company and its subsidiaries are not parties to any union contracts with their employees. The Company believes that its future success will depend upon its continued ability to attract and retain highly skilled and qualified employees. The Company believes that its relations with its employees are 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 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 facilities may be on lands that may be subject to state and federal wetland regulation.

Uncertainty as to the applicability of environmental regulations is caused in major part by the federal government's decision to consider a change in the definition of wetlands, 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.

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The Company's Alaska United project consists, in part, of deploying fiber optic cable facilities between Anchorage, Whittier, Valdez, and Juneau, Alaska and Seattle, Washington. The engineered route passes over wetlands and other environmentally sensitive areas. The Company believes its construction methods used for buried cable have a very minimal impact on the environment. The agencies, among others, that are involved in permitting and oversight of the Company's cable deployment efforts are the US Army Corps of Engineers, The National Marine Fisheries Service, US Fish & Wildlife, US Coast Guard, NOAA, Alaska Department of Natural Resources, and the Alaska Dept. of Government Coordination. The Company is unaware of any violations of federal, state or local regulations or permits pertaining to preservation or protection of the environment.

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

who use them or to the environment.

#### 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 \$7.6 million, \$8.3 million and \$7.1 million for the years ended December 31, 1997, 1996 and 1995, respectively.

#### Backlog of Orders and Inventory

As of December 31, 1997 and 1996, the Company's long distance services segment had a backlog of equipment sales orders of approximately \$104,000 and \$364,000, respectively. The decrease in backlog as of December 31, 1997 can be attributed primarily to faster completion of outstanding sales orders in 1997 as compared to 1996. The Company expects that all of the orders in backlog at the end of 1997 will be delivered during 1998.

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

Telecommunication and Local Services. Neither the Company nor its affiliates hold patents, trademarks, franchises or concessions for telecommunications services or local services. 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 long distance 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 30-megahertz block of spectrum for providing PCS services in Alaska. The PCS license has an initial duration of 10 years. The Company expects to renew the PCS license for an additional 10-year term under FCC rules. The Company's operations may require additional licenses in the future.

Cable Services. Applications for transfer of control of 15 certificates of public convenience and necessity held by the acquired cable companies to the Company were approved in an APUC order dated September 23, 1996, with transfers to be effective on October 31, 1996. Such transfer of control allowed the Company to take control and operate the cable systems of the acquired cable companies located in Alaska.

The approval of the transfer of the 15 certificates of public convenience and necessity to the Company by the FCC is not required under federal law, with one area of limited exception. The

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Cable Companies operate in part through the use of several radio-band frequencies licensed through the FCC. These licenses were transferred to the Company prior to October 31, 1996.

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

#### Regulation, Franchise Authorizations and Tariffs

The following summary of regulatory developments and legislation does not purport to describe all present and proposed federal, state, and local regulation and legislation affecting the telecommunications and cable television industries. Other existing federal and state regulations are currently the subject of judicial proceedings, legislative hearings and administrative proposals which could change, in varying degrees, the manner in which these industries operate. Neither the outcome of these proceedings nor their impact upon the telecommunications and cable television industries or the Company can be predicted at this time. This section also sets forth a brief description of regulatory, environmental, and tariff issues pertaining to the operations of the Company.

The Company is subject to regulation by the FCC and by the APUC as a non-dominant provider of long distance services. Among other regulatory requirements, the Company is required to file tariffs with the FCC for interstate and international service, and with the APUC for intrastate service but such tariffs routinely become effective without intervention by the FCC, APUC or other third parties since the Company is a non-dominant carrier. The Company received approval from the APUC in February 1997 to permit the Company to provide local exchange services throughout ATU's existing service area. Military franchise requirements also affect the Company in its provision of telecommunications and cable television services to military bases.

1996 Telecom Act. A key industry development was passage of the 1996 Telecom Act that was signed into law February 8, 1996. The Act is intended by Congress to open up the marketplace to competition and is expected to have a dramatic impact on the telecommunications industry. The legislation breaks down the old barriers that prevented three groups of companies, the LECs, including the RBOCs, 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 RBOCs, must open up their networks.

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.

The 1996 Telecom Act substantially changed the competitive and regulatory environment for telecommunications providers by significantly amending The Communications Act of 1934 including certain of the rate regulation provisions previously imposed by the Cable Television Consumer Protection and Competition Act of 1992 (the "1992 Cable Act"). The 1996 Telecom Act provides that rate regulation of the cable programming service tier will be phased out altogether in 1999. Further, the regulatory environment will continue to change pending, among other things, the outcome of legal challenges and FCC rulemaking and enforcement activity in respect of the 1992 Cable Act and the completion of a significant number of FCC rulemakings under the 1996 Telecom Act.

The FCC adopted detailed rules in 1996 to govern interconnection to incumbent local networks by new market entrants. Some LECs and state public utility commissions appealed these rules to the U.S. Court of Appeals, which prevented most of the pricing rules from taking effect, pending a full review by the court.

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In 1997, the court struck down the FCC's pricing rules. It ruled that the Telecom Act left jurisdiction over pricing matters to the states. The court also struck down certain other FCC rules on jurisdictional or substantive grounds. The U.S. Supreme Court has agreed to review the appeals court decision.

In 1997, the FCC issued important decisions on the structure and level of access charges and universal service. These decisions will impact the industry in several ways, including the following:

- An additional subsidy was created to support telecommunications services for schools, libraries and rural health care providers. All carriers providing telecommunications services will be required to fund this program, which is capped at \$2.7 billion per year. However, LECs can pass their portion of these costs on to long distance carriers.
- Per-minute interstate access rates charged by LECs will decline over time to become cost-based, beginning in July 1997.
- Certain monthly flat-rate charges paid by some local telephone customers will increase beginning in 1998.
- Certain per-minute access charges paid by long distance companies were converted to flat monthly charges based on pre-subscribed lines.
- A basis has been established for replacing implicit access subsidies with an explicit interstate universal service fund beginning in 1999.

A number of LECs, long distance companies and others have appealed some or all of the FCC's orders. The effective date of the orders has not been delayed, but the appeals are expected to take a year or more to conclude. The impact of these FCC decisions on the Company is difficult to determine, but is not expected to be material.

Some BOCs have also challenged the Telecom Act restrictions on their entry into long distance markets as unconstitutional. A federal district court in Wichita Falls, Texas, ruled the restrictions unlawful because they constituted a legislative act that imposed punishment without a judicial proceeding. The United States government and others filed appeals of this decision. The federal district court delayed implementing its decision pending resolution of the appeals. The Company is unable to predict the outcome of such rulemakings or

litigation or the substantive effect (financial or otherwise) of the 1996 Telecom Act and the rulemakings on the Company.

The Company is also subject to federal and state regulation as a cable television operator pursuant to the Cable Communications Policy Act of 1984 (the "1984 Cable Act") and 1992 Cable Act, both amended by the 1996 Telecom Act. The 1992 Cable Act significantly expanded the scope of cable television regulation on an industry-wide basis by imposing rate regulation, carriage requirements for local broadcast stations, customer service obligations and other requirements. The 1992 Cable Act and the FCC's rules implementing that Act generally have increased the administrative and operational expenses and in certain instances required rate reductions for cable television systems and have resulted in additional regulatory oversight by the FCC and state or local (depending on the regulatory scheme) authorities.

Because the Company is authorized to offer local exchange services in Anchorage, it will be regulated as a CLEC by the APUC. In addition, the Company will be subject to other regulatory requirements, including certain requirements imposed by the 1996 Telecom Act on all LECs, which requirements include permitting resale of LEC services, number portability, dialing parity, and reciprocal compensation.

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

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Other

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

General. The Company's property, plant and equipment totaled \$224.4 million at December 31, 1997, of which \$131.3 relates to telecommunications services, \$74.5 relates to cable services, and \$18.6 relates to local services. These properties consist primarily of switching equipment, satellite earth stations, fiber-optic networks, microwave radio and cable and wire facilities, cable head-end equipment, coaxial distribution networks, transportation equipment, computer equipment and general office equipment. Substantially all of the Company's properties secure its credit agreement and senior loan. See note 6 to the Notes to Consolidated Financial Statements included in Part II of this Report for further discussion.

Telecommunication Services. The Company operates a state-of-the-art, competitive telecommunications network employing the latest digital transmission technology based upon fiber optic and digital microwave facilities within and between Anchorage, Fairbanks and Juneau. The Company's network includes a digital fiber optic cable linking Alaska to the contiguous 48 states and providing access to other carriers' networks for communications around the world. The Company uses satellite transmission to remote areas of Alaska and for certain interstate traffic.

The Company's long distance services segment owns properties and facilities including satellite earth stations, and distribution, transportation and office equipment. Additionally, the Company acquired in December 1992, access to capacity on an undersea fiber optic cable from Seward, Alaska to Pacific City, Oregon. The undersea fiber optic cable capacity is owned subject to an outstanding mortgage.

The Company entered into a purchase and lease-purchase option agreement in August 1995 for the acquisition of satellite transponders on the Hughes Galaxy X satellite to meet its long-term satellite capacity requirements. The balance payable upon expected delivery of the transponders in the third quarter of 1998 is not expected to exceed \$41 million. The Company's remaining commitment will likely be funded from its senior credit agreement. The purchase and lease-purchase option agreement provides for the interim lease of transponder capacity on the Hughes Galaxy IX satellite from June 1996 through the delivery of the purchased transponders.

The Company leases its long distance services industry segment's executive, corporate and administrative facilities in Anchorage, Fairbanks and Juneau, Alaska. 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.

Cable Services. The Cable Systems serve 26 communities and areas in Alaska including Anchorage, Fairbanks and Juneau, the state's three largest urban areas. As of December 31, 1997 the Cable Systems consisted of approximately 1,820 miles of installed cable plant having between 300 to 450 MHz of channel capacity (or enough capacity to carry from 70 to 130 channels). The Company leases its cable services industry segment's operating facilities in substantially all locations. Such properties are in good condition. The Company considers its properties suitable and adequate for its present and anticipated future needs.

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Local Services. The Company operates a state-of-the-art, competitive telecommunications network employing the latest digital transmission technology based upon fiber optic facilities within Anchorage. The Company leases its local services industry segment's operating facilities in Anchorage. Such properties are in good condition. The Company considers its properties suitable and adequate for its present and anticipated future needs.

Item 3. LEGAL PROCEEDINGS

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

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

- (a) Date of meeting - November 25, 1997  
Nature of meeting - 1997 annual meeting

(b) Election of Directors:

Names of directors elected at the meeting:

Ronald A. Duncan	Votes: 75,488,274 For; 333,094 Withheld
Jeffery C. Garvey	Votes: 75,489,066 For; 332,302 Withheld
William P. Glasgow	Votes: 75,149,466 For; 671,902 Withheld
Donald Lynch	Votes: 75,149,965 For; 671,403 Withheld
Larry E. Romrell	Votes: 72,208,309 For; 3,612,310 Withheld

Names of directors whose term of office continued after the meeting:

Carter F. Page  
Robert M. Walp  
Donne F. Fisher  
John W. Gerdelman  
James M. Schneider

(c) Other matters voted upon:

Adoption of an amendment to the Restated Articles of Incorporation for the Company increasing the number of authorized shares of Class A common stock from 50 million to 100 million shares.

Votes: 75,185,292 For; 584,104 Against; 51,972 Abstain

Increasing the number of shares of the Company's Class A common stock allocated to the Company's Revised 1986 Stock Option Plan by 2.5 million shares of Class A common stock.

Votes: 68,118,255 For; 3,036,531 Against; 69,564 Abstain

(d) Not applicable.

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PART II

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

Market Information for Common Stock

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 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.

<TABLE>  
<CAPTION>

	Class A		Class B	
	High <C>	Low <C>	High <C>	Low <C>
1996:				
First Quarter	6 7/8	4 1/2	6 7/8	4 1/2
Second Quarter	9 1/4	6	9 1/4	6
Third Quarter	8 3/8	5 3/4	8 3/8	5 3/4
Fourth Quarter	8 1/4	5 3/4	8 1/4	5 3/4
1997:				
First Quarter	8 1/8	6	8 1/8	6
Second Quarter	8 5/8	6 1/4	8 5/8	6 1/4
Third Quarter	9 1/4	6 1/2	9 1/4	6 1/2
Fourth Quarter	8 1/8	6 3/8	8 1/8	6 3/8

</TABLE>

#### Holders

As of December 31, 1997 there were 1,768 holders of record of the Company's Class A common stock and 665 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

GCI and GCI, Inc. have never paid cash dividends on their common stock and have no present intention of doing so. Payment of cash dividends in the future, if any, will be determined by the Company's Board of Directors in light of the Company's earnings, financial condition and other relevant considerations. The Company's existing bank loan agreements contain provisions that prohibit payment of dividends, other than stock dividends (see note 6 to the Consolidated Financial Statements included in Part II of this Report).

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#### Item 6. SELECTED FINANCIAL DATA

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

<TABLE>  
<CAPTION>

	Years ended December 31,				
	1997	1996	1995	1994	1993
(Amounts in thousands except per share amounts)					
Revenues 1	\$ 223,809	164,894	129,279	116,981	102,213
Net earnings (loss) before income taxes and extraordinary item 2	\$ (2,235)	12,690	12,601	11,681	6,715
Loss on early extinguishment of debt, net of income tax benefit of \$180	\$ 521	0	0	0	0
Net earnings (loss)	\$ (2,183)	7,462	7,502	7,134	3,951
Basic net earnings (loss) per common share	\$ (0.05)	0.28	0.32	0.30	0.19
Diluted net earnings (loss) per common share	\$ (0.05)	0.27	0.31	0.30	0.18
Total assets 3	\$ 545,302	447,335	84,765	74,249	71,610
Long-term debt, including current portion 3	\$ 250,084	223,242	9,980	12,554	20,823
Obligations under capital leases, including current portion	\$ 1,188	746	1,047	1,297	1,522
Total stockholders' equity 3, 4	\$ 204,439	149,554	43,016	35,093	27,210
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	0.00	0.00	0.44

</TABLE>

1 The 1997 revenue increase is primarily attributed to the Company's

reporting 12 months of cable television service revenues as compared to two months reported in 1996.

- 2 The Company's net loss in 1997 is attributed to additional depreciation, amortization and interest expense resulting from the cable company acquisitions in October 1996 and startup losses from the Company's entry into the local services segment.
- 3 Increases in the Company's total assets, long-term debt and stockholders' equity in 1996 as compared to 1995 result in part from the cable company acquisitions and MCI stock issuance described in notes (2) and (8) to the Notes to Consolidated Financial Statements included in Part II of this Report.
- 4 The 1997 increase in stockholders' equity is primarily attributed to the Company's equity offering in August 1997, described in note (8) to the accompanying Notes to Consolidated Financial Statements included in Part II of this Report.
- 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 (6) to the Notes to Consolidated Financial Statements included in Part II of this Report.
- 6 The Company declared and issued stock dividends of approximately 304,000 shares of Class B Common Stock in 1992, and paid dividends totaling \$153,000 in 1993 on its non-voting Series A 15% Convertible Cumulative Preferred Stock. The Preferred Stock was acquired and retired in 1993.

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

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements and the notes thereto and the other financial data appearing elsewhere. As used herein, EBITDA consists of earnings before interest (net), income taxes, depreciation, amortization and other income (expense). EBITDA is a measure commonly used in the telecommunications and cable television industries to analyze companies on the basis of operating performance. It is not a measure of financial performance under generally accepted accounting principles and should not be considered as an alternative to net income as a measure of performance nor as an alternative to cash flow as a measure of liquidity.

FACTORS AFFECTING FUTURE PERFORMANCE

Future operating results of the Company will depend upon many factors and will be subject to various risks and uncertainties, including those set forth in this and other sections of Form 10-K. The information contained in Form 10-K includes forward-looking statements regarding the Company's future performance. Future results of the Company may differ materially from any forward-looking statement due to such assumptions and risks. Future performance cannot be ensured.

OVERVIEW

Long Distance Telecommunications Services. The Company has historically reported revenues principally from the provision of interstate and intrastate long distance telecommunications services to residential, commercial and governmental customers and to other common carriers (principally MCI Telecommunications, Inc. ("MCI") and U.S. Sprint ("Sprint")). These services accounted for approximately 93.3% of the Company's telecommunications services revenues during 1997. The balance of telecommunications services revenues have been attributable to corporate network management contracts, telecommunications equipment sales and service and other miscellaneous revenues (including revenues from prepaid and debit calling cards, the installation and leasing of customers' very small aperture terminal ("Vsat") equipment and fees charged to MCI and Sprint for certain billing services). Factors that have the greatest impact on year-to-year changes in telecommunications services revenues include the rate per minute charged to customers and usage volumes, usually expressed as minutes of use. These factors in turn depend in part upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, in particular oil production, as well as tourism, government and United States military spending.

The Company's telecommunications cost of sales and services has consisted principally of the direct costs of providing services, including local access charges paid to LECs for the origination and termination of long distance calls in Alaska, fees paid to other long distance carriers to carry calls that terminate in areas not served by the Company's network (principally the lower 49 states, most of which calls are carried over MCI's network, and international locations, which calls are carried principally over Sprint's network), and the cost of equipment sold to the Company's customers. During 1997, local access charges accounted for 46.3% of telecommunications cost of sales and services, fees paid to other long distance carriers represented 37.9%, satellite transponder lease and undersea fiber maintenance costs represented 9.2%, telecommunications equipment accounted for 3.4%, and enterprise services and outsourcing costs represented 2.1% of telecommunications cost of sales and services.

The Company's telecommunications selling, general, and administrative expenses have consisted of operating and engineering, service, sales and communications, management information systems, general and administrative, legal and regulatory expenses. Most of these expenses consist of salaries, wages and benefits of personnel and certain other indirect costs (such as rent, travel, utilities and certain equipment costs). A significant portion of telecommunications selling, general, and administrative expenses, 28.7% during 1997, represents the cost of the Company's advertising, promotion and market analysis programs.

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Cable Services. Following the cable system acquisitions effective October 31, 1996, the Company now reports a significant level of revenues and EBITDA from the provision of cable services. During 1997, cable revenues and EBITDA represented 24.7% and 60.6%, respectively, of consolidated revenues and EBITDA. The cable systems serve 26 communities and areas in Alaska, including the state's three largest population centers, Anchorage, Fairbanks and Juneau.

The Company generates cable services revenues from three primary sources: (1) programming services, including monthly basic or premium subscriptions and pay-per-view movies or other one-time events, such as sporting events; (2) equipment rentals or installation; and (3) advertising sales. During 1997 programming services generated 86.8% of total cable services revenues, equipment rental and installation fees accounted for 7.7% of such revenues, advertising sales accounted for 3.9% of such revenues, and other services accounted for the remaining 1.6% of total cable services revenues. The primary factors that contribute to year-to-year changes in cable services revenues are average monthly subscription and pay-per-view rates, the mix among basic, premium and pay-per-view services, and the average number of subscribers during a given reporting period.

The cable systems' cost of sales and selling, general and administrative expenses have consisted principally of programming and copyright expenses, labor, maintenance and repairs, marketing and advertising, rental expense, and property taxes. During 1997 programming and copyright expenses represented approximately 40.1% of total cable cost of sales and selling, general and administrative expenses. Marketing and advertising costs represented approximately 6.0% of such total expenses.

Local Services. The Company began offering local exchange services in Anchorage during late September 1997. Local exchange services revenues totaled \$610,000 representing less than 1.0% of total revenues in 1997. The Company expects local services revenues to represent less than 6.0% of total revenues in 1998. During 1997 operating and engineering expenses represented approximately 12.0% of total local services cost of sales and selling, general and administrative expenses. Marketing and advertising costs represented approximately 6.0% of such total expenses, customer service, and general and administrative costs represented approximately 75.9% of such total expenses. The Company expects that it will generate operating losses and negative EBITDA from local exchange services during 1998.

PCS Services. The Company began developing plans for PCS wireless communications service deployment in 1995 and is currently evaluating various vendors for a proposed PCS network. In 1997 the Company conducted a technical trial of its candidate technology. The Company currently expects to launch PCS service in Anchorage in 1999, although it may be deferred beyond that date.

Depreciation and amortization and interest expense on a consolidated basis is expected to be higher in 1998 as compared to 1997 resulting primarily from additional depreciation on 1997 and 1998 capital expenditures. As a result, the Company anticipates recording a net loss in 1998.

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RESULTS OF OPERATIONS

The following table sets forth selected Statement of Operations data as a percentage of total revenues for the periods indicated:

<TABLE>  
<CAPTION>

	Year Ended December 31,			Percentage Change	
	-----			1996	1997
	1997	1996	1995	vs. 1995	vs. 1996
	<C>	<C>	<C>	<C>	<C>
<b>Statement of Operations Data:</b>					
<b>Revenues:</b>					
Telecommunications services	100.0%	94.3%	75.1%	20.2%	8.1%
Cable services	--	5.7%	24.6%	--	482.2%
Local services	--	--	0.3%	--	--
	-----	-----	-----	-----	-----
Total revenues	100.0%	100.0%	100.0%	27.5%	35.7%
Cost of sales and services	55.8%	56.2%	49.6%	28.5%	19.9%
Selling, general and administrative expenses	29.2%	28.1%	32.9%	23.1%	58.5%
Depreciation and amortization	4.6%	5.7%	10.6%	57.0%	152.6%
	-----	-----	-----	-----	-----
Operating income	10.4%	10.0%	6.9%	21.5%	(6.3)%
	-----	-----	-----	-----	-----
Net earnings (loss) before income taxes and extraordinary item	9.7%	7.7%	(1.0)%	0.7%	(117.6)%
Extraordinary item	--	--	(0.2)%	--	--
	-----	-----	-----	-----	-----
Net earnings (loss)	5.8%	4.5%	(1.0)%	(0.5)%	(129.3)%
	-----	-----	-----	-----	-----
<b>Other Operating Data:</b>					
Cable operating income (1)	--	23.2%	18.9%	--	374.6%
Cable EBITDA (1)	--	46.6%	43.0%	--	437.7%
Local operating loss (2)	--	--	(708.5)%	--	396.8%
Local EBITDA (2)	--	--	(622.5)%	--	336.4%
Consolidated EBITDA	15.1%	15.7%	17.5%	63.9%	51.6%

</TABLE>

- (1) Computed as a percentage of total cable services revenues.  
(2) Computed as a percentage of total local services revenues.

Year Ended December 31, 1997 Compared to Year Ended December 31, 1996.

Revenues

Total revenues increased 35.7% from \$164.9 million in 1996 to \$223.8 million in 1997. The Company reported two months' of cable services revenues in 1996 following its acquisition of the Cable Systems effective October 31, 1996. Cable revenues increased \$45.7 million to \$55.2 million resulting from 12 months' of activity being recorded in 1997. Long distance transmission revenues from commercial, residential, governmental, and other common carrier customers increased 9.8% from \$142.6 million in 1996 to \$156.6 million in 1997. This increase reflected a 9.0% increase in interstate minutes of use to 620.8 million minutes and a 9.8% increase in intrastate minutes of use to 133.1 million minutes. Long distance revenue growth in 1997 was largely due to a 22.3% increase in revenues from other common carriers (principally MCI and Sprint), from \$48.0 million in 1996 to \$58.7 million in 1997 and a 12.7% increase in private line and private network transmission services revenues, from \$14.1 million in 1996 to \$15.9 million in 1997.

The above increases in revenues were offset in part by a 1.1% reduction in the Company's average rate per minute on long distance traffic from \$0.179 per minute in 1996 to \$0.177 per minute in 1997. The decrease in rates resulted from the Company's promotion of and customers' enrollment in new calling plans offering discounted rates and length of service rebates, such new plans being prompted in part by the Company's primary long distance competitor, AT&T Alascom, reducing its rates and entry of local exchange carriers into long distance markets served by the Company. Systems sales and services revenues decreased 6.4% from \$10.9 million in 1996 to \$10.2 million in 1997, primarily due to a reduced number of large equipment sales transactions in 1997 as compared to 1996. Other long distance revenues decreased \$0.7 million to \$1.1 million due primarily to reduced revenues from short term Vsat leases.

## Cost of Sales and Services

Cost of sales and services totaled \$92.7 million in 1996 and \$111.1 million in 1997. As a percentage of total revenues, cost of sales and services decreased from 56.2% in 1996 to 49.6% in 1997. The decrease in cost of sales and services as a percentage of revenues is primarily attributed to changes in the Company's product mix. The Company reported 12 months of cable operations in 1997 as compared to two months in 1996. Cable cost of sales and services as a percentage of sales are less than long distance and local services cost of sales and services as a percentage of sales. The increase in cable revenues as a percentage of total revenues (5.8% in 1996 to 24.7% in 1997) resulted in an overall decrease in the Company's cost of sales and services as a percentage of sales.

Additionally, cost of sales and services as a percentage of revenues were reduced in part by reductions in the rate per minute billed to the Company for the local access and interstate termination services it obtains from third parties. Decreases in 1997 cost of sales and services as compared to 1996 were offset in part by refunds in the first two quarters of 1996 aggregating approximately \$960,000 from a local exchange carrier and the National Exchange Carriers Association in respect of earnings by them that exceeded regulatory requirements.

## Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 58.6% from \$46.4 million in 1996 to \$73.6 million in 1997, and, as a percentage of revenues, increased from 28.1% in 1996 to 32.9% in 1997. This increase resulted from:

1. The Company's reporting 12 months' of cable television selling, general and administrative expenses in 1997 (\$18.8 million) as compared to two months' in 1996 (\$3.0 million).
2. Operating, engineering, sales, customer service and administrative costs totaling \$4.1 million as compared to \$870,000 in 1996 associated with the Company's local services segment which initiated service in September 1997.
3. Increased telecommunication general and administrative expenses of \$5.1 million in 1997 due to increased personnel and other costs in customer service, engineering, operations, accounting, human resources, legal and regulatory, and management information services. Cost increases were associated with the development, introduction, or planned introduction, and support of new products and services including cable television services, rural message and data telephone services, PCS services, and Internet services. Increased customer service expenses were associated with support of increased sales volumes and expenditures necessary to integrate customer service operations across product lines.
4. Bad debt expense totaling \$3.0 million for 1997 compared to \$1.7 million in 1996 (directly associated with increased revenues).
5. Increased telecommunication segment sales, advertising and telemarketing costs totaling \$13.0 million in 1996 compared to \$14.8 million in 1997. Increased selling costs were associated with the introduction of various marketing plans and other proprietary rate plans and cross promotion of products and services.

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## Depreciation and Amortization

Depreciation and amortization expense increased 153.2% from \$9.4 million in 1996 to \$23.8 million in 1997. Of this increase, \$13.3 million resulted from the Company's acquisition of the cable systems effective October 31, 1996, with the balance of the increase attributable to the Company's \$38.6 million investment in facilities during 1996 for which a full year of depreciation was recorded during the year ending December 31, 1997 and the 1997 investment of \$73.7 million in facilities for which a partial year of depreciation was recorded during 1997.

## Interest Expense, Net

Interest expense, net of interest income, increased 375.7% from \$3.7 million in 1996 to \$17.6 million in 1997. This increase resulted primarily from increases in the Company's average outstanding indebtedness resulting primarily from its acquisition of the Cable Systems, construction of new facilities in rural Alaska, expansion and upgrades of cable television facilities, and investment in local services equipment and facilities. Such increases were offset in part by increases in the amount of interest capitalized during 1997.

#### Loss on Extinguishment of Debt

The Company recorded a net loss on extinguishment of debt of \$521,000 in 1997 resulting from refinancing its previously outstanding Senior Credit Facility effective August 1, 1997. The loss resulted from the write-off of unamortized deferred debt issuance costs. The loss is reported in the accompanying Consolidated Financial Statements net of an income tax benefit of \$180,000.

#### Income Tax Expense

Income tax expense decreased from \$5.2 million in 1996 to a benefit of \$0.6 million in 1997 due to the Company incurring a net loss before income taxes and extraordinary item in 1997 as compared to net earnings in 1996. The Company's effective income tax rate decreased from 41.2% in 1996 to 25.6% in 1997 due to the net loss and the proportional amount of items that are nondeductible for income tax purposes.

As a result of its acquisition of the Cable Companies, the Company has available net operating loss carryforwards for income tax purposes totaling \$37.6 million at December 31, 1997 which begin to expire in 2004 if not utilized. The Company's utilization of these carryforwards is subject to certain limitations pursuant to section 382 of the Internal Revenue Code.

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 periods are reduced. The Company estimates that its effective income tax rate for financial statement purposes will be approximately 25% in 1998. The Company expects that its operations will generate net income before income taxes during the carryforward periods to allow utilization of loss carryforwards for which no allowance has been established.

A deferred tax asset was established related to these 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 periods are reduced.

Year Ended December 31, 1996 Compared to Year Ended December 31, 1995.

#### Revenues

Total revenues increased 27.5% from \$129.3 million in 1995 to \$164.9 million in 1996. Long distance transmission revenues from commercial, residential, governmental, and other common carrier customers increased 18.8% from \$120.0 million in 1995 to \$142.6 million in 1996. This increase reflected a 22.6% increase in interstate minutes of use to 569.6 million minutes and a 29.8%

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increase in intrastate minutes of use to 121.2 million minutes, principally due to a new marketing program which the Company launched during the third quarter of 1995. This program consisted of the introduction of a new flat-rate calling plan ("Great Rate") coupled with telemarketing, direct sales, and the promotion of a \$1 million sweepstakes. Revenue growth in 1996 was also due to a 23.7% increase in revenues from other common carriers (principally MCI and Sprint), from \$38.8 million in 1995 to \$48.0 million in 1996 and a 23.7% increase in private line and private network transmission services revenues, from \$11.4 million in 1995 to \$14.1 million in 1996. Systems sales and services revenues increased 47.3% from \$7.4 million in 1995 to \$10.9 million in 1996, primarily due to the commencement in the second quarter of 1996 of services provided under a new outsourcing contract with National Bank of Alaska. The Company also reported two months' of cable services revenues in 1996 following its acquisition of the Cable Systems effective October 31, 1996.

The above increases in revenues were offset in part by a 6.3% reduction in the Company's average rate per minute on long distance traffic from \$0.191 per minute in 1995 to \$0.179 per minute in 1996. The decrease in rates resulted from the Company's promotion of and customers' enrollment in new calling plans offering discounted rates and length of service rebates, such new plans being prompted in part by the Company's primary long distance competitor, AT&T Alascom, reducing its rates.

#### Cost of Sales and Services

Cost of sales and services was \$72.1 million in 1995 and \$92.7 million in 1996. As a percentage of total revenues, cost of sales and services increased from 55.8% in 1995 to 56.2% in 1996. The increase in cost of sales and services as a percentage of revenues during 1996 as compared to 1995 resulted primarily from the reduced average rate per minute billed to customers in 1996 as compared to 1995 without an offsetting reduction in the rate per minute billed to the Company for the local access and interstate termination services it obtains from third parties. These increases were offset in part by refunds in the first two

quarters of 1996 aggregating approximately \$960,000 from a local exchange carrier and the National Exchange Carriers Association in respect of earnings by them that exceeded regulatory requirements.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 23.1% from \$37.7 million in 1995 to \$46.4 million in 1996, and, as a percentage of revenues, decreased from 29.2% in 1995 to 28.1% in 1996. Selling, general and administrative expenses increased as a result of increased sales and customer service volumes, bad debt expense totaling \$1.7 million for 1996 compared to \$1.5 million in 1995 (directly associated with increased revenues), and increased sales, advertising and telemarketing costs totaling \$9.9 million in 1995 compared to \$13.3 million in 1996 due to the introduction of various marketing plans and other proprietary rate plans. Additionally, selling, general and administrative expenses increased in 1996 due to increased personnel and other costs totaling \$2.7 million in sales, engineering, operations, accounting, human resources, legal and regulatory, and management information services. Such costs were associated with the development and introduction, or planned introduction, of new products and services including local services, cable television services, rural message and data telephone services, PCS services, and Internet services.

#### Depreciation and Amortization

Depreciation and amortization expense increased 56.7% from \$6.0 million in 1995 to \$9.4 million in 1996 resulting primarily from the Company's acquisition of the cable systems effective October 31, 1996 and the Company's \$8.9 million investment in facilities during 1995 for which a full year of depreciation was recorded during the year ending December 31, 1996 and the 1996 investment of \$38.6 million in facilities for which a partial year of depreciation was recorded during 1996.

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#### Interest Expense, Net

Interest expense, net of interest income, increased 311.1% from \$0.9 million in 1995 to \$3.7 million in 1996. This increase resulted primarily from increases in the Company's average outstanding indebtedness resulting primarily from its acquisition of the Cable Systems and capital expenditures. Such increases were offset in part by increases in the amount of interest capitalized during 1996.

#### Income Tax Expense

Income tax expense increased 2.0% from \$5.1 million in 1995 to \$5.2 million in 1996 due to an increase in net earnings before income taxes and a higher effective income tax rate from 40.5% in 1995 to 41.2% in 1996.

#### SEASONALITY; FLUCTUATIONS IN QUARTERLY RESULTS OF OPERATIONS

The following chart provides selected unaudited statement of operations data from the Company's quarterly results of operations during 1996 and 1997:

<TABLE>  
<CAPTION>

	(Dollars in thousands, except per share amounts)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
<S>	<C>	<C>	<C>	<C>	<C>
1996					
-----					
Revenues					
Telecommunications services	\$ 37,969	39,199	38,664	39,587	155,419
Cable services	--	--	--	9,475	9,475
-----					
Total revenues	37,969	39,199	38,664	49,062	164,894
Operating income	3,947	3,970	4,017	4,475	16,409
Net earnings	\$ 2,137	2,150	2,140	1,035	7,462
-----					
Basic net earnings per share	\$ 0.09	0.09	0.08	0.03	0.28
-----					
Diluted net earnings per share	\$ 0.08	0.08	0.08	0.03	0.27
-----					

Other financial data:

Cable EBITDA	\$ --	--	--	4,416	4,416
-----					
Consolidated EBITDA	\$ 5,834	5,888	5,829	8,267	25,818
-----					
1997	----				
Revenues					
Telecommunications services	\$ 39,225	42,131	44,407	42,271	168,034
Cable services	13,656	14,055	13,294	14,160	55,165
Local services	--	--	255	355	610
-----					
Total revenues	52,881	56,186	57,956	56,786	223,809
Operating income	3,292	2,786	3,786	5,518	15,382

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<TABLE>  
<CAPTION>

	(Dollars in thousands, except per share amounts)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
	-----				
<S>	<C>	<C>	<C>	<C>	<C>
Extraordinary item, net of income tax benefit	--	--	433	88	521
Net income (loss)	\$ (525)	(832)	(928)	102	(2,183)
-----					
Basic net earnings (loss) per share	\$ (0.01)	(0.02)	(0.02)	0.00	(0.05)
-----					
Diluted net earnings (loss) per share	\$ (0.01)	(0.02)	(0.02)	0.00	(0.05)
-----					
Other financial data:					
Cable EBITDA	\$ 6,025	5,863	5,687	6,168	23,743
-----					
Local EBITDA	\$ (634)	(814)	(540)	(2,443)	(3,797)
-----					
Consolidated EBITDA	\$ 9,412	8,394	9,553	11,790	39,149
-----					

</TABLE>

Total revenues for the quarter ended December 31, 1997 were \$56.8 million, representing a 2.1% decrease from total revenues in the third quarter of 1997 of \$58.0 million. This decrease in revenues resulted in part from (1) a 4.7% decrease in telecommunications services revenues to \$42.3 million in the fourth quarter of 1997 from \$44.4 million during the third quarter of 1997. This decrease is attributable in part to a decrease in minutes of traffic carried during the fourth quarter of 1997 of approximately 7.6 million minutes as compared to the third quarter of 1997 (a 3.9% decrease), and (2) a decrease in the average rate per minute billed during the fourth quarter of 1997 of approximately \$0.005 as compared to the third quarter of 1997 (a 2.7% decrease). Long distance telecommunications revenues are generally lower during the winter months as compared to the summer months. In addition, entry of two local exchange carriers into the Anchorage area long distance market contributed to the reductions in revenue and minutes of use. Partially offsetting this decrease was an increase in cable services revenues to \$14.2 million in the fourth quarter of 1997 from \$13.3 million in the third quarter of 1997. As further described below, cable revenues are generally higher during the winter months as compared to the summer months.

Cost of sales and services for the quarter ended December 31, 1997 were \$25.3 million, representing a 12.5% decrease from total cost of sales and services in the third quarter of 1997 of \$28.9 million. Reduced cost of sales resulted from reduced revenues during the fourth quarter as previously described and cost reductions as a percentage of revenues in the fourth quarter as compared to the third quarter of 1997.

Selling, general and administrative expenses increased \$198,000 during the fourth quarter of 1997 as compared to the third quarter of 1997 principally as a result of personnel, sales, engineering, operations, customer service,

management information systems, accounting, human resources, legal and regulatory expenses associated with the development and introduction, or planned introduction, of new products and services including local services, PCS services and Internet services.

The Company reported a net income of \$102,000 for the fourth quarter of 1997 as compared to a net loss of \$928,000 during the third quarter of 1997. The reduced net loss was primarily attributable to (1) fourth quarter cost of sales and services reductions that exceeded the reduction in revenues as compared to the third quarter, and (2) the write-off of \$701,000 in deferred debt issuance costs during the third quarter of 1997.

Long distance revenues have historically been highest in the summer months as a result of temporary population increases attributable to tourism and increased seasonal economic activity

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such as construction, commercial fishing, and oil and gas activities. Cable television revenues, on the other hand, are higher in the winter months because consumers spend more time at home and tend to watch more television during these months. Local service operations are not expected to exhibit significant seasonality. The Company's ability to implement construction projects is also reduced during the winter months because of cold temperatures, snow and short daylight hours.

#### ACCOUNTING PRONOUNCEMENTS

In June 1997, the Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Comprehensive income includes all changes in equity during a period except those due to owner investments and distributions. It includes items such as foreign currency translation adjustments, and unrealized gains and losses on available-for-sale securities. This standard does not change the display or components of present-day net income. Statement 130 is applicable to all entities that provide a full set of financial statements consisting of a statement of financial position, results of operations and cash flows. SFAS No. 130 is effective for interim and annual periods beginning after December 15, 1997. Management of the Company expects that adoption of SFAS No. 130 in the first quarter of 1998 will not have a material impact on the Company's financial statement disclosures.

In June 1997, the Accounting Standards Board issued SFAS No. 131, "Financial Reporting for Segments of a Business Enterprise" which applies to all public business enterprises. This new standard requires companies to disclose segment data based on how management makes decisions about allocating resources to segments and how it measures segment performance. SFAS 131 requires companies to disclose a measure of segment profit or loss, segment assets, and reconciliations to consolidated totals. It also requires entity-wide disclosures about a company's products and services, its major customers and the material countries in which it holds assets and reports revenues. Statement 131 is effective for financial statements for periods beginning after December 15, 1997. Management of the Company expects that adoption of SFAS No. 131 will not have a material impact on the Company's year-end 1998 financial statement disclosures.

In February 1998, the Accounting Standards Board issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." SFAS 132 standardizes the disclosure requirements for pensions and postretirement benefits where practical. It also eliminates certain disclosures and requires additional information on changes in benefit obligations and fair values of plan assets. The Company will adopt SFAS 132 in its 1998 year-end financial statements. SFAS 132 is not expected to have a significant effect on the Company's pension and postretirement benefit plan disclosures.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's 1997 cash flows from operating activities totaled \$30.8 million, net of changes in the components of working capital. Additional sources of cash during 1997 included long-term borrowings of \$268.3 million and class A common stock offering proceeds totaling \$50.8 million as further described below. The Company's expenditures for property and equipment, including construction in progress, totaled \$38.6 million and \$64.6 million in 1996 and 1997, respectively. Uses of cash during 1997 included repayment of \$231.0 million of long-term borrowings and capital lease obligations, payment of deferred debt issuance costs, underwriting fees and commissions totaling \$13.3 million, investment of \$39.4 million in restricted cash, payment of undersea fiberoptic cable construction deposits totaling \$9.1 million, and an increase in notes receivable of \$698,000.

Net receivables increased \$5.3 million from December 31, 1996 to December 31, 1997 resulting from increased revenues in 1997 as compared to 1996 and an

increase in refundable income taxes in 1997 of \$3.7 million.

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The Company reported a working capital deficit of \$22.8 million as of December 31, 1996. The Company's then existing credit facility matured within the following twelve-month period resulting in the outstanding balance as of December 31, 1996 being included in current maturities of long-term debt. Except for the classification of the Company's senior indebtedness as current, working capital at December 31, 1996 totaled \$4.6 million. Working capital at December 31, 1997 totaled \$5.0 million, a \$0.4 million increase from working capital recomputed at December 31, 1996.

General Communication, Inc. issued 7.0 million shares of its class A common stock on August 1, 1997 for \$7.25 per share, before deducting underwriting discounts and commissions. Net proceeds to General Communication, Inc. totaled \$48.0 million. Concurrently with the stock offering, GCI, Inc., a newly created wholly owned subsidiary of General Communication, Inc., issued \$180.0 million of 9.75% senior notes due 2007 to the public. Net proceeds to GCI, Inc. after deducting underwriting discounts and commissions totaled \$174.6 million.

Concurrently with the public offerings described above, GCI Holdings, Inc. ("Holdings", a newly created wholly-owned subsidiary of GCI, Inc.) entered into new \$200,000,000 and \$50,000,000 credit facilities effective August 1, 1997. The new facilities mature June 30, 2005 and bear interest at either Libor plus 0.75% to 2.5%, depending on the leverage ratio of Holdings and certain of its subsidiaries, or at the greater of the prime rate or the federal funds effective rate (as defined) plus 0.05%, in each case plus an additional 0.0% to 1.375%, depending on the leverage ratio of Holdings and certain of its subsidiaries. \$64.7 million was drawn on the credit facilities as of December 31, 1997.

The new credit facilities and the public notes impose restrictions on the operations and activities of the Company, including requirements that the Company comply with certain financial covenants and financial ratios. Under the credit facility, Holdings may not permit the ratio of senior debt to annualized operating cash flow of Holdings and certain of its subsidiaries to exceed 3.5 to 1.0, total debt to annualized operating cash flow to exceed 7.0 to 1.0, and annualized operating cash flow to interest expense to exceed 1.5 to 1.0. Each of the foregoing ratios decreases in specified increments during the life of the credit facility. The credit facility will also require Holdings to maintain a ratio of annualized operating cash flow to debt service of Holdings and certain of its subsidiaries of at least 1.25 to 1.0, and annualized operating cash flow to fixed charges of at least 1.0 to 1.0 (which adjusts to 1.05 to 1.0 in April, 2003 and thereafter). The credit facility will also limit capital expenditures of Holdings and certain of its subsidiaries to no more than \$55.0 million (post-closing), \$90.0 million, and \$65.0 million in 1997, 1998 and 1999, respectively. The public notes impose a requirement that the leverage ratio of GCI, Inc. and certain of its subsidiaries will not exceed 7.5 to 1.0 prior to December 31, 1999 and 6.0 to 1.0 thereafter, subject to the ability of GCI, Inc. and certain of its subsidiaries to incur specified permitted indebtedness without regard to such ratios.

Net proceeds from the public offerings and new credit facility were used to retire amounts owing under the Company's then existing credit agreements, fund \$50 million in capital for use in constructing an undersea fiberoptic cable, and for working capital requirements.

On January 27, 1998 Alaska United closed a \$75 million project finance facility ("Fiber Facility") to construct a fiber optic cable system connecting Anchorage, Fairbanks, Valdez, Whittier, Juneau and Seattle (see notes 13 and 14 to the accompanying Notes to Consolidated Financial Statements). The Fiber Facility provides up to \$75 million in construction financing and will bear interest at either Libor plus 3.0%, or at the lender's prime rate plus 1.75%. The interest rate will decline to Libor plus 2.5%-2.75%, or the lender's prime rate plus 1.25%-1.5% after the project completion date and when the loan balance is \$40,000,000-60,000,000 or less. \$1,018,750 was borrowed under the facility at closing. The Fiber Facility is a 10-year term loan that is interest only for the first 5 years. The facility can be extended to a 12 year term loan at any time between the second and fifth anniversary of closing the facility if the Company can demonstrate projected revenues from certain capacity commitments will be sufficient to pay all operating costs, interest and principal installments based on the extended maturity.

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The Fiber Facility contains, among others, covenants requiring certain intercompany loans and advances in order to maintain specific levels of cash flow necessary to pay operating costs, interest and principal installments. The Fiber Facility also contains a guarantee that requires, among other terms and conditions, Alaska United complete the project by the completion date and pay

any non-budgeted costs of the project.

The Fiber Facility is collateralized by all of Alaska United's assets, as well as a pledge of the partnership interests' owning Alaska United.

The Company's expenditures for property and equipment, including construction in progress, totaled \$65.5 million and \$38.6 million during 1997 and 1996, respectively. The Company anticipates that its capital expenditures in 1998 may total as much as \$225.0 million, including approximately \$40.0 million for satellite transponders and approximately \$125.0 million for new undersea fiber optic cable facilities which have been financed by the Alaska United Fiber System Partnership ("Alaska United"). Planned capital expenditures over the next five years include \$50.0 million to \$70.0 million to fund expansion of long distance facilities, between \$120.0 million and \$140.0 million to fund development, construction and operating costs of its local exchange and PCS networks and businesses; and between \$55.0 million and \$65.0 million to upgrade its cable television plant and to purchase equipment for new cable television services. Sources of funds for these planned capital expenditures include net proceeds of the public offerings described above, internally generated cash flows and borrowings under the Company's new credit facilities described above and borrowings on GCI Transport Co., Inc.'s new \$75 million project financing described above. All such funds will be necessary to complete the Company's planned capital expenditures.

The Alaska United project will provide a high capacity fiber optic link between Fairbanks, Anchorage, Valdez, and Juneau, Alaska, and the lower 48 states through Seattle, Washington. Its initial capacity will be more than five times the capacity of Alaska's current undersea fiber to the lower 48. After a preliminary route survey was completed and initial cost components determined, a detailed sea floor survey was commissioned. In November 1996, the Company paid \$1 million to conduct the sub-sea mapping. On August 1, 1997 the Company issued a down payment to TSS to begin construction. Manufacturing of the cable and its electronics has been underway since that time. The cable is expected to be laid from August to October 1998. Testing will occur after that, and services are expected to commence in December 1998.

Financing for Alaska United includes \$75 million through Credit Lyonnais and other lenders and \$50 million from funds raised through the issuance of senior notes described above.

The Company's ability to invest in discretionary capital and other projects will depend upon its future cash flows and access to borrowings under its credit facilities. Management anticipates that cash flow generated by the Company and borrowings under its credit facilities will be sufficient to meet its planned capital expenditures and working capital requirements

Effective December 2, 1997, the Company purchased all of the outstanding shares of Astrolabe Group, Inc. Astrolabe was founded in 1995 as a technology management consulting firm helping Alaska based clients effectively plan, implement and operationally manage their network and information system investments. Astrolabe helps clients throughout Alaska manage their rural telecommunication networks, distributed information systems and distance delivery of health care educational services. Astrolabe has been an integral part of the Company's School Access project, providing the Internet software infrastructure central to the value of the Company's distance education product offerings. Following the acquisition, Astrolabe was merged into GCI Communication Corp. and operates as a distinct division named GCI Network Solutions. The \$1,324,000 purchase was accounted for using the purchase method. The purchase price consisted of a payment of \$600,000 and the issuance of options to purchase 100,000 shares of GCI's Class A common stock for \$.01 per share.

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

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amount payable upon expected delivery of the transponders during the third quarter of 1998 is not expected to exceed \$41 million.

#### ALASKA ECONOMY

The Company offers telecommunication and video services to customers primarily throughout Alaska. As a result of this geographic concentration, the Company's growth and operations depend upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, and in particular oil production, as well as tourism, government, and United States military spending. Any deterioration in these markets could have an adverse impact on the Company. Oil revenues over the past several years have contributed in excess of 75% of the revenues from all segments of the Alaska economy and are expected to account for 77% in 1998.

The volume of oil transported by the TransAlaska Oil Pipeline System over the past 20 years has been as high as 2.0 million barrels per day in 1988. Over the past several years, it has begun to decline. The two largest producers of oil in Alaska (the primary users of the TransAlaska Oil Pipeline System) continue to explore, develop and produce new oil fields and to enhance recovery from existing fields to offset the decline in production from the Prudhoe Bay field. Both companies have invested large sums of money in developing and implementing oil recovery techniques at the Prudhoe Bay field and other nearby fields. New oil field development is expected to result in an increase in oil production in 2000 and 2001. Oil production is projected to decline over the long term at approximately 6 percent per year.

Effective March 1997, the State of Alaska passed new legislation relaxing state oil royalties with respect to marginal oil fields that the oil companies claim would not be economic to develop otherwise. No assurance can be given that these two oil companies or other oil companies doing business in Alaska will be successful in discovering new fields or further developing existing fields which are economic to develop and produce oil with access to the pipeline or other means of transport to market, even with the reduced level of royalties. Should the oil companies not be successful in these discoveries or developments, the long term trend of continued decline in oil production from the Prudhoe Bay field area is inevitable with a corresponding adverse impact on the economy of the state, in general, and on demand for telecommunications and cable television services.

Market prices for North Slope oil have declined to below \$11 per barrel in March 1998, below the average price of approximately \$18 per barrel used by the State of Alaska to budget its oil related revenues. The State of Alaska maintains surplus accounts that are intended to fund budgetary shortfalls and would be expected to fund all or a portion of the revenue shortfall. The Company is not able to predict the effect of declines in the price of North Slope oil on Alaska's economy or on the Company.

#### SEASONALITY

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

#### YEAR 2000 COSTS

The "Year 2000" issue affects the Company's installed computer systems, network elements, software applications, and other business systems that have time-sensitive programs that may not properly reflect or recognize the year 2000. Because many computers and computer applications

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define dates by the last two digits of the year, "00" may not be properly identified as the year 2000. This error could result in miscalculations or system failures.

The Company has established a year 2000 task force to coordinate the identification, evaluation, and implementation of changes to financial and operating computer systems and applications necessary to achieve a year 2000 date conversion with no effect on customers or disruption to business operations. These actions are necessary to insure that the systems and applications will recognize and process the year 2000 and beyond. Major areas of potential business impact have been identified and are being assessed, and initial conversion efforts are underway using both internal and external resources.

The Year 2000 issue may also affect the systems and applications of the Company's customers and vendors. The Company is also contacting others with whom it conducts business to receive the appropriate warranties and assurances that those third parties are, or will be, Year 2000 compliant.

The total cost of modifications and conversions is not known at this time. The Company's management estimates that the incremental cost of compliance over the cost of normal software upgrades and replacements and its effect on the Company's future results of operations totals approximately \$3 million in each of 1998 and 1999, subject to further review as part of the detailed conversion planning. The cost of modifications and conversions is being expensed as incurred.

If compliance is not achieved in a timely manner, the Year 2000 issue could have a material effect on the Company's operations. However, the Company

is focusing on identifying and addressing all aspects of its operations that may be affected by the Year 2000 issue and is addressing the most critical applications first. As a result, the Company's management does not believe its operations will be materially adversely affected.

Funds for year 2000 costs are expected to be provided from the Company's operating activities and credit facilities. Management must balance the requirements for funding discretionary capital expenditures with required year 2000 efforts given its limited resources.

#### REGULATORY DEVELOPMENTS

See Part I, Item 1, Recent Developments and Regulation, Franchise Authorizations and Tariffs for regulatory developments affecting the Company.

#### INFLATION

The Company does not believe that inflation has a significant effect on its operations.

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#### Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk - through derivative financial instruments and other financial instruments, such as investments in marketable securities and long-term debt - is not material.

#### Item 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of the Company are filed under this Item, beginning on Page 41. The financial statement schedules required under Regulation S-X are filed pursuant to Item 14 of this Report.

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

None.

#### PART III

Incorporated by reference from the Company's Proxy Statement for its 1998 Annual Shareholders' Meeting.

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#### 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, 1997 and 1996, 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, 1997. 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, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ KPMG PEAT MARWICK LLP

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KPMG PEAT MARWICK LLP

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
Consolidated Balance Sheets

<TABLE> <CAPTION>		
ASSETS	1997	1996
-----		
(Amounts in thousands)		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 3,048	13,349
Receivables:		
Trade	29,599	28,015
Income tax receivable (note 7)	4,752	1,026
Other	649	228
	35,000	29,269
Less allowance for doubtful receivables	1,070	597
Net receivables	33,930	28,672
Prepaid and other current assets	2,520	2,236
Deferred income taxes, net (note 7)	1,675	835
Inventories	2,164	1,589
Notes receivable (note 4)	897	421
Total current assets	44,234	47,102
Restricted cash (note 13)	39,406	0
Property and equipment, at cost (notes 6, 9, 10 and 11)		
Land and buildings	981	692
Telephony distribution systems	116,016	81,414
Cable television distribution systems	69,445	52,284
Transportation equipment	2,643	1,064
Support equipment	32,596	19,994
Property and equipment under capital leases	2,718	2,030
	224,399	157,478
Less amortization and accumulated depreciation	58,406	41,497
Net property and equipment in service	165,993	115,981
Construction in progress	18,513	20,770
Net property and equipment	184,506	136,751
Intangible assets, net of amortization (notes 2 and 5)	246,534	250,920
Transponder deposit (note 13)	9,100	9,100
Undersea fiber optic cable deposit (note 13)	9,094	0
Deferred loan and Senior Notes costs, net of amortization	9,379	900
Notes receivable (note 4)	1,331	1,016
Other assets, at cost, net of amortization	1,718	1,546
Total assets	\$545,302	447,335

</TABLE>

See accompanying notes to consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
Consolidated Balance Sheets  
(Continued)

<TABLE> <CAPTION>		
LIABILITIES AND STOCKHOLDERS' EQUITY	1997	1996
-----		
(Amounts in thousands)		
<S>	<C>	<C>
Current liabilities:		
Current maturities of long-term debt (note 6)	\$ 1,634	31,969
Current maturities of obligations under capital leases (note 11)	198	71

Accounts payable	25,107	23,677
Accrued payroll and payroll related obligations	4,630	3,830
Accrued liabilities	6,019	4,173
Accrued interest	7,649	2,708
Subscriber deposits and deferred revenues	3,898	3,449
Accrued income taxes (note 7)	111	0
	-----	-----
Total current liabilities	49,246	69,877
Long-term debt, excluding current maturities (note 6)	248,450	191,273
Obligations under capital leases, excluding current maturities (note 11)	400	0
Obligations under capital leases due to related parties, excluding current maturities (notes 10 and 11)	590	675
Deferred income taxes, net (note 7)	38,904	33,720
Other liabilities	3,273	2,236
	-----	-----
Total liabilities	340,863	297,781
	-----	-----
Stockholders' equity (notes 2, 3, 6, 7 and 8):		
Common stock (no par):		
Class A. Authorized 100,000,000 shares; issued and outstanding 45,279,045 and 36,586,973 shares at December 31, 1997 and 1996, respectively	170,322	113,421
Class B. Authorized 10,000,000 shares; issued and outstanding 4,062,892 and 4,074,028 shares at December 31, 1997 and 1996, respectively; convertible on a share-per-share basis into Class A common stock	3,432	3,432
Less cost of 202,768 and 199,081 Class A common shares held in treasury at December 31, 1997 and 1996, respectively	(1,039)	(1,010)
Paid-in capital	4,425	4,229
Retained earnings	27,299	29,482
	-----	-----
Total stockholders' equity	204,439	149,554
	-----	-----
Commitments and contingencies (notes 11 and 13)		
Total liabilities and stockholders' equity	\$ 545,302	447,335
	-----	-----
	-----	-----

</TABLE>

See accompanying notes to consolidated financial statements.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
Consolidated Statements of Operations  
Years ended December 31, 1997, 1996 and 1995

<TABLE>

<CAPTION>

	1997	1996	1995
	-----	-----	-----
	(Amounts in thousands except per share amounts)		
	<C>	<C>	<C>
<S>			
Revenues (notes 9 and 10):			
Telecommunication services	\$ 168,644	155,419	129,279
Cable services	55,165	9,475	0
	-----	-----	-----
Total revenues	223,809	164,894	129,279
Cost of sales and services	111,077	92,664	72,091
Selling, general and administrative expenses	73,583	46,412	37,691
Depreciation and amortization	23,767	9,409	5,993
	-----	-----	-----
Operating income (note 9)	15,382	16,409	13,504
Interest expense, net (notes 3 and 6)	17,617	3,719	903
	-----	-----	-----
Net earnings (loss) before income taxes and extraordinary item	(2,235)	12,690	12,601
Income tax expense (benefit) (notes 3 and 7)	(573)	5,228	5,099
	-----	-----	-----
Net earnings (loss) before extraordinary loss on early extinguishment of debt	(1,662)	7,462	7,502
Loss on early extinguishment of debt, net of income tax benefit of \$180 (note 6)	521	0	0
	-----	-----	-----

Net earnings (loss)	\$ (2,183)	7,462	7,502
	-----	-----	-----
	-----	-----	-----
Basic earnings (loss) per common share:			
Net earnings (loss) before extraordinary loss	\$ (0.04)	0.28	0.32
Extraordinary loss	(0.01)	0.00	0.00
	-----	-----	-----
Net earnings (loss)	\$ (0.05)	0.28	0.32
	-----	-----	-----
	-----	-----	-----
Diluted earnings (loss) per common share:			
Net earnings (loss) before extraordinary loss	\$ (0.04)	0.27	0.31
Extraordinary loss	(0.01)	0.00	0.00
	-----	-----	-----
Net earnings (loss)	\$ (0.05)	0.27	0.31
	-----	-----	-----
	-----	-----	-----

</TABLE>

See accompanying notes to consolidated financial statements.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
Consolidated Statements of Stockholders' Equity  
Years ended December 31, 1997, 1996 and 1995

Retained (Amounts in thousands) Earnings	Shares of Common Stock		Class A Common	Class B Common	Class A Shares Held in	Paid-in Capital	
	Class A	Class B	Stock	Stock	Treasury		
	-----						
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1994 14,518	19,617	4,179	\$ 13,830	3,432	(328)	3,641	
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 (note 7)	--	--	--	--	--	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 22,020	19,680	4,176	13,912	3,432	(389)	4,041	
Net earnings 7,462	--	--	--	--	--	--	--
Class B shares converted to Class A	102	(102)	--	--	--	--	--
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes (note 7)	--	--	--	--	--	187	-
Shares issued to MCI (notes 2 and 8)	2,000	--	13,000	--	--	--	-
Shares issued pursuant to acquisitions, net of costs totaling \$432 (note 2)	14,723	--	86,278	--	--	--	--

Shares purchased and held in Treasury	--	--	--	--	(621)	--	-
Shares issued under stock option plan	82	--	231	--	--	--	
Shares issued and issuable under officer stock option agreements	--	--	--	--	--	1	
-----							
Balances at December 31, 1996	36,587	4,074	113,421	3,432	(1,010)	4,229	
29,482							
Net loss (2,183)	--	--	--	--	--	--	
Class B shares converted to Class A	11	(11)	--	--	--	--	
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes (note 7)	--	--	--	--	--	65	
Shares issued upon public offering, net of issuance costs of \$4,024 (note 8)	7,000	--	46,726	--	--	--	-
Shares issued upon conversion of convertible note net of fees of \$16 (notes 2 and 8)	1,538	--	9,983	--	--	--	
Shares acquired pursuant to officer deferred compensation agreement	--	--	--	--	(29)	--	
Shares issued under stock option plan	57	--	192	--	--	63	-
Shares issued and issuable under officer stock option agreements	86	--	--	--	--	68	
-----							
Balances at December 31, 1997	45,279	4,063	\$170,322	3,432	(1,039)	4,425	
27,299							
-----							

</TABLE>

See accompanying notes to consolidated financial statements.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
Years ended December 31, 1997, 1996 and 1995

<TABLE>  
<CAPTION>

	1997	1996	1995
	(Amounts in thousands)		
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings (loss)	\$ (2,183)	7,462	7,502
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	23,191	9,346	5,763
Amortization of deferred loan costs	576	63	230
Deferred income tax expense	4,410	2,252	1,017
Deferred compensation and compensatory stock options	477	507	433
Disposals of property and equipment	71	30	170
Loss on early extinguishment of debt	701	0	0
Bad debt expense, net of write-offs	473	(34)	(114)

Other noncash income and expense items	(125)	(42)	354
Change in operating assets and liabilities (note 3)	3,202	2,724	(1,307)
Net cash provided by operating activities	30,793	22,308	14,048
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired (notes 2 and 3)	(547)	(72,818)	0
Purchases of property and equipment	(64,644)	(38,642)	(8,938)
Restricted cash investments	(39,406)	0	0
Purchases of other assets, including long-term deposits	(1,292)	(10,959)	(510)
Payment of undersea fiber optic cable deposits	(9,094)	0	0
Proceeds from the sale of investment security	0	0	832
Notes receivable issued	(698)	(515)	(251)
Payments received on notes receivable	32	288	184
Net cash used in investing activities	(115,649)	(122,646)	(8,683)
Cash flows from financing activities:			
Long-term borrowings- senior notes	180,000	0	0
Long-term borrowings- bank debt and leases	88,305	208,000	0
Repayments of long-term borrowings and capital lease obligations	(231,021)	(5,039)	(2,824)
Retirement of bank debt assumed	0	(105,200)	0
Proceeds from equity offering	50,750	0	0
Proceeds from common stock issuance	192	13,231	82
Purchase of treasury stock	(29)	(621)	(61)
Payment of debt and stock issuance costs	(13,642)	(701)	(194)
Net cash provided (used) by financing activities	74,555	109,670	(2,997)
Net increase (decrease) in cash and cash equivalents	(10,301)	9,332	2,368
Cash and cash equivalents at beginning of year	13,349	4,017	1,649
Cash and cash equivalents at end of year	\$ 3,048	13,349	4,017

</TABLE>

See accompanying notes to consolidated financial statements.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Organization and summary of Significant Accounting Principles

(a) Organization

General Communication, Inc. ("GCI"), an Alaska corporation, was incorporated in 1979. GCI, Inc., an Alaska corporation, was incorporated in 1997 and is a wholly owned subsidiary of GCI. GCI Holding, Inc. ("Holdings") is a wholly owned subsidiary of GCI, Inc. and was incorporated in 1997. GCI Communication Corp. ("GCC"), an Alaska corporation, is a wholly owned subsidiary of Holdings and was incorporated in 1990. GCI Communication Services, Inc. ("Communication Services"), an Alaska corporation, is a wholly owned subsidiary of Holdings 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, GCI, Inc., Holdings 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.

Cable television services are provided through GCI Cable, Inc. and through its ownership in Prime Cable of Alaska L.P. ("Prime"), and through GCI Cable, Inc.'s wholly owned subsidiaries GCI Cable/Fairbanks, Inc., and GCI Cable/Juneau, Inc. (collectively "GCI Cable" or "Cable Companies"). GCI Cable, Inc. and its subsidiaries are Alaska corporations and were incorporated in 1996. GCI Cable,

Inc. is a wholly owned subsidiary of Holdings. Prime is a limited partnership organized under the laws of the State of Delaware whose partnership interests are wholly owned by GCI Cable, Inc.

GCI Transport Co., Inc., Fiber Hold Co., Inc., GCI Fiber Co., Inc., and GCI Satellite Co., Inc., all Alaska corporations, were incorporated in 1997 to finance the acquisition of satellite transponders and to construct and deploy the fiber optic cable system further described in note 13. GCI Transport Co., Inc. is a wholly owned subsidiary of Holdings. Fiber Hold Co., Inc., GCI Fiber Co., Inc., and GCI Satellite Co., Inc. are wholly-owned subsidiaries of GCI Transport Co., Inc. Alaska United Fiber System Partnership ("Alaska United") was organized in 1997 to construct, own and operate the fiber optic cable system described above and in note 13. Alaska United is a partnership wholly owned by the Company through GCI Fiber Co., Inc. and Fiber Hold Co., Inc.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of GCI, its wholly-owned subsidiary GCI, Inc, GCI, Inc.'s wholly-owned subsidiary Holdings, Holdings' wholly-owned subsidiaries GCC, Communication Services, GCI Cable, Communication Services' wholly-owned subsidiary Leasing Company, GCI Transport Co., Inc, GCI Transport Co., Inc.'s wholly-owned subsidiaries GCI Fiber Co., Inc. and Fiber Hold Co., Inc. and GCI Fiber Co., Inc.'s and Fiber Hold Co., Inc.'s wholly owned partnership Alaska United (collectively "the Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(c) Net Earnings (Loss) Per Common Share

In February 1997 the Financial Accounting Standards Board (FASB) issued SFAS 128, "Earnings per Share" ("SFAS 128"). This new standard simplifies the earnings per share ("EPS") calculation and makes the U.S. standard for computing EPS more consistent with international accounting standards. The Company adopted SFAS 128 in 1997. EPS for prior years has been restated to comply with SFAS 128.

Under SFAS 128, primary EPS was replaced with a more simple calculation called basic EPS. Basic EPS is calculated by dividing income available to common shareholders by the weighted average common shares outstanding. Previously, primary EPS was based on the weighted average of both outstanding and issuable shares assuming all dilutive options had been exercised. Under SFAS 128, fully diluted EPS has not changed significantly, but has been renamed diluted EPS. Diluted EPS includes the effect of all potentially dilutive securities, such as options and convertible preferred stock.

Shares used to calculate EPS consist of the following (amounts in thousands):

<TABLE>  
<CAPTION>

	1997	1996	1995
	-----	-----	-----
<S>	<C>	<C>	<C>
Weighted average common shares outstanding	44,924	26,498	23,600
Common equivalent shares outstanding	0	802	389
	-----	-----	-----
	44,924	27,300	23,989
	-----	-----	-----
	-----	-----	-----

</TABLE>

Common equivalent shares outstanding of 1,407,000 are anti-dilutive at December 31, 1997 and are not included in the diluted net earnings (loss) per share calculation.

(d) Cash and Cash Equivalents

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

(e) Inventories

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.

Cable television inventories are carried at the lower of cost (weighted average unit cost) or market.

(f) Property and Equipment

Telecommunications Property and Equipment

Telecommunications 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 on December 31, 1997; management intends to place this equipment in service during 1998 and 1999.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Company's investment in jointly owned earth station assets on Adak Island, Alaska is stated at cost and is depreciated on a straight-line basis over lives ranging from 10 to 12 years. Revenues derived from customers whose service transits the joint facilities are recognized based upon the level of service and supporting facilities that are provided by each owner.

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.

Cable Television Property and Equipment

Cable television property and equipment is stated at cost. Cable television equipment depreciation is computed by the straight-line method over the estimated useful lives of the assets. The composite method and a 10-year life are used for cable television distribution systems. Under the composite method, proceeds from the retirement of cable television distribution system assets are credited to the allowance for depreciation. Gains or losses on disposition of property, plant and equipment (other than cable television distribution systems) are credited or charged to income. Maintenance and repairs are charged to expense as incurred. Expenditures for major renewals and betterments are capitalized.

(g) Intangible Assets

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

Goodwill represents the excess of cost over fair value of net assets acquired and is being amortized on a straight-line basis over periods of 20 to 40 years. Goodwill and certificates of operating rights arising from the 1996 acquisition of the Cable Companies are amortized using the straight line method over forty years.

The cost of the Company's PCS license and related financing costs have been capitalized as an intangible asset. Once the associated assets are placed into service, the recorded cost of the license will begin being amortized over a 40-year period using the straight-line method.

(h) Deferred Loan and Senior Notes Costs

Debt and Senior Notes issuance costs are deferred and amortized using

the straight-line method, which approximates the interest method, over the term of the related debt and notes.

(i) Other Assets

Other assets are recorded at cost and are amortized on a straight-line basis over periods of 8-10 years.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(j) 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.

Cable television, local service and private line telecommunication revenues are generally billed in advance and are recognized as the associated service is provided.

Other revenues are recognized when the service is provided.

(k) Research and Development and Advertising Expense

The Company expenses advertising and research and development costs as incurred. Advertising expenses were approximately \$2,897,000, \$2,411,000 and \$1,924,000 for 1997, 1996 and 1995, respectively.

(l) Interest Expense

Interest costs incurred during the construction period of significant capital projects are capitalized. Interest capitalized by the Company totaled \$1,886,000, \$1,034,000, and \$112,000 during the years ended December 31, 1997, 1996, and 1995.

(m) Income Taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities be 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. Deferred tax assets are recognized to the extent that the benefits are more likely to be realized than not.

(n) Stock Option Plan

The Company accounts for its stock option plan in accordance with the provisions of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. On January 1, 1996, the Company adopted SFAS 123, "Accounting for Stock-Based Compensation," ("SFAS 123") which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS 123 also allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net income and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in SFAS 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of SFAS 123.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(o) 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.

(p) Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash, temporary investments, and accounts receivable. Excess cash is invested in high quality short-term liquid money instruments issued by highly rated financial institutions. At December 31, 1997, substantially all of the Company's cash and restricted cash balances were invested in short-term liquid money instruments. The Company's customers are located primarily throughout Alaska. As a result of this geographic concentration, the Company's growth and operations depend upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, and in particular oil production, as well as tourism, government, and United States military spending. Though limited to one geographical area, the concentration of credit risk with respect to the Company's receivables is minimized due to the large number of customers, individually small balances, short payment terms and required deposits.

(q) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

The Company adopted the provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," on January 1, 1996. This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. Adoption of this Statement did not have a material impact on the Company's financial position, results of operations, or liquidity.

(r) Year 2000 Costs

The "Year 2000" issue affects the Company's installed computer systems, network elements, software applications, and other business systems that have time-sensitive programs that may not properly reflect or recognize the year 2000. The total cost of modifications and conversions is not known at this time. The Company's management estimates that the incremental cost of compliance over the cost of normal software upgrades and replacements and its effect on the Company's future results of operations totals approximately \$3 million in each of 1998 and 1999, subject to further review as part of the detailed conversion planning. The cost of modifications and conversions is being expensed as incurred.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(s) Reclassifications

Reclassifications have been made to the 1995 and 1996 financial statements to make them comparable with the 1997 presentation.

(2) Acquisitions

Cable Television Systems

Effective October 31, 1996, following shareholder and regulatory approvals, the Company completed the acquisition of seven Alaska cable television companies ("Cable Systems"). Under the terms of the transactions, accounted for using the purchase method, the final purchase price was \$280.1 million, which was the aggregate value for

all the Cable Systems and included certain transaction and financing costs. The purchase price included issuance of 14.7 million shares of GCI's class A common stock and cash, debt assumption and issuance of subordinated notes. Financing for the transactions resulted from borrowings under a new \$205 million bank credit facility and from additional capital provided from the sale of two million shares of GCI's Class A common stock to MCI Telecommunications Corporation for \$6.50 per share.

Acquisition costs totaling \$304.4 million were allocated to tangible and identifiable intangible assets and liabilities based upon fair market values. Approximately \$206.5 million was allocated to the certificate of operating rights and approximately \$42.4 was allocated to goodwill.

Various tax attributes of Prime gave rise to a deferred tax liability (see note 7) of \$24.4 million recorded by the Company as a result of the acquisition.

During January 1997, holders of the GCI subordinated notes exercised a conversion option which allowed them to exchange their notes for GCI Class A common shares at a predetermined conversion price of \$6.50 per share. As a result, the note holders received a total of 1,538,457 shares of GCI Class A common stock.

The final closing required approval of the Alaska Public Utilities Commission (APUC), which was granted on September 23, 1996. The APUC approval included several conditions placed on the transfer, such as continuing the existing conditions requiring provision of public access channels and requiring the cable operations to file annual income and operating statements.

Astrolabe Group, Inc.

Effective December 2, 1997, the Company purchased all of the outstanding shares of Astrolabe Group, Inc. The \$1,324,000 purchase was accounted for using the purchase method. The purchase price consisted of a payment of \$600,000 and the issuance of options to purchase 100,000 shares of GCI's Class A common stock for \$.01 per share.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

[6~

(3) Consolidated Statements of Cash Flows Supplemental Disclosures

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

<TABLE>  
<CAPTION>

Year ended December 31,	1997	1996	1995
	-----	-----	-----
<S> (Increase) in trade receivables	\$ (1,119)	(4,604)	(4,701)
(Increase) in income tax receivable	(3,726)	(1,026)	0
(Increase) in other receivables	(421)	(134)	(32)
(Increase) in prepaid and other current assets	(274)	(467)	(222)
(Increase) decrease in inventories	(575)	412	(317)
Increase in accounts payable	1,192	5,517	5,020
[6~ Increase in accrued liabilities	1,846	914	423
Increase (decrease) in accrued payroll and payroll related obligations	800	1,723	(1,928)
Increase (decrease) in accrued income taxes	111	(547)	330
Increase in accrued interest	4,941	2,188	31
Increase (decrease) in subscriber deposits and deferred revenues	449	(4)	220
Increase (decrease) in components of other liabilities	(22)	(1,248)	(131)
	-----	-----	-----
	\$ 3,202	2,724	(1,307)
	-----	-----	-----

</TABLE>

Acquisitions of businesses, net of cash acquired consists of (amounts in thousands):

<TABLE>  
<CAPTION>

Year ended December 31,	1997	1996
	-----	-----
<S>	<C>	<C>
Fair value of assets acquired, net of liabilities assumed	\$ 1,259	304,441
Bank debt and net working capital deficit assumed	0	(110,538)
Common stock issued to sellers	0	(86,710)
Convertible, subordinated debt issued to sellers	0	(10,000)
Net deferred income tax liability	0	(24,375)
Deferred credit	(712)	0
	-----	-----
Net cash used to acquire business	\$ 547	72,818
	-----	-----

</TABLE>

The holders of \$10 million of convertible subordinated notes exercised their conversion rights in January 1997 resulting in the exchange of such notes for 1,538,457 shares of the Company's Class A common stock.

Net income tax refunds received totaled \$1,546,000 during 1997 and income taxes paid totaled \$4,361,000 and \$3,752,000 during 1996 and 1995, respectively.

Interest paid totaled approximately \$17,732,000, \$2,657,000 and \$1,227,000 during 1997, 1996 and 1995, respectively.

The Company recorded \$65,000, \$187,000 and \$397,000 in 1997, 1996 and 1995, 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.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) Notes Receivable

Notes receivable consist of the following (amounts in thousands):

<TABLE>  
<CAPTION>

	December 31,	
	1997	1996
	-----	-----
<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 on demand and through August 26, 2004. (1)	1,155	493
Interest receivable	349	220
	-----	-----
Total notes receivable	2,228	1,437
Less current portion, including current interest receivable	(897)	(421)
	-----	-----
Long-term portion, including long-term interest receivable	\$ 1,331	1,016
	=====	=====

</TABLE>

(1) The Company has no current plans to call the notes due on demand

during 1998.

(5) Intangible Assets

Intangible assets consist of the following (amounts in thousands):

<TABLE>  
<CAPTION>

	December 31,	
	1997	1996
<S>	<C>	<C>
Certificates of operating rights	\$206,492	206,492
Goodwill	45,922	44,347
PCS license and related costs	2,051	1,913
Other intangibles	260	121
	-----	-----
	254,725	252,873
Less amortization	8,191	1,953
	-----	-----
Intangible assets, net	\$246,534	250,920
	-----	-----

</TABLE>

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) Long-term Debt

Long-term debt consists of the following (amounts in thousands):

<TABLE>  
<CAPTION>

	December 31,	
	1997	1996
<S>	<C>	<C>
Senior notes (a)	\$180,000	0
Senior GCI Holdings loan (b)	64,700	0
Senior GCI Cable loan (c)	0	175,900
Credit Agreement (d)	0	30,100
Convertible, subordinated notes (e)	0	10,000
Undersea Fiber and Equipment Loan Agreement (f)	5,384	6,886
Financing Obligation (g)	0	356
	-----	-----
	250,084	223,242
Less current maturities	1,634	31,969
	-----	-----
Long-term debt, excluding current maturities	\$248,450	191,273
	-----	-----

</TABLE>

- (a) On August 1, 1997 GCI, Inc. issued \$180,000,000 of 9.75% senior notes due 2007 ("Senior Notes"). The Senior Notes were issued at face value. Net proceeds to GCI, Inc. after deducting underwriting discounts and commissions totaled \$174,600,000. Issuance costs will be amortized to interest expense over the term of the Senior Notes.

The Senior Notes are not redeemable prior to August 1, 2002. After August 1, 2002 the Senior Notes are redeemable at the option of GCI, Inc. under certain conditions and at stated redemption prices. The Senior Notes include limitations on additional indebtedness and prohibit payment of dividends, payments for the purchase, redemption, acquisition or retirement of GCI, Inc.'s stock, payments for early retirement of debt subordinate to the note, liens on property, and asset sales. GCI, Inc. was in compliance with all covenants during the period commencing August 1, 1997 (date of the notes) through December 31, 1997.

Net proceeds from the stock (see note 8) and Senior Note offerings and initial draws on the new Senior Holdings Loan

(see note 6(b)) facilities were used to repay borrowings outstanding under the Company's then existing credit facilities and to provide initial funding for construction of the Alaska United undersea fiber optic cable (see note 13). The Company expects to borrow funds under its new credit facilities in the future to fund capital expenditures and for other general corporate purposes.

- (b) The Company, through Holdings, entered into new \$200,000,000 and \$50,000,000 credit facilities ("Senior Holdings Loan") effective August 1, 1997 that mature on June 30, 2005 and bear interest at either Libor plus 0.75% to 2.25%, depending on the leverage ratio of Holdings and certain of its subsidiaries, or at the greater of the prime rate or the federal funds effective rate (as defined) plus 0.05%, in each case plus an additional 0.0% to 1.125%, depending on the leverage ratio of Holdings and certain of its subsidiaries. Borrowings under the Senior Holdings Loan facilities totaled \$64,700,000 at December 31, 1997. The Company is required to pay a

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

commitment fee equal to 0.375% per annum on the unused portion of the commitment. Commitment fee expense on the Senior Holdings Loan totaled \$240,000 in 1997.

While Holdings may elect at any time to reduce amounts due and available under the Senior Loan facilities, a mandatory prepayment is required each quarter, beginning September 30, 2000 as follows:

<TABLE>  
<CAPTION>

Date of Payment	Percentage of Reduction of Outstanding Facilities
September 30, 2000	3.750%
December 31, 2000	3.750%
March 31, 2001	3.750%
June 30, 2001	3.750%
September 30, 2001	3.750%
December 31, 2001	3.750%
March 31, 2002	5.000%
June 30, 2002	5.000%
September 30, 2002	5.000%
December 31, 2002	5.000%
March 31, 2003	5.000%
June 30, 2003	5.000%
September 30, 2003	5.000%
December 31, 2003	5.000%
March 31, 2004	5.625%
June 30, 2004	5.625%
September 30, 2004	5.625%
December 31, 2004	5.625%
September 30, 2005	7.500%
December 31, 2005	7.500% and all remaining outstanding balances

</TABLE>

The Senior Holdings Loan facilities contain, among others, covenants requiring maintenance of specific levels of operating cash flow to indebtedness and to interest expense. The Senior Holdings Loan facilities include limitations on acquisitions and additional indebtedness, and prohibit any direct or indirect distribution, dividend, redemption or other payment to any person on account of any general or limited partnership interest in, or shares of capital stock or other securities of Holdings or any of its subsidiaries. Holdings was in compliance with all Senior Holdings Loan facilities covenants during the period commencing August 1, 1997 (date of the loans) through December 31, 1997.

The Senior Holdings Loan facilities are collateralized by essentially all of Holdings' assets as well as a pledge of Holdings' stock by GCI, Inc.

\$3.4 million of the Senior Holdings Loan facilities have been used to provide a letter of credit to secure payment of certain access charges associated with the Company's provision of telecommunications services within the State of Alaska.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

In connection with the funding of the Senior Holdings Loan facilities, Holdings paid bank fees and other expenses of approximately \$2,916,000, which will be amortized to interest expense over the life of the agreement.

- (c) GCI Cable entered into a credit facility totaling \$205 million ("Senior GCI Cable Loan") effective October 31, 1996, associated with the acquisition of the cable companies as described in note 2. In August 1997, the Senior GCI Cable Loan was repaid using proceeds from the Senior Notes (see note 6(a)) and the Senior Holdings Loan (see note 6(b)).

In connection with the funding of the loan agreement, GCI Cable Inc. paid bank fees and other expenses of approximately \$764,000 in 1996. The unamortized portion of these bank fees and other expenses (net of an income tax benefit of \$180,000) was recognized as an extraordinary loss on the early extinguishment of debt in 1997.

- (d) The Company entered into a \$62,500,000 interim telephony credit facility with its senior lender during April 1996. In August 1997, the Credit Agreement was repaid using proceeds from the Senior Notes (see note 6(a)) and the Senior GCI Holdings Loan (see note 6(b)).

- (e) GCI issued convertible subordinated notes totaling \$10,000,000 in connection with the cable acquisitions described in note 2. During January 1997, the holders of the GCI subordinated notes exercised a conversion option which allowed them to exchange their notes for GCI Class A common shares at a predetermined conversion price of \$6.50 per share. As a result, the former note holders received 1,538,457 shares of GCI Class A common stock.

- (f) 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 with 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.

- (g) As consideration for MCI's role in enabling Leasing Company to finance and acquire the undersea fiber optic cable capacity described at note 6(d) above, Leasing Company agreed to pay MCI \$2,040,000 in sixty monthly payments of \$34,000. For financial statement reporting purposes, the obligation was recorded at its remaining present value, using a discount rate of 10% per annum. The agreement was secured by a second position security interest in the assets of Leasing Company. The obligation was fully paid at December 31, 1997.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

As of December 31, 1997 maturities of long-term debt were as follows (amounts in thousands):

<TABLE>  
<CAPTION>

Year ending December 31,	
-----	
<S>	<C>
1998	\$ 1,634
1999	1,782
2000	1,945
2001	23
2002	0
2003 and thereafter	244,700
	-----
	\$ 250,084
	-----
	-----

</TABLE>

(7) Income Taxes

Total income tax expense (benefit) were allocated as follows:

<TABLE>  
<CAPTION>

	Years ended December 31,		
	1997	1996	1995
	-----	-----	-----
	(Amounts in thousands)		
<S>	<C>	<C>	<C>
Earnings (loss) from continuing operations	\$ (573)	5,228	5,099
Extraordinary item	(180)	0	0
Stockholders' equity, for stock option compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(65)	(187)	(397)
	-----	-----	-----
	\$ (818)	5,041	4,702
	-----	-----	-----
	-----	-----	-----

</TABLE>

Income tax expense consists of the following:

<TABLE>  
<CAPTION>

	Years ended December 31,		
	1997	1996	1995
	-----	-----	-----
	(Amounts in thousands)		
<S>	<C>	<C>	<C>
Current tax expense:			
Federal taxes	\$ (4,267)	2,292	3,077
State taxes	(830)	684	1,005
	-----	-----	-----
	(5,097)	2,976	4,082
	-----	-----	-----
Deferred tax expense:			
Federal taxes	3,734	1,734	780
State taxes	610	518	237
	-----	-----	-----
	4,344	2,252	1,017
	-----	-----	-----
	\$ (753)	5,228	5,099
	-----	-----	-----
	-----	-----	-----

</TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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

<TABLE>  
<CAPTION>

	Years ended December 31,		
	1997	1996	1995
	(Amounts in thousands)		
	<C>	<C>	<C>
"Expected" statutory tax expense	\$ (997)	4,314	4,284
State income taxes, net of federal benefit	(181)	793	820
Income tax effect of goodwill amortization, nondeductible expenditures and other items, net	107	55	41
Change in valuation allowance	0	(225)	(200)
Other	318	291	154
	\$ (753)	5,228	5,099

</TABLE>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1997 and 1996 are presented below.

<TABLE>  
<CAPTION>

	December 31,	
	1997	1996
	(Amounts in thousands)	
	<C>	<C>
Net current deferred tax assets:		
Accounts receivable, principally due to allowance for doubtful accounts	\$ 430	98
Compensated absences, accrued for financial reporting purposes	566	380
Workers compensation and self insurance health reserves, principally due to accrual for financial reporting purposes	266	243
Other	413	114
Total gross current deferred tax assets	1,675	835
Less valuation allowance	0	0
Net current deferred tax assets	\$ 1,675	835
Net long-term deferred tax assets:		
Net operating loss carryforwards	\$15,378	15,378
Alternative minimum tax credits	751	0
Deferred compensation expense for financial reporting purposes in excess of amounts recognized for tax purposes	966	617
Employee stock option compensation expense for financial reporting purposes in excess of amounts recognized for tax purposes	198	198
Sweepstakes award in excess of amounts recognized for tax purposes	206	211
Other	75	197
Total long-term deferred tax assets	17,574	16,601

</TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

<TABLE>  
<CAPTION>

	December 31,	
	1997	1996
	-----	-----
	(Amounts in thousands)	
<S>	<C>	<C>
Net long-term deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation	51,643	50,163
Amortizable assets	3,898	0
Other	937	158
	-----	-----
Total gross long-term deferred tax liabilities	56,478	50,321
	-----	-----
Net combined long-term deferred tax liabilities	\$38,904	33,720
	-----	-----
	-----	-----

</TABLE>

In conjunction with the acquisition of the Cable Companies in 1996 the Company incurred a net deferred income tax liability of \$24,375,000.

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.

At December 31, 1997, the Company has acquired tax net operating loss carryforwards of approximately \$37,616,000 that will begin expiring in 2004 if not utilized. The Company's utilization of these carryforwards is subject to certain limitations pursuant to section 382 of the Internal Revenue Code.

(8) 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.

After the transaction described in note 2, MCI owns a total of 8,251,509 shares of GCI's Class A and 1,275,791 shares of GCI's Class B common stock which represented approximately 18 and 31 percent and 23 and 31 percent of the issued and outstanding shares of the respective class at December 31, 1997 and 1996, respectively.

After the transaction described in note 2, the owners of the cable television properties acquired in 1996 owned a total of 14,723,077 shares of GCI's Class A common stock representing approximately 40 percent of the issued and outstanding Class A common shares at December 31, 1996. The holders of the GCI subordinated notes exercised a conversion option in January 1997. As a result the noteholders received 1,538,457 shares of GCI's Class A common stock.

GCI issued 7,000,000 shares of its Class A common stock on August 1, 1997 for \$7.25 per share, before deducting underwriting discounts and commissions. Net proceeds to GCI totaled \$47,959,000. Other costs associated with the stock issuance totaled \$1,233,000.

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, as amended in 1998,

provides for the grant of options for a maximum of 5,700,000 shares of GCI Class A common stock, subject to adjustment upon the occurrence of stock dividends, stock splits, mergers, consolidations or certain other changes in corporate structure or capitalization. If an option expires or terminates, the shares subject to the option will be available for further grants of options under the Option Plan. The Option Committee of GCI's Board of Directors administers the Option Plan.

The Option Plan provides that all options granted under the Option Plan must expire not later than ten years after the date of grant. If at the time an option is granted the exercise price is less than the market value of the underlying common stock, the "in the money" amount at the time of grant is expensed ratably over the vesting period of the option. Options granted pursuant to the Option Plan are only exercisable if at the time of exercise the option holder is an employee or non-employee director of GCI.

Information for the years 1995, 1996 and 1997 with respect to the Plan follows:

<TABLE>  
<CAPTION>

	Shares	Weighted Average Exercise Price	Range of Exercise Prices
<S>	<C>	<C>	<C>
Outstanding at December 31, 1994	1,729,699	\$2.88	\$0.75-\$4.00
Granted	610,000	\$4.00	\$4.00
Exercised	(40,000)	\$2.06	\$1.87-\$2.25
Forfeited	(11,500)	\$4.00	\$4.00
Outstanding at December 31, 1995	2,288,199	\$3.19	\$0.75-\$4.00
Granted	321,000	\$5.79	\$3.75-\$6.50
Exercised	(82,291)	\$2.80	\$0.75-\$4.00
Forfeited	(79,785)	\$3.11	\$0.75-\$4.50
Outstanding at December 31, 1996	2,447,123	\$3.54	\$0.75-\$6.50
Granted	1,051,000	\$6.36	\$0.01-\$7.63
Exercised	(57,285)	\$3.37	\$0.75-\$4.00
Forfeited	(65,938)	\$4.82	\$0.75-\$6.50
Outstanding at December 31, 1997	3,374,900	\$4.39	\$0.01-\$7.63
Available for grant at December 31, 1997	1,623,276		

</TABLE>

The options expire at various dates through December 2007. At December 31, 1997, 1996 and 1995, the weighted-average remaining contractual lives of options outstanding were 6.82, 6.73 and 7.15 years, respectively.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

At December 31, 1997, 1996 and 1995, the number of options exercisable was 1,664,015, 1,275,903 and 986,999, respectively, and the weighted-average exercise price of those options was \$3.15, \$2.85 and \$2.56, respectively.

The per share weighted-average fair value of stock options granted during 1997 was \$6.71 for compensatory options and \$6.50 for non-compensatory options; for 1996, \$6.94 per share for compensatory options and \$4.40 for non-compensatory options; for 1995, the per share weighted-average fair value of non-compensatory stock options granted was \$3.87. The amounts were determined as of the options' grant dates using a qualified Black-Scholes option-pricing model with the following weighted-average assumptions: 1997 - risk-free interest

rate of 5.46%, volatility of 1.8558 and an expected life of 5.5 years; 1996 - risk-free interest rate of 5.48%, volatility of 1.8558 and an expected life of 5.7 years; 1995 - risk-free interest rate of 5.49%, volatility of 1.8558 and an expected life of 5.9 years.

Had compensation cost for the Company's 1995, 1996 and 1997 grants for stock-based compensation plans been determined consistent with SFAS 123, the Company's net income (loss) and net income (loss) per common share would approximate the pro forma amounts below (in thousands except per share data):

<TABLE>  
<CAPTION>

	As Reported -----	Pro Forma -----
<S>	<C>	<C>
1995:		
Net earnings	\$ 7,502	7,484
Basic net earnings per common share	\$ 0.32	0.32
Diluted net earnings per common share	\$ 0.31	0.31
1996:		
Net earnings	\$ 7,462	7,212
Basic net earnings per common share	\$ 0.28	0.27
Diluted net earnings per common share	\$ 0.27	0.26
1997:		
Net loss	\$ (2,183)	(3,387)
Basic net loss per common share	\$ (0.05)	(0.08)
Diluted net loss per common share	\$ (0.05)	(0.08)

</TABLE>

Pro forma net income (loss) reflects options granted in 1997, 1996 and 1995. Therefore, the full impact of calculating compensation cost for stock options under SFAS 123 is not reflected in the pro forma net income amounts presented above since compensation cost is reflected over the options' vesting period of 5 years and compensation cost for options granted prior to January 1, 1995 is not considered.

#### Stock Options Not Pursuant to a Plan

In June 1989, an officer 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 an officer providing for the acquisition of 85,190 remaining shares of Class A common stock of the Company for \$.001 per share exercisable through June 1997. The shares under the incentive agreement vested in equal annual increments over a three-year period and were exercised in June 1997.

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### GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

#### Notes to Consolidated Financial Statements

##### 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 an officer of the Company. The agreement provides that the balance is payable after the later of termination of employment or six months after the effective date of the agreement. In September 1995, July 1996 and March 1997, the Company acquired a total of 97,657 additional shares of Class A common stock for approximately \$711,000 to fund additional deferred compensation agreements for two of its officers.

##### 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 \$9,500 in 1997; 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. Such 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 \$1,800,000, \$1,013,000 and \$864,000 for the years ended December 31, 1997, 1996, and 1995, 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. In 1998 the Company expects to fund employer matching contributions through the issuance of new shares of common stock rather than market purchases.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(9) Industry Segments Data

The Company is engaged in the provision or sale of services and products in three principal industries: (1) long-distance telecommunication services ("long-distance services"), (2) cable television services, and, on a pre-operating basis until September 1997, (3) local telecommunication services ("local services").

<TABLE>  
<CAPTION>

	December 31,		
	1997	1996	1995
	(Amounts in thousands)		
<S>	<C>	<C>	<C>
Net sales			
Long-distance services	\$ 168,034	155,419	129,279
Cable television services	55,165	9,475	0
Local services	610	0	0
Total net sales	\$ 223,809	164,894	129,279
Operating income			
Long-distance services	\$ 9,281	15,083	13,504
Cable television services	10,423	2,196	0
Local services	(4,322)	(870)	0
Total operating income	\$ 15,382	16,409	13,504
Identifiable assets			
Long-distance services	\$ 198,091	133,780	81,377
Cable television services	71,073	62,039	0
Local services	20,224	0	0
Total identifiable assets	\$ 289,388	195,819	81,377
Capital expenditures			
Long-distance services	\$ 30,088	37,793	8,938
Cable television services	18,226	849	0
Local services	16,330	0	0
Total capital expenditures	\$ 64,644	38,642	8,938
Depreciation and amortization expense			

Long-distance services	\$ 9,922	7,189	5,993
Cable television services	13,320	2,220	0
Local services	525	0	0
	-----	-----	-----
Total depreciation and amortization expense	\$ 23,767	9,409	5,993
	-----	-----	-----
	-----	-----	-----

</TABLE>

Intersegment sales approximate market and are not significant. Identifiable assets are assets associated with a specific industry segment. Revenues derived from leasing operations are allocated to the message and data transmission services segment. Long-distance services includes equipment sales and service which were previously reported as a separate segment.

The Company provides message telephone service to MCI (see note 10) and Sprint, major customers. The Company earned revenues pursuant to a contract with Sprint totaling approximately \$24,357,000, \$18,781,000 and \$14,885,000 for the years ended December 31, 1997, 1996 and 1995 respectively. As a percentage of total revenues, Sprint revenues

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#### GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

##### Notes to Consolidated Financial Statements

totalled 10.9%, 11.4% and 11.5% for the years ended December 31, 1997, 1996 and 1995 respectively.

#### (10) Related Party Transactions

Pursuant to the terms of a contract with MCI, a major shareholder of GCI (see note 8), the Company earned revenues of approximately \$34,315,000, \$29,208,000 and \$23,939,000 for the years ended December 31, 1997, 1996 and 1995, respectively. As a percentage of total revenues, MCI revenues totaled 15.3%, 17.7% and 18.5% for the years ended December 31, 1997, 1996 and 1995 respectively. Net amounts receivable from MCI totaled \$3,933,000 and \$2,028,000 at December 31, 1997 and 1996, respectively. The Company paid MCI for distribution of its traffic in the lower 49 states amounts totaling approximately \$14,319,000, \$12,224,000 and \$12,556,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

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 is guaranteed by the Company. The lease term is 15 years with monthly payments increasing in \$800 increments at each two year anniversary of the lease. Monthly lease costs will increase to \$17,600 effective October 1999. 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 Cable Company is a party to a Management Agreement with Prime II Management, L.P. ("PMLP"). Certain of the Prime sellers are affiliated with PMLP. The Management Agreement expires on October 31, 2005, however, it can be terminated earlier upon loss of a license to operate the systems, sale of the systems, breach of contract, or upon exercise of an option to terminate the Management Agreement by PMLP or GCI Cable any time after October 31, 1998. Under the terms of the Management Agreement, PMLP manages the operations of the acquired cable television systems for fees of \$1,000,000 in the first year, \$750,000 in the second year, and \$500,000 thereafter (unless the agreement is terminated as outlined above) and reimbursement for certain expenses. The fees and reimbursed expenses are payable on a monthly basis. In connection with the agreement, the Cable Company incurred approximately \$1,040,000 and \$197,000 in management fees and reimbursable expenses for the period ended December 31, 1997 and 1996, respectively.

#### (11) 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 \$11,574,000, \$7,364,000 and \$4,353,000 for the years ended December 31, 1997, 1996 and 1995, respectively.

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

A summary of future minimum lease payments for all leases as of December 31, 1997 follows:

<TABLE>  
<CAPTION>

Year ending December 31: -----	Operating	Capital
	(Amounts in thousands)	
	<C>	<C>
1998	\$ 8,541	354
1999	5,839	357
2000	5,524	352
2001	3,913	337
2002	2,409	240
2003 and thereafter	\$ 11,105	866
	-----	-----
Total minimum lease payments	37,331	2,506
	-----	-----
Less amount representing interest		(1,318)
Less current maturities of obligations under capital leases		(198)
		-----
Subtotal - long-term obligations under capital leases		990
Less long-term obligations under capital leases due to related parties, excluding current maturities		(590)
		-----
Long-term obligations under capital leases, excluding current maturities		\$ 400
		-----
		-----

</TABLE>

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, except for satellite transponder capacity, leases that expire will be renewed or replaced by leases on other properties.

(12) Disclosure about Fair Value of Financial Instruments

Statement of Financial Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("SFAS 107") requires disclosure of the fair value of financial instruments for which it is practicable to estimate that value. SFAS 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, 1997 and 1996 for the Company's financial assets and liabilities approximate their fair values.

(13) Commitments and Contingencies

Deferred Compensation Plan

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

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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 approximately \$58,000, \$167,000 and \$90,000 as of December 31, 1997, 1996 and 1995, respectively.

Satellite Transponders

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 balance payable upon expected delivery of the transponders during the third quarter of 1998 in addition to the \$9.1 million deposit previously paid is not expected to exceed \$41 million.

Self-Insurance

The Company is self-insured for losses and liabilities related primarily to health and welfare claims up to predetermined amounts above which third party insurance applies. A reserve of \$500,000 was recorded at December 31, 1997 to cover estimated reported losses, estimated unreported losses based on past experience modified for current trends, and estimated expenses for investigating and settling claims. Actual losses will vary from the recorded reserve. While management uses what it believes is pertinent information and factors in determining the amount of reserves, future additions to the reserves may be necessary due to changes in the information and factors used.

Litigation

The Company is involved in various lawsuits and legal proceedings that have arisen in the normal course of business. While the ultimate results of these matters cannot be predicted with certainty, management does not expect them to have a material adverse effect on the financial position, results of operations and liquidity of the Company.

Cable Service Rate Reregulation

Beginning in April 1993, the Federal Communications Commission ("FCC") adopted regulations implementing the Cable Television Consumer Protection and Competition Act of 1992 ("The Cable Act of 1992"). Included are rules governing rates charged by cable operators for the basic service tier, the installation, lease and maintenance of equipment (such as converter boxes and remote control units) used by subscribers to receive this tier and for cable programming services other than programming offered on a per-channel or per-program basis (the "regulated services"). Generally, the regulations require affected cable systems to charge rates for regulated services that have been reduced to prescribed benchmark levels, or alternatively, to support rates using costs-of-service methodology.

The regulated services rates charged by the Company may be reviewed by the State of Alaska, operating through the Alaska Public Utilities Commission ("APUC") for basic service, or by the FCC for cable programming service. Refund liability for basic service rates is limited to a one-year period. Refund liability for cable programming service rates may be calculated from the date a complaint is filed with the FCC until the rate reduction is implemented.

In order for the State of Alaska to exercise rate regulation authority over the Company's basic service rates, 25% of a systems' subscribers must request such regulation by filing a petition with the APUC. At December 31, 1997, the State of Alaska has rate regulation authority over the Juneau system's basic service rates. (The Juneau system serves 9% of the

Company's total basic service subscribers at December 31, 1997.) Juneau's current rates have been approved by the APUC and there are no other pending filings with the APUC, therefore, there is no refund liability for basic service at this time.

Complaints by subscribers relating to cable programming service rates were filed with, and accepted by, the FCC for certain franchise areas, however, filings made in response to those complaints related to the period prior to July 15, 1994 were approved by the FCC. Therefore, the potential liability for cable programming service refunds would be limited to the period subsequent to July 15, 1994 for these areas. Management of the Company believes that it has complied in all material respects with the provisions of the FCC rules and regulations and that the Company is, therefore, not liable for any refunds. Accordingly, no provision has been made in the financial statements for any potential refunds. The FCC rules and regulations are, however, subject to judgmental interpretations, and the impact of potential rate changes or refunds ordered by the FCC could cause the Company to make refunds and/or to be in default of certain debt covenants.

In February 1996, a telecommunications bill was signed into federal law that impacts the cable industry. Most notably, the bill allows cable system operators to provide telephony services, allows telephone companies to offer video services, and provides for deregulation of cable programming service rates by 1999. Management of the Company believes the bill will not have a significant adverse impact on the financial position or results of operations of the Company.

#### Undersea Fiber Optic Cable Contract Commitment

The Company signed a contract in July 1997 for construction of the undersea portion of a \$125 million fiber optic cable system connecting the cities of Anchorage, Juneau, and Seattle via a subsea route. Subsea and terrestrial connections will extend the fiber optic cable to Fairbanks via Whittier and Valdez. Construction efforts will begin during the late summer of 1998 with commercial services expected to commence in December 1998. Pursuant to the contract, the Company paid \$9.1 million in 1997 and will pay the remaining balance in installments through December 1998 based on completion of certain key milestones. Approximately \$39.4 million of proceeds from the public offerings (see note 8), net of the \$9.1 million paid in 1997, were contributed to Alaska United. The use of such proceeds is restricted to funding the construction and deployment of the fiber optic cable system and is reported as Restricted Cash in the accompanying Consolidated Financial Statements. The Company has secured up to \$75 million in bank financing to fund the remaining cost of construction and deployment (see note 14).

#### Fiber Capacity Exchange

The Company and Kanas Telecom, Inc. ("Kanas") signed a contract November 21, 1997 that provides for an exchange of fiber optic cable capacity between Anchorage and Fairbanks via Valdez. The Company and Kanas will trade "dark fiber" capacity connecting Fairbanks, Valdez, Whittier and Anchorage. Each company will provide their own electronic equipment to place their fiber into service. The Company will provide Kanas with dark fiber from Valdez to Anchorage. Kanas will provide the Company with dark fiber between Valdez and Fairbanks.

#### (14) Subsequent Event

On January 27, 1998 Alaska United closed a \$75 million project finance facility ("Fiber Facility") to construct a fiber optic cable system connecting Anchorage, Fairbanks, Valdez, Whittier, Juneau and Seattle as further described in note 13. The Fiber Facility provides up

to \$75 million in construction financing and will bear interest at either Libor plus 3.0%, or at the lender's prime rate plus 1.75%. The interest rate will decline to Libor plus 2.5%-2.75%, or the lender's prime rate plus 1.25%-1.5% after the project completion date and when the loan balance is \$40,000,000-60,000,000 or less. \$1,018,750 was borrowed under the facility at closing. Alaska United is required to

pay a commitment fee equal to 0.375% per annum on the unused portion of the commitment. The Fiber Facility is a 10-year term loan that is interest only for the first 5 years. The facility can be extended to a 12 year term loan at any time between the second and fifth anniversary of closing the facility if the Company can demonstrate projected revenues from certain capacity commitments will be sufficient to pay all operating costs, interest and principal installments based on the extended maturity.

The Fiber Facility contains, among others, covenants requiring certain intercompany loans and advances in order to maintain specific levels of cash flow necessary to pay operating costs, interest and principal installments. The Fiber Facility also contains a guarantee that requires, among other terms and conditions, Alaska United complete the project by the completion date and pay any non-budgeted costs of the project.

The Fiber Facility is collateralized by all of Alaska United's assets, as well as a pledge of the partnership interests' owning Alaska United.

(15) Supplementary Financial Data

The following is a summary of unaudited quarterly results of operations for the years ended December 31, 1997 and 1996.

(Amounts in thousands, except per share amounts)

<TABLE>  
<CAPTION>

1997	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
<S>	<C>	<C>	<C>	<C>	<C>
Total revenues	\$52,881	56,186	57,956	56,786	223,809
Net earnings (loss)	\$ (525)	(832)	(928)	102	(2,183)
Basic earnings (loss) per common share:					
Net earnings (loss) before extraordinary item	\$ (0.01)	(0.02)	(0.01)	0.00	(0.04)
Extraordinary loss	\$0.00	0.00	(0.01)	0.00	(0.01)
Net earnings (loss)	\$ (0.01)	(0.02)	(0.02)	0.00	(0.05)
Diluted earnings (loss) per common share:					
Net earnings (loss) before extraordinary item	\$ (0.01)	(0.02)	(0.01)	0.00	(0.04)
Extraordinary loss	\$0.00	0.00	(0.01)	0.00	(0.01)
Net earnings (loss)	\$ (0.01)	(0.02)	(0.02)	0.00	(0.05)

</TABLE>

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

<TABLE>  
<CAPTION>

1996	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
<S>	<C>	<C>	<C>	<C>	<C>
Total revenues	\$37,969	39,199	38,664	49,062	164,894
Net earnings	\$2,137	2,150	2,140	1,035	7,462
Basic earnings per share	\$0.09	0.09	0.09	0.03	0.28
Diluted earnings per share	\$0.09	0.09	0.09	0.03	0.27

</TABLE>

(16) Supplemental Financial Information  
(Amounts in thousands)

<TABLE>  
<CAPTION>

	1997			
	Long- Distance	Cable	Local	Combined
<S>	<C>	<C>	<C>	<C>
Revenues:				

Telecommunication revenues	\$168,034	0	610	168,644
Cable revenues	0	55,165	0	55,165
	-----	-----	-----	-----
Total revenues	168,034	55,165	610	223,809
	-----	-----	-----	-----
Cost of sales and services:				
Distribution costs and costs of services	98,200	0	267	98,467
Programming and copyright costs	0	12,610	0	12,610
	-----	-----	-----	-----
Total cost of sales and services	98,200	12,610	267	111,077
	-----	-----	-----	-----
Contribution	69,834	42,555	343	112,732
	-----	-----	-----	-----
Selling, general and administrative expenses:				
Telephony operating and engineering	11,006	0	530	11,536
Cable television, including management fees of \$1,040	0	18,427	0	18,427
Sales and communications	14,508	0	264	14,772
General and administrative	22,477	0	3,346	25,823
Bad debts	2,640	385	0	3,025
Depreciation and amortization	9,922	13,320	525	23,767
	-----	-----	-----	-----
Operating income (loss)	\$ 9,281	10,423	(4,322)	15,382
	-----	-----	-----	-----
	-----	-----	-----	-----

</TABLE>

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GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

<TABLE>  
<CAPTION>

	1996				1995
	Long- Distance	Cable	Local	Combined	Long- Distance
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Telecommunication revenues	\$155,419	0	0	155,419	129,279
Cable revenues	0	9,475	0	9,475	0
	-----	-----	-----	-----	-----
Total revenues	155,419	9,475	0	164,894	129,279
	-----	-----	-----	-----	-----
Cost of sales and services:					
Distribution costs and costs of services	90,597	0	0	90,597	72,091
Programming and copyright costs	0	2,067	0	2,067	0
	-----	-----	-----	-----	-----
Total cost of sales and services	90,597	2,067	0	92,664	72,091
	-----	-----	-----	-----	-----
Contribution	64,822	7,408	0	72,230	57,188
	-----	-----	-----	-----	-----
Selling, general and administrative expenses:					
Telephony operating and engineering	9,095	0	92	9,187	9,182
Cable television, including management fees of \$197	0	2,992	0	2,992	0
Sales and communications	13,013	0	28	13,041	9,865
General and administrative	17,349	0	316	17,665	15,645
Legal and regulatory	1,357	0	434	1,791	1,540
Bad debts	1,718	0	0	1,736	1,459
Depreciation and amortization	7,189	2,220	0	9,409	5,993
	-----	-----	-----	-----	-----
Operating income (loss)	\$ 15,083	2,196	(870)	16,409	13,504
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

</TABLE>

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

<TABLE>  
<CAPTION>

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

<S>

Included in Part II of this Report:

Independent Auditor's Report .....	41
Consolidated Balance Sheets, December 31, 1997 and 1996 .....	42 -- 43
Consolidated Statements of Operations, Years ended December 31, 1997, 1996 and 1995 .....	44
Consolidated Statements of Stockholders' Equity, Years ended December 31, 1997, 1996 and 1995 .....	45
Consolidated Statements of Cash Flows, Years ended December 31, 1997, 1996 and 1995 .....	46
Notes to Consolidated Financial Statements .....	47 -- 71

(a) (2) Consolidated Financial Statement Schedules

Included in Part IV of this Report:

Independent Auditors' Report .....	78
Schedule VIII - Valuation and Qualifying Accounts, Years ended December 31, 1997, 1996 and 1995 .....	79

</TABLE>

Other schedules are omitted as they are not required or are not applicable, or the required information is shown in the applicable financial statements or notes thereto.

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(b) Exhibits

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

Exhibit No.	Description
3.1	Restated Articles of Incorporation of the Company dated August 16, 1993. *
3.2	Bylaws of the Company (1)
4.1	1997 Amendment No. 1 to Voting Agreement dated October 31, 1996, among Prime II Management L.P., as agent for the Voting Prime Sellers, MCI Telecommunications Corporation, Ronald A. Duncan, Robert M. Walp and TCI GCI, Inc. *
10.1	Registration Rights Agreement, dated as of January 18, 1991, between General Communication, Inc. and WestMarc Communications, Inc (2)
10.2	Employee stock option agreements issued to individuals Spradling, O'Hara, Strid, Behnke, Lewkowski and Snyder (3)
10.3	Registration Rights Agreement, dated October 31, 1996, between General Communication, Inc. and the Prime Sellers (12)
10.4	Registration Rights Agreement, dated October 31, 1996, between General Communication, Inc., and Alaskan Cable Network/Fairbanks, Inc. ("ACNFI"), Alaskan Cable Network/Juneau, Inc. ("ACNJI"), Alaskan Cable Network/ Ketchikan-Sitka, Inc. ("ACNCSI") and Jack Kent Cooke, Inc. (12)
10.5	Registration Rights Agreement, dated October 31, 1996, between General Communication, Inc., and the owners of Alaska Cablevision, Inc. ("ACI") (12)
10.6	Lease agreement between GCI Communication Services, Inc. and National Bank of Alaska Leasing Corporation dated January 15, 1992 (4)
10.7	Westin Building Lease (5)
10.8	Duncan and Hughes Deferred Bonus Agreements (6)
10.9	Compensation Agreement between General Communication, Inc. and William C. Behnke dated January 1, 1997 (19)
10.10	Order approving Application for a Certificate of Public

Convenience and Necessity to operate as a Telecommunications  
(Intrastate Interexchange Carrier) Public Utility within Alaska  
(3)

- 10.11 1986 Stock Option Plan, as amended (21)
- 10.12 Loan agreement between National Bank of Alaska and GCI Leasing Co., Inc. dated December 31, 1992 (4)
- 10.13 Pledge and Security Agreement between National Bank of Alaska and GCI Communication Services, Inc. dated December 31, 1992 (4)
- 10.14 Lease Agreement between MCI Telecommunications Corporation and GCI Leasing Co., Inc. dated December 31, 1992 (4)
- 10.15 Sublease Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated December 31, 1992 (4)
- 10.16 Financial Assistance Agreement between MCI Telecommunications Corporation and GCI Leasing Co., Inc. dated December 31, 1992 (4)
- 10.17 Letter of intent between MCI Telecommunications Corporation and General Communication, Inc. dated December 31, 1992 (7)
- 10.18 MCI Carrier Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated January 1, 1993 (8)
- 10.19 Contract for Alaska Access Services Agreement between MCI Telecommunications Corporation and General Communication, Inc. dated January 1, 1993 (8)
- 10.20 Promissory Note Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993 (9)
- 10.21 Deferred Compensation Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993 (9)
- 10.22 Pledge Agreement between General Communication, Inc. and Ronald A. Duncan, dated August 13, 1993 (9)

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- 10.23 Revised Qualified Employee Stock Purchase Plan of General Communication, Inc. (10)
- 10.24 Summary Plan Description pertaining to the Revised Qualified Employee Stock Purchase Plan of General Communication, Inc. (10)
- 10.25 The GCI Special Non-Qualified Deferred Compensation Plan (11)
- 10.26 Transponder Purchase Agreement for Galaxy X between Hughes Communications Galaxy, Inc. and GCI Communication Corp. (11)
- 10.27 Equipment Purchase Agreement between GCI Communication Corporation and Scientific-Atlanta, Inc. (11)
- 10.28 Management Agreement, between Prime II Management, L.P., and GCI Cable, Inc., dated October 31, 1996 (12)
- 10.29 Third Amended and Restated Credit Agreement, dated as of October 31, 1996, between GCI Communication Corp., and NationsBank of Texas, N.A. (13)
- 10.30 Loan Agreement among GCI Cable, Inc., as Borrower and Toronto-Dominion (Texas), Inc., et al., as of October 31, 1996 (13)
- 10.31 Licenses (5)
  - 10.31.1 214 Authorization
  - 10.31.2 International Resale Authorization
  - 10.31.3 Digital Electronic Message Service Authorization
  - 10.31.4 Fairbanks Earth Station License
  - 10.31.5 Fairbanks (Esro) Construction Permit for P-T-P Microwave Service
  - 10.31.6 Fairbanks (Polaris) Construction Permit for P-T-P Microwave Service
  - 10.31.7 Anchorage Earth Station Construction Permit
  - 10.31.8 License for Eagle River P-T-P Microwave Service
  - 10.31.9 License for Juneau Earth Station
  - 10.31.10 Issaquah Earth Station Construction Permit
- 10.32 ATU Interconnection Agreement between GCI Communication Corp. and Municipality of Anchorage, executed January 15, 1997 (18)
- 10.33 First Amendment to Third Amended and Restated Credit Agreement entered into among GCI Communication Corp., NationsBank of Texas, N.A., Toronto Dominion (Texas), Inc., Credit Lyonnais New York Branch, and National Bank of Alaska (15)
- 10.34 Second Amendment to Third Amended and Restated Credit Agreement entered into among GCI Communication Corp., NationsBank of Texas, N.A., Toronto Dominion (Texas), Inc., Credit Lyonnais New York Branch, and National Bank of Alaska (20)
- 10.35 Securities Purchase and Sale Agreement, dated May 2, 1996, among General Communication, Inc., and the Prime Sellers (12)
- 10.36 Agreement and Plan of Merger of ACI with and into GCI Cable, Inc., dated October 31, 1996 (12)
- 10.37 Certificate of Merger Merging ACI into GCI Cable, Inc. (filed in Delaware on October 31, 1996) (12)
- 10.38 Articles of Merger between GCI Cable Inc., and ACI (filed in Delaware on October 31, 1996) (12)
- 10.39 Agreement and Plan of Merger of PCFI with and into GCI Cable, Inc., dated October 31, 1996 (12)
- 10.40 Certificate of Merger Merging PCFI into GCI Cable, Inc., (filed in Delaware on October 31, 1996) (12)
- 10.41 Articles of Merger between GCI Cable, Inc., and PCFI (for filing in Alaska) (12)

- 10.42 Asset Purchase Agreement, dated April 15, 1996, among General Communication, Inc., ACNFI, ACNJI and ACNKSI (12)
- 10.43 Asset Purchase Agreement, dated May 10, 1996, among General Communication, Inc., and Alaska Cablevision, Inc. (12)
- 10.44 Asset Purchase Agreement, dated May 10, 1996, among General Communication, Inc., and McCaw/Rock Homer Cable System, J.V. (12)
- 10.45 Asset Purchase Agreement, dated May 10, 1996, between General Communication, Inc., and McCaw/Rock Seward Cable System, J.V. (12)
- 10.46 Amendment No. 1 to Securities Purchase and Sale Agreement, dated October 31, 1996, among General Communication, Inc., and the Prime Sellers Agent (13)

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- 10.47 First Amendment to Asset Purchase Agreement, dated October 30, 1996, among General Communication, Inc., ACNFI, ACNJI and ACNKSI (13)
- 10.48 Amendment to Revised Qualified Employee Stock Purchase Plan of General Communication, Inc. (18)
- 10.49 Form of Agreement Waiving Right to Exercise Stock Options (18)
- 10.50 Order Approving Arbitrated Interconnection Agreement as Resolved and Modified by Order U-96-89(8) dated January 14, 1997 (18)
- 10.51 First Amendment to Loan Agreement among GCI Cable, Inc., as Borrower, and Toronto-Dominion (Texas), Inc., et al., as of October 31, 1996 (20)
- 10.52 Amendment to the MCI Carrier Agreement executed April 20, 1994 (18)
- 10.53 Amendment No. 1 to MCI Carrier Agreement executed July 26, 1994 (16)
- 10.54 MCI Carrier Addendum--MCI 800 DAL Service effective February 1, 1994 (16)
- 10.55 Third Amendment to MCI Carrier Agreement dated as of October 1, 1994 (16)
- 10.56 Fourth Amendment to MCI Carrier Agreement dated as of September 25, 1995 (16)
- 10.57 Fifth Amendment to the MCI Carrier Agreement executed April 19, 1996 (18)
- 10.58 Sixth Amendment to MCI Carrier Agreement dated as of March 1, 1996 (16)
- 10.59 Seventh Amendment to MCI Carrier Agreement dated November 27, 1996 (20)
- 10.60 First Amendment to Contract for Alaska Access Services between General Communication, Inc. and MCI Telecommunications Corporation dated April 1, 1996 (20)
- 10.61 Letter of Intent between General Communication, Inc. and MCI Telecorp dated August 6, 1993 (19)
- 10.62 Service Mark License Agreement between MCI Communications Corporation and General Communication, Inc. dated April 13, 1994 (19)
- 10.63 Radio Station Authorization (Personal Communications Service License), Issue Date June 23, 1995 (19)
- 10.64 Framework Agreement between National Bank of Alaska (NBA) and General Communication, Inc. dated October 31, 1995 (17)
- 10.65 1997 Call-Off Contract between National Bank of Alaska (NBA) and General Communication, Inc. (GCI) dated November 1, 1996 (20)
- 10.66 Contract No. 92MR067A Telecommunications Services between BP Exploration (Alaska), Inc. and GCI Network Systems dated April 1, 1992 (20)
- 10.67 Amendment No. 03 to BP Exploration (Alaska) Inc. Contract No. 92MR067A effective August 1, 1996 (20)
- 10.68 Lease Agreement dated September 30, 1991 between RDB Company and General Communication, Inc. (3)
- 10.69 Certificate of Public Convenience and Necessity No. 436 for Telecommunications Service (Relay Services) (19)
- 10.70 Order Approving Transfer Upon Closing, Subject to Conditions, and Requiring Filings dated September 23, 1996 (19)
- 10.71 Order Granting Extension of Time and Clarifying Order dated October 21, 1996 (19)
- 10.72 Contract for Alaska Access Services among General Communication, Inc. and GCI Communication Corp., and Sprint Communications Company L.P. dated June 1, 1993 (20)
- 10.73 First Amendment to Contract for Alaska Access Services between General Communication, Inc. and Sprint Communications Company L.P. dated as of August 7, 1996 (20)
- 10.74 Employment and Deferred Compensation Agreement between General Communication, Inc. and John M. Lowber dated July 1992 (19)
- 10.75 Deferred Compensation Agreement between GCI Communication Corp. and Dana L. Tindall dated August 15, 1994 (19)
- 10.76 Transponder Lease Agreement between General Communication Incorporated and Hughes Communications Satellite Services, Inc., executed August 8, 1989 (9)
- 10.77 Addendum to Galaxy X Transponder Purchase Agreement between GCI Communication Corp. and Hughes Communications Galaxy, Inc. dated

- 10.78 Order Approving Application, Subject to Conditions; Requiring Filing; and Approving Proposed Tariff on an Inception Basis, dated February 4, 1997 (19)
- 10.79 Resale Solutions Switched Services Agreement between Sprint Communications Company L.P. and GCI Communications, Inc. dated May 31, 1996 (20)
- 10.80 Commitment Letter from Credit Lyonnais New York Branch, NationsBank of Texas, N.A. and TD Securities (USA) Inc. for Fiber Facility dated as of July 3, 1997 (19)
- 10.81 Commitment Letter from NationsBank for Credit Facility dated July 2, 1997 (19)
- 10.82 Supply Contract Between Submarine Systems International Ltd. And GCI Communication Corp. dated as of July 11, 1997. \*
- 10.83 Supply Contract Between Tyco Submarine Systems Ltd. And Alaska United Fiber System Partnership Contract Variation No. 1 dated as of December 1, 1997. \*
- 10.84 \$200,000,000 Amended and Restated Credit Agreement between GCI Holdings, Inc. and NationsBank of Texas, N.A., as administrative agent, Credit Lyonnais New York Branch, as documentation agent, and TD Securities (USA), Inc. as syndication agent, dated as of November 14, 1997. \*
- 10.85 \$50,000,000 Amended and Restated Credit Agreement between GCI Holdings, Inc. and NationsBank of Texas, N.A., as administrative agent, Credit Lyonnais New York Branch, as documentation agent, and TD Securities (USA), Inc. as syndication agent, dated as of November 14, 1997. \*
- 21.1 Subsidiaries of the Registrant \*
- 23.1 Consent of KPMG Peat Marwick LLP (Accountant for Company) \*
- 27.1 Financial Data Schedule\*
- 27.2 Restated Financial Data Schedule December 31, 1996\*
- 27.3 Restated Financial Data Schedule December 31, 1995\*
- 99 Additional Exhibits
  - 99.1 The Articles of Incorporation of GCI Communication Corp.(2)
  - 99.2 The By-laws of GCI Communication Corp. (2)
  - 99.3 The Articles of Incorporation of GCI Communication Services, Inc. (4)
  - 99.4 The By-laws of GCI Communication Services, Inc. (4)
  - 99.5 The Articles of Incorporation of GCI Leasing Co., Inc. (4)
  - 99.6 The By-laws of GCI Leasing Co., Inc. (4)
  - 99.7 The By-laws of GCI Cable, Inc. (14)
  - 99.8 The Articles of Incorporation of GCI Cable, Inc. (14)
  - 99.9 The By-laws of GCI Cable / Fairbanks, Inc. (14)
  - 99.10 The Articles of Incorporation of GCI Cable / Fairbanks, Inc. (14)
  - 99.11 The By-laws of GCI Cable / Juneau, Inc. (14)
  - 99.12 The Articles of Incorporation of GCI Cable / Juneau, Inc. (14)
  - 99.13 The By-laws of GCI Cable Holdings, Inc. (14)
  - 99.14 The Articles of Incorporation of GCI Cable Holdings, Inc. (14)
  - 99.15 The By-laws of GCI Holdings, Inc. (19)
  - 99.16 The Articles of Incorporation of GCI Holdings, Inc. (19)
  - 99.17 The Articles of Incorporation of GCI, Inc. (18)
  - 99.18 The Bylaws of GCI, Inc. (18)
  - 99.19 The By-laws of GCI Transport, Inc. \*
  - 99.20 The Articles of Incorporation of GCI Transport, Inc. \*
  - 99.21 The By-laws of Fiber Hold Co., Inc. \*
  - 99.22 The Articles of Incorporation of Fiber Hold Co., Inc. \*
  - 99.23 The By-laws of GCI Fiber Co., Inc. \*
  - 99.24 The Articles of Incorporation of GCI Fiber Co., Inc. \*
  - 99.25 The By-laws of GCI Satellite Co., Inc. \*
  - 99.26 The Articles of Incorporation of GCI Satellite Co., Inc. \*
  - 99.27 The Partnership Agreement of Alaska United Fiber System \*

-----

\* Filed herewith.

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

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

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

4 Incorporated by reference to the Company's Annual Report on Form 10-K for

the year ended December 31, 1992  
5 Incorporated by reference to the Company's Registration Statement on Form  
10 (File No. 0-15279), mailed to the Securities and Exchange Commission  
on December 30, 1986  
6 Incorporated by reference to the Company's Annual Report on Form 10-K for  
the year ended December 31, 1989.  
7 Incorporated by reference to the Company's Current Report on Form 8-K  
dated January 13, 1993.  
8 Incorporated by reference to the Company's Current Report on Form 8-K  
dated June 4, 1993.  
9 Incorporated by reference to the Company's Annual Report on Form 10-K for  
the year ended December 31, 1993.  
10 Incorporated by reference to the Company's Annual Report on Form 10-K for  
the year ended December 31, 1994.  
11 Incorporated by reference to the Company's Annual Report on Form 10-K for  
the year ended December 31, 1995.  
12 Incorporated by reference to the Company's Form S-4 Registration  
Statement dated October 4, 1996.  
13 Incorporated by reference to the Company's Current Report on Form 8-K  
dated November 13, 1996.  
14 Incorporated by reference to the Company's Annual Report on Form 10-K for  
the year ended December 31, 1996.  
15 Incorporated by reference to the Company's Quarterly Report on Form 10-Q  
for the period ended March 31, 1997.  
16 Incorporated by reference to the Company's Current Report on Form 8-K  
dated March 14, 1996, filed March 28, 1996.  
17 Incorporated by reference to the Company's Amendment to Annual Report  
dated December 31, 1995 on Form 10-K/A as amended on August 6, 1996.  
18 Incorporated herein by reference to the Company's Form S-3 Registration  
Statement (File No. 333-28001) dated May 29, 1997.  
19 Incorporated herein by reference to the Company's Amendment No. 1 to Form  
S-3/A Registration Statement (File No. 333-28001) dated July 8, 1997.  
20 Incorporated herein by reference to the Company's Amendment No. 2 to Form  
S-3/A Registration Statement (File No. 333-28001) dated July 21, 1997.  
21 Incorporated herein by reference to the Company's Amendment No. 3 to Form  
S-3/A Registration Statement (File No. 333-28001) dated July 22, 1997.  
22 Incorporated herein by reference to the Company's Form S-8 POS  
Registration Statement (File No. 33-60222) dated February 20, 1998.

(c) Reports on Form 8-K

None.

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#### INDEPENDENT AUDITORS' REPORT

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

Under date of March 4, 1998, we reported on the consolidated balance sheets of  
General Communication, Inc. and Subsidiaries ("Company") as of December 31, 1997  
and 1996 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, 1997, which are included in the Company's 1997 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 1997 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

-----  
KPMG PEAT MARWICK LLP

Anchorage, Alaska  
March 4, 1998

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Schedule VIII

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Valuation and Qualifying Accounts

Years ended December 31, 1997, 1996 and 1995

<TABLE>  
<CAPTION>

Description	Balance at beginning of year	Additions		Deductions	Balance at end of year
		Charged to profit and loss	Other	Write-offs net of recoveries	
(Amounts in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Year ended December 31, 1997:					
Allowance for doubtful receivables	\$ 597	3,025	--	2,552	1,070
	-----	-----	-----	-----	---
Year ended December 31, 1996:					
Allowance for doubtful receivables	\$ 295	1,736	354 (1)	1,788	597
	-----	-----	-----	-----	---
Year ended December 31, 1995:					
Allowance for doubtful receivables	\$ 409	1,459	--	1,573	295
	-----	-----	-----	-----	---

</TABLE>

(1) Allowance for doubtful receivables acquired pursuant to the Cable Company acquisitions described in Note 2 to the Company's consolidated financial statements.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GENERAL COMMUNICATION, INC.

By: /s/ Ronald A. Duncan

-----  
Ronald A. Duncan, President  
(Chief Executive Officer)

Date: March 25, 1998

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.

<TABLE>  
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
/s/ Carter F. Page	Chairman of Board and Director	March 26, 1998
----- Carter F. Page		
/s/ Robert M. Walp	Vice Chairman of Board and Director	March 25, 1998
----- Robert M. Walp		
/s/ Ronald A. Duncan	President and Director, (Chief Executive Officer)	March 25, 1998
----- Ronald A. Duncan		
/s/ Donne F. Fisher	Director	March 25, 1998
----- Donne F. Fisher		
/s/ Jeffery C. Garvey	Director	March 25, 1998
----- Jeffery C. Garvey		

Director -----

-----  
John W. Gerdelman

Director -----

-----  
William P. Glasgow

Director March 27, 1998

/s/ Donald Lynch

-----  
Donald Lynch  
</TABLE>

(Continued)

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SIGNATURES

(Continued)

<TABLE>  
<CAPTION>

Signature	Title	Date
-----	-----	-----
<S>	<C>	<C>
-----	Director	-----
Larry E. Romrell		
-----	Director	-----
James M. Schneider		
/s/ John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer	March 25, 1998
----- John M. Lowber		
/s/ Alfred J. Walker	Vice President and Chief Accounting Officer	March 25, 1998
----- Alfred J. Walker		

</TABLE>

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RESTATED ARTICLES OF INCORPORATION

OF

GENERAL COMMUNICATION, INC.

The following are the Restated Articles of Incorporation of General Communication, Inc., adopted by the Board of Directors of that corporation by a unanimous vote at a meeting held on January 30, 1998, and are executed by that corporation through its president and its secretary and verified by its secretary. These Restated Articles of Incorporation correctly set forth, without change, all of the operative provisions of the Articles of Incorporation as amended up to that time, and these Restated Articles of Incorporation supersede the original Articles of Incorporation and all amendments to them.

ARTICLE I

The name of the corporation is General Communication, Inc. ("Corporation").

ARTICLE II

The duration of this Corporation shall be perpetual.

ARTICLE III

The Corporation is organized for the purposes of transacting any and all lawful business for which corporations may be incorporated under the Alaska Corporations Code (AS 10.06).

ARTICLE IV

(a) The total number of shares of stock which the Corporation shall have authority to issue is one hundred eleven million shares divided into the following classes:

(i) One hundred million shares of Class A Common Stock;

RESTATED ARTICLES OF INCORPORATION (1998)

Page 1

(ii) Ten million shares of Class B Common Stock; and

(iii) One million shares of Preferred Stock.

(b) Each share of Class A Common Stock shall be identical in all respects with the Class B Common Stock, except that each holder of Class A Common Stock shall be entitled to one vote for each share of such stock held, and each holder of Class B Common Stock shall be entitled to ten votes for each share of such stock held.

(c) The Board of Directors is authorized, subject to limitations prescribed by law and to the provisions of this Article IV, to provide for the issuance of Preferred Stock from time to time in one or more series with such distinctive serial designations, rights, preferences and limitations of the shares of each such series as the Board of Directors shall establish. The authority of the Board of Directors with respect to each series shall, to the extent allowed by law, include the authority to establish and fix the following:

(i) the number of shares initially constituting the series and the distinctive designation of that series;

(ii) The extent, if any, to which the series shall have voting rights, whether none, full, fractional or otherwise limited, subject, however, to the limitation that at the time of creation of any particular series of Preferred Stock, the voting rights, if any, of that particular series of Preferred Stock, plus the total voting rights then authorized for all other Preferred Stock, shall not exceed five percent of the aggregate voting rights of all Class A Common Stock and Class B Common Stock issued and outstanding at that time;

(iii) Whether entitled to receive dividends (which

may be cumulative or noncumulative) at such rate or rates, on such conditions, and at such times and payable in preference to, or in such relation to, the dividends payable on any other class or classes or any other series of the same or any other class or classes of stock of the Corporation;

(iv) The rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, or upon any distribution of its assets;

(v) Whether the shares have conversion privileges and, if so, the terms and conditions of such conversion privileges, including provision, if any, for adjustment of the conversion rate and for payment of

RESTATED ARTICLES OF INCORPORATION (1998)

Page 2

additional amounts by holders of Preferred Stock of that series upon exercise of such conversion privileges;

(vi) Whether or not the shares of that series shall be redeemable, and, if so, the price at and the terms and conditions upon which such shares shall be redeemable, and whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

(vii) That the Corporation, through a resolution adopted by its Board of Directors, may agree that, upon the occurrence and during the continuation of an event of noncompliance by the Corporation as defined in the terms of an agreement under which Preferred Stock or a series of Preferred Stock is issued and outstanding, the then holders of the issued and outstanding shares of that stock will have the exclusive right to elect additional directors to the Board of Directors, and each director so elected will thereupon become an additional director of the Corporation, and the authorized directors of the Corporation will thereupon be automatically increased by the number of added directors; provided that under no circumstances will the right granted through this Article IV to so elect additional directors extend beyond two additional directors at any one time;

(viii) That the Corporation, through a resolution adopted by its Board of Directors, may agree with the holders of Preferred Stock issued or to be issued and outstanding that, without the consent of the holders of at least two-thirds of the number of shares of that Preferred Stock, the Corporation will not: (A) effect any changes in the rights, privileges or preferences of that Preferred Stock; (B) create, designate or issue any class or series of senior securities (any class or series of capital stock of the Corporation ranking senior to that Preferred Stock) or parity securities (any class or series of capital stock entitled to receive payment of dividends on a parity with that Preferred Stock or entitled to receive assets upon liquidation, dissolution or winding up of the affairs of the Corporation on a parity with that Preferred Stock), in respect of the right to receive dividends or in respect of the right to participate in any distribution upon liquidation, dissolution, or winding up of the affairs of the Corporation; or (C) approve any other action with respect to which, under applicable law, the vote of the holders of that Preferred Stock as a separate series or class is required; and such consents will either be given in writing or by vote at a meeting called for that purpose at which the holders of that Preferred Stock will vote as a series or class; and

RESTATED ARTICLES OF INCORPORATION (1998)

Page 3

(ix) Such other preferences and relative participating, optional or other special rights, and qualifications, limitations or restrictions thereof.

(d) Notwithstanding the fixing of the number of shares constituting a particular series upon the issuance thereof, the Board of Directors may, at any time thereafter, authorize the issuance of additional shares of the same series or may reduce the number of shares constituting such series, provided that such number shall not be reduced to less than the number of shares of such series then issued and outstanding.

(e) The Board of Directors is expressly authorized to vary the provisions relating to the foregoing matters between the various series of Preferred Stock, but in all other respects the shares of each series shall be of equal rank with each other, regardless of series. All Preferred Stock of any one series shall be identical in all respects, except as to the dates from which

dividends shall be cumulative, if such dividends are provided.

(f) Except as may be determined by the Board of Directors of the Corporation pursuant to paragraph (c) of this Article IV with respect to the Preferred Stock, and except as otherwise expressly required by the laws of the state of Alaska, as then in effect, the holders of the Class A Common Stock and the holders of the Class B Common Stock shall vote with the holders of voting shares of the Preferred Stock, if any, as one class with respect to the election of directors and with respect to all other matters to be voted on by stockholders of the Corporation.

(g) Except as otherwise expressly required by law, any and all rights, titles, interests and claims in or to any dividends declared by the Corporation whether in cash, stock or otherwise, which are unclaimed by the shareholder entitled thereto for a period of six years after the close of business on the payment date, shall be and be deemed to be extinguished and abandoned; and such unclaimed dividends in the possession of the Corporation, its transfer agents or other agents or depositories, shall at such time become the absolute property of the Corporation, free and clear of any and all claims of any person whatsoever.

(h) Each share of Class B Common Stock shall be convertible, at the option of the holder thereof, into one share of Class A Common Stock. To exercise the conversion option, a holder of Class B shares must deliver the certificate or certificates representing the shares of Class B Common Stock to be converted, duly endorsed in blank, to the Secretary of the Corporation, and at the same time, notify the Secretary in writing of such holder's desire to so convert and instruct the Secretary as to the number of shares he or she wishes converted. Upon receipt by the Secretary of the foregoing certificates and instructions, the Corporation shall cause to be issued to the holder of the

RESTATED ARTICLES OF INCORPORATION (1998)

Page 4

Class B Common Stock one share of Class A Common Stock for each share of Class B Common Stock requested to be converted, issuing and delivering to such holder certificates for shares of Class A Common Stock issued upon such conversion and all shares of Class B Common Stock remaining unconverted, if any, represented by such certificates. A number of shares of Class A Common Stock equal to the number of shares of Class B Common Stock outstanding shall, from time to time, be set aside and reserved for issuance upon conversion of Class B Common Stock. Class A Common Stock shall not be convertible into Class B Common Stock.

(i) At each election for directors, every shareholder entitled to vote at such election will have the right to vote in person or by proxy, the number of shares owned by that shareholder for as many persons as there are directors to be elected and for whose election that shareholder has a right to vote, and such a shareholder will not be allowed to cumulate that shareholder's votes.

(j) The Corporation will have the power to redeem and otherwise buy back a portion or all of any or all classes or series of shares of its stock as allowed by law, including AS 10.06.325, and as the Board of Directors, in its sole discretion, will deem advisable.

#### ARTICLE V

(a) The governing body of this Corporation shall be a Board of Directors. The number of directors shall be determined in the manner provided in the Bylaws of the Corporation; provided, however, that the number of directors shall not be less than three nor more than twelve.

(b) Upon the establishment of the Board of Directors of the Corporation as having three or more members ("Class Date"), that board will be divided into three classes: Class I, Class II and Class III. Each such class will consist, as nearly as possible, of one-third of the whole number of the Board of Directors. Directors in office on the Class Date will be divided among such classes and in such manner, consistent with the provisions of this Article V, as the Board of Directors may determine by resolution. The initial Class I directors so determined shall serve until the next annual meeting of stockholders of the Corporation following such date. The initial Class II directors so determined shall serve until the second annual meeting of stockholders of the Corporation following such date. The initial Class III directors so determined shall serve until the third annual meeting of stockholders of the Corporation following such date. In the case of each such class, such directors shall serve, subject to their earlier death, resignation or removal in accordance with these Articles of Incorporation, the Bylaws of the Corporation and the laws of the State of Alaska, until their respective

successors shall be elected and shall qualify. At each annual meeting of stockholders after the date of such filing, the directors chosen to succeed those whose terms shall have expired shall be elected to hold office for a term to expire at the third succeeding annual meeting of stockholders after their election and, subject to their earlier death, resignation or removal in accordance with these Articles of Incorporation, the Bylaws of the Corporation and the laws of the State of Alaska, until their respective successors shall be elected and shall qualify. If the number of directors is changed, any increase or decrease shall be apportioned among such classes so as to maintain all classes as equal in number as possible, and any additional director elected to any class shall hold office for a term which shall coincide with the terms of the other directors in such class. Any vacancy occurring on the Board of Directors caused by death, resignation, removal or otherwise, and any newly created directorship resulting from an increase in the number of directors on that Board, may be filled by the directors then in office, although such directors are less than a quorum, or by the sole remaining director. Each director chosen to fill a vacancy or newly created directorship shall hold office until the next election of the class for which such director shall have been chosen and, subject to that director's earlier death, resignation or removal in accordance with these Articles of Incorporation, the Bylaws of the Corporation and the laws of the State of Alaska, until that director's successor shall be duly elected and shall qualify.

(c) The Corporation shall have the power to issue and sell any stock, in exchange for such consideration (whether cash, services, assets or stock of or any interest in any business, or any other property, real or personal, whatsoever) as the Board of Directors, in its sole discretion, shall deem advisable. Any stock so issued or sold by the Corporation shall be deemed fully paid and non-assessable.

#### ARTICLE VI

The capital stock of this Corporation shall not be assessable. It shall be issued as fully paid, and the private property of the stockholders shall not be liable for the debts, obligations or liabilities of this Corporation.

#### ARTICLE VII

No shareholder of the Corporation shall have any preemptive right to subscribe for, purchase or receive, or to be offered the opportunity to subscribe for, purchase or receive, any part of any shares of stock of the Corporation of any class, whether now or hereafter authorized and whether unissued shares or not, at any time issued or sold by the Corporation, or any part of any options, warrants, rights, bonds,

debentures or other evidences of indebtedness or any other securities of the Corporation convertible into, exchangeable or exercisable for, or otherwise entitling the holder thereof to purchase or receive, any such shares. Any and all of such shares, options, warrants, rights, bonds, debentures or other evidences of indebtedness or other securities of the Corporation convertible into, exchangeable or exercisable for, or otherwise entitling the holder thereof to purchase or receive, any such shares may be issued and disposed of by the Board of Directors on such terms and for such consideration, so far as may be permitted by applicable law, and to such person or persons, as the Board of Directors in its absolute discretion may deem advisable.

#### ARTICLE VIII

The Corporation shall indemnify, to the full extent permitted by, and in the manner permissible under, the laws of the State of Alaska and any other applicable laws, any person made or threatened to be made a party to an action or proceeding, whether criminal, civil, administrative or investigative, other than an action by or in the right of the Corporation, by reason of the fact that the person is or was a director, officer, employee or agent of this Corporation or is or was serving at the request of the Corporation as a director or officer, employee or agent of another corporation, partnership, joint venture, trust, or other enterprise. The foregoing provisions of this Article VIII will be deemed to be a contract between this Corporation and each director and officer who serves in such capacity at any time while this Article VIII is in effect, and any repeal or modification of this Article VIII shall not affect any rights or obligations then existing with respect to any statement of facts then or theretofore existing or any action, suit or proceeding theretofore or thereafter brought based in whole or in part upon any such statement of facts. The foregoing rights of indemnification shall not be deemed exclusive of any

other rights to which any director or officer or his legal representative may be entitled apart from the provisions of this Article VIII.

ARTICLE IX

As of the date of these Restated Articles of Incorporation, the Corporation had no alien affiliates.

ARTICLE X

Only the Board of Directors is expressly authorized and empowered to adopt, alter, amend or repeal any provision or all of the Bylaws of this Corporation, to the exclusion of the outstanding shares of the Corporation.

ARTICLE XI

By the affirmative vote of at least 75% of the directors, the Board of Directors may designate an Executive Committee, all of whose members shall be directors, to manage and operate the affairs of the Corporation or particular properties or enterprises of the Corporation. Subject to limitations provided by the laws of the State of Alaska, said committee shall have the power to perform or authorize any act that could be done or accomplished by the majority action of all the directors of the Corporation. The Board of Directors may by resolution establish other committees than an Executive Committee and shall specify with particularity the powers and duties of any such committees.

ARTICLE XII

Notwithstanding the Corporation's incorporation prior to the effective date of the Alaska Corporations Code, the Corporation elects to be governed by the provisions of the Alaska Corporations Code not otherwise applicable to it because the Corporation existed at the effective date of that code and, in particular, the voting provisions of AS 10.06.504 - 10.06.506 of that code pertaining to the procedure to amend articles of incorporation and class voting on amendments to those articles.

IN WITNESS WHEREOF, the Corporation through its corporate officers hereby executes these Restated Articles of Incorporation of General Communication, Inc. on this 12th day of February, 1998.

GENERAL COMMUNICATION, INC.

By: /s/  
Ronald A. Duncan  
President

By: /s/  
John M. Lowber  
Secretary

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

BEFORE ME, the undersigned authority, personally appeared JOHN M. LOWBER, who, first by me being duly sworn, deposes and states that he is the secretary of General Communication, Inc., that he has read the above and foregoing RESTATED ARTICLES OF INCORPORATION OF GENERAL COMMUNICATION, INC. and knows the contents therein; and that each and all of said facts and matters are true and correct to the best of his information and belief.

/s/  
John M. Lowber

SUBSCRIBED AND SWORN to before me this 12th day of February,  
1998.

/s/  
Notary Public in and for Alaska  
My Commission Expires: January 17, 2001

RESTATED ARTICLES OF INCORPORATION (1998)

Page 9

WOHLFORTH, ARGETSINGER, JOHNSON & BRECHT  
A PROFESSIONAL CORPORATION

JULIUS J. BRECHT		TELEPHONE
CHERYL RAWLS BROOKING		(907) 276-6401
CYNTHIA L. CARTLEDGE		
BARBARA J. DREYER	ATTORNEYS AT LAW	
ROBERT M. JOHNSON		
BRADLEY E. MEYEN	900 WEST 5TH AVENUE, SUITE 600	FACSIMILE
KENNETH E. VASSAR		(907) 276-5093
ERIC E. WOHLFORTH	ANCHORAGE, ALASKA 99501-2048	

OF COUNSEL  
PETER ARGETSINGER

March 16, 1998

John M. Lowber  
Senior Vice President and  
Chief Financial Officer  
General Communication, Inc.  
2550 Denali Street, Suite 1000  
Anchorage, Alaska 99503

Via Hand-Delivery

Re: Restated Certificate of Incorporation and Replacement  
Certificate of Amendment for General Communication, Inc.;  
Our File No. 0618.0201

Dear John:

As we discussed in our telephone conversation of this date, please find enclosed the following documents:

1. Restated Certificate of Incorporation for General Communication, Inc., dated February 27, 1998;
2. Restated Articles of Incorporation of General Communication, Inc. filed for record, February 27, 1998; and
3. Certificate of Amendment for General Communication, Inc. dated December 12, 1997.

The Restated Certificate of Incorporation and the accompanying Restated Articles of Incorporation with the date stamp of February 27, 1998 by the Alaska Department of Commerce and Economic Development are in response to the filing by the Company through my letter dated February 26, 1998. The Restated Certificate of Incorporation and the accompanying Restated Articles of Incorporation should reflect the current restatement of the Articles of Incorporation of the Company. The Restated Certificate of Incorporation and the accompanying Restated Articles of Incorporation should be held in the Company's corporate file.

John M. Lowber  
Senior Vice President and Chief Financial Officer  
General Communication, Inc.

Re: Restated Certificate of Incorporation and Replacement  
Certificate of Amendment for General Communication, Inc.  
March 16, 1998  
Page 2

The enclosed Certificate of Amendment has been executed by the Department to replace a previous certificate issued on the same date (December 12, 1997), but with the caption "Certificate of Amended and Restated Articles." That is, the previous certificate was misnamed and the enclosed Certificate of Amendment is properly named for the action that was taken by the Department on December 12, 1997. The enclosed Certificate of Amendment should be placed in the Company's corporate files as reflecting the action taken by the Company on its Articles of Incorporation. The prior document entitled "Certificate of Amended and Restated Articles" dated December 12, 1997 is in error and no longer is valid. An appropriate notation should be made on that certificate to indicate that it has no effect and is replaced by the Certificate of Amendment dated December 12, 1997.

I have been in contact with Fred Walker to alert him to the need to include the restated Articles of Incorporation of the Company as an exhibit to the Company's Form 10-K for the year ended December 31, 1997. A copy of those Restated Articles of Incorporation are being sent to Fred directly via e-mail for inclusion in that Form 10-K.

Should you have any questions regarding the enclosures, please contact me.

Sincerely,

WOHLFORTH, ARGETSINGER,  
JOHNSON & BRECHT

/s/  
Julius J. Brecht

JJB/neb

Enclosure(s)

cc: Fred Walker

1997 Amendment No. 1 to Voting Agreement

This amendment ("Amendment") dated as of December 5, 1997 to that certain Voting Agreement ("Voting Agreement") entered into effective as of October 31, 1996 by and among Prime II Management, L.P. ("Prime"), as the designated agent for the parties named on Annex 1 attached thereto, MCI Telecommunications Corporation, Ronald A. Duncan, Robert M. Walp, and TCI GCI, Inc. Terms used herein and not otherwise defined shall have the meanings ascribed to them in the Voting Agreement.

Background: The Prime Sellers became stockholders of GCI on October 31, 1996 (the "Acquisition Date"), and GCI had agreed to file and keep effective a registration statement for a period of two years after the Acquisition Date with respect to the Shares owned by the Prime Sellers. GCI has not maintained the effectiveness of such registration statement, and in lieu of the registration of such Shares by GCI at this time, GCI and the parties hereto who currently are Parties (the "Current Parties") to the Voting Agreement, have agreed to the withdrawal of Prime and the Prime Sellers as Parties to the Voting Agreement, all on the terms and conditions set forth herein.

The Current Parties have also agreed to the withdrawal of TCI GCI as a Party to the Voting Agreement in that it has sold all of the 590,043 shares of common stock of the Company which constituted the portion of the Shares which TCI GCI held at the time of execution of the Voting Agreement.

The Current Parties consist of the following:

- (1) MCI Telecommunications Corporation;
- (2) Ronald A. Duncan; and
- (3) Robert M. Walp

In consideration of the mutual covenants and conditions contained in this Amendment, the Current Parties agree as follows:

1.(a) Clause (1) of Section 1 of the Voting Agreement, which states the number of Shares held by Prime (i.e., owned by the Prime Sellers) that are subject to the Voting Agreement, is hereby deleted, and the Shares shown as having been held by Prime and owned by the Prime Sellers are hereby withdrawn from the Voting Agreement and Prime and each of the Prime Sellers hereby cease to be Parties to the Voting Agreement. Prime and Prime Sellers no longer have any rights or obligations under the Voting Agreement, except as provided in Paragraphs numbered 2 and 4 below.

1.(b) Clause (5) of Section 1 of the Voting Agreement, which states the number of Shares held by TCI GCI that are subject to the Voting Agreement is hereby deleted, and the Shares shown as having been held by TCI GCI are hereby withdrawn from the Voting Agreement, and TCI GCI hereby ceases to be a Party to the Voting Agreement. TCI GCI no longer has any rights or obligations under the Voting Agreement.

2.(a) Clause (C) of Section 2(a)(1) of the Voting Agreement is hereby deleted in its entirety and left intentionally blank.

2.(b) Clause (D) of Section 2(a)(1) of the Voting Agreement is hereby amended to read in its entirety as follows: "Prime shall be entitled to recommend one Nominee for so long as that

1

certain Management Agreement ("Prime Management Agreement") between Prime and GCI dated October 31, 1996 is in full force and effect, and not thereafter."

2.(c) Section 2(a)(2) of the Voting Agreement is hereby deleted in its entirety and left intentionally blank.

3. Section 2(b) of the Voting Agreement is hereby amended so as to provide that for Nominees allocated to Prime there would be only one Nominee in Class III, instead of one in Class II and one in Class III. Section 2(b) of the Voting Agreement is hereby further amended by deleting the last phrase of that section of the Voting Agreement providing for an allocation of Nominees to TCI GCI.

4.(a) Section 5(b) of the Voting Agreement is hereby amended by deleting the subitem (4) relating to shares held by TCI GCI.

4.(b) Section 5(d) of the Voting Agreement is hereby amended to read in its entirety as follows: "Each Party shall vote for Prime's Nominee pursuant to Section 2(a)(1) above, for so long as the Prime Management Agreement is in effect and notwithstanding the fact that such Party ceases to be a Party under the Voting Agreement.

5. The proviso in the second sentence of Section 6 of the Voting Agreement is hereby deleted.

6. Section 8 of the Voting Agreement is hereby amended by deleting reference to Prime and to TCI GCI as Parties to the Voting Agreement.

2

EXECUTED to be effective as of the date first above mentioned.

PRIME II MANAGEMENT, L.P.  
BY Prime II Management, Inc.  
Its General Partner

By: /s/ William P. Glasgow  
Its: President

MCI TELECOMMUNICATIONS CORPORATION

By: /s/ John W. Gerdelman  
Its:

/s/  
RONALD A. DUNCAN

/s/  
ROBERT M. WALP

GENERAL COMMUNICATION, INC.

/s/ John M. Lowber  
-----  
By: John M. Lowber  
Its: Sr V.P. and CFO

3

SUPPLY CONTRACT BETWEEN  
SUBMARINE SYSTEMS INTERNATIONAL LTD.  
AND  
GCI COMMUNICATION CORP.

[CERTAIN INFORMATION HAS BEEN REDACTED FROM THIS DOCUMENT  
WHICH THE COMPANY DESIRES TO KEEP UNDISCLOSED AND A COPY  
OF THE UNREDACTED DOCUMENT HAS BEEN FILED SEPARATELY WITH  
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of this contract.  
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be required under the warranty provisions.

Work means the managing, coordinating, planning, surveying, designing, manufacturing, transporting, cable laying, installing, testing, commissioning, training and any other associated services or activities whatsoever, including any other work and obligations to be carried out in the execution of this Contract by Contractor.

Article 4. Contract Price

A. Contract Price

Prices shall be as set forth in Appendix 1, Provisioning Schedule. The initial Contract Price in United States Dollars (US\$) is \*\*\*\*\* ("Initial Contract Price") for the System.

B. Taxes, Levies and Duties

1. Contract Price, as stated in 4(A) above, excludes customs duties, sales, state, local, business, occupation and use taxes, VAT, and fiscal stamps connected with Contract legalization or any other tax, duty, levy or similar charge which Contractor is required by law to bill to and collect from the Purchaser. At the Purchaser's request, Contractor shall provide a good faith estimate of customs, duties, and taxes or similar charges payable by the Purchaser.
2. The Purchaser will be responsible for paying, including but not limited to, all such appropriate customs duties, sales, state, local, business, occupation and use taxes, VAT, and fiscal stamps, etc. connected with Contract legalizations to the authorities in their countries. However, if Contractor is required to pay such, it will be reimbursed by the Purchaser within thirty (30) days of the date the appropriate invoice is received by the Purchaser in accordance with Article 5 (Terms of Payment).
3. The Purchaser shall obtain at its own risk and expense any import license or other official authorization and carry out all customs formalities necessary for the importation of goods.  
Contractor,

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upon request of Purchaser, shall provide Purchaser with any reasonable assistance. The Purchaser shall agree to be the Importer of Record or designate an Importer of Record/Consignee on its behalf. Purchaser must provide a Letter of Authorization from the third party designate stating it will agree to be the Importer of Record on Purchaser's behalf and identify the individual name of the person and address of the designated Importer of Record.

4. Unless otherwise agreed to in writing, the equipment, materials and supplies to be installed or held on land shall be delivered to the agreed point at the named place of destination and shall be consigned to the Purchaser.

C. Contractor's Income Tax

The Contractor shall be responsible for any income tax that might be incurred by Contractor as a result of income obtained by Contractor arising from and/or in connection with the Contract.

Article 5. Terms of Payment

A. General Conditions of Payment

1. All payments shall be made and all invoices shall be rendered in US Dollars (US\$). The Purchaser shall be responsible for and shall pay all costs and fees for payment, as well as the banking and cabling costs. All banking documents and correspondence must be in English.

2. On or before \*\*\*\*\*, payment shall be secured by one of the following Payment Securities: 1) \*\*\*\*\*, or 2) \*\*\*\*\*, or 3) \*\*\*\*\* or 4) any other financial instrument acceptable to Contractor. Any such Payment Security shall be in a format that is acceptable to Contractor and be confirmed by and payable at a bank chosen by Contractor.

Account Number: \*\*\*\*\*

ABA Number: \*\*\*\*\*

Bank name and address: \*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*

3. The Payment Security will be in an amount equal to the value of the work undertaken or to be undertaken by Contractor, plus any other charges associated with the issuance of any such Payment

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Security. At all times Contractor shall be entitled to have any work to be undertaken to be secured by a Payment Security before proceeding with such work.

B. Terms of Payment

1. Down Payment  
\*\*\*\*\* of the Initial Contract Price ("Down Payment"), as provided in the Billing Schedule, shall be due after Contract signing and on or before August 1, 1997.
2. Progress Payments  
(a) \*\*\*\*\* of the Contract Price will be invoiced in accordance with the Billing Schedule in Appendix 2
3. Final Payment  
(a) The remaining balance \*\*\*\*\* of the Contract Price will be invoiced upon the issuance of the Certificate of Provisional Acceptance, as set forth in Article 9.  
(b) In the event a Certificate of Commercial Service is issued prior to the issuance of the Certificate of Provisional Acceptance, the Purchaser shall be invoiced \*\*\*\*\* of the remaining balance upon issuance of the Certificate of Commercial Service, with the balance to be invoiced upon the issuance of the Certificate of Provisional Acceptance.
4. Payment for Contract Variations  
Contract variations will be invoiced and paid in accordance with the terms of the Contract Variation as set forth in Article 6 (Contract Variations).

C. Invoice Procedures

1. Invoices shall be submitted in the format as provided in Appendix 3. All invoices for Work will be paid in accordance with Article 5(B) hereof.
2. If the progress of the work within any category is such that an appropriate milestone is not achieved by the end of the month corresponding to the milestone as set forth in the Plan of Work and in accordance with the Billing Schedule, Contractor may, at the Purchaser's option, invoice an amount consistent with the portion thus far completed, to achieve that milestone. If the Purchaser authorizes the submission of such an invoice, the remaining amount shall be invoiced at the time of completion of the milestone.

If the Purchaser does not authorize the partial invoice, the entire amount will be invoiced upon completion of the milestone.

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3. The Contractor shall render all invoices, in accordance with Article 35, to the following addresses:

GCI Communication Corp.  
2550 Denali Street (Suite 1000)  
Anchorage, Alaska 99503-2721  
Attn: Mr. Jimmy R. Sipes  
Vice President  
Telephony Network Engineering

GCI Communication Corp.  
2550 Denali Street (Suite 1000)  
Anchorage, Alaska 99503-2721  
Attn: Accounts Payable

D. Payment Procedures

1. Purchaser shall pay Contractor, and Contractor shall accept payment, in accordance with Article 5 (Terms of Payment).
2. The full amount owed, as invoiced, shall be paid within \*\*\*\*\* of the date of the respective invoice, except for the Down Payment which shall be paid as set forth in Article 5(B)1.
3. Invoices shall be submitted to the Purchaser by the \*\*\*\*\* day of the month concerned.
4. Invoices not paid when due shall accrue late payment charges from the day, following the day, on which payment was due until the day on which it is paid. Invoices for extended payment charges shall not be issued for an amount less than U.S. \*. Extended payment charges shall be computed at the rate of \*.
5. An invoice shall be deemed to have been accepted for payment if the Purchaser does not present a written good faith objection within \*\*\*\*\* of the receipt date of the invoice by Mail, as defined in Article 35.
6. In the event that the Purchaser has an objection to an invoice as mentioned in Article 5(D)(5) above, the Purchaser and Contractor shall make every reasonable effort to settle promptly the dispute concerning the invoice in question. The Purchaser will have the right to withhold payment of the disputed amount so long as it deposits, in full, such disputed amount into an escrow account held by a mutually agreed upon escrow agent (hereinafter referred to as "Escrow") on or before the date such amount was otherwise due.

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- (a) Provided such disputed amount is placed into Escrow in a timely manner, the Purchaser shall not be deemed to be in breach of or in default for failing to pay Contractor.
- (b) Upon final resolution of such dispute, the

Escrow agent will distribute the disputed amount to the prevailing party in accordance with the resolution, together with any interest earned on such amount.

(c) In addition, the prevailing party shall be entitled to receive from the other party interest on the distributed disputed amount at a rate of \*\*\*\*\*.

7. The Purchaser shall make timely payments for that portion of the invoice not in dispute in accordance with Article 5(D), or such payments will be assessed extended payment charges as set forth in Article 5(D)(4) above. Pending resolution of the dispute, the Purchaser may not withhold payment on any other invoice concerning different goods and/or services submitted by Contractor.

8. If Purchaser fails to timely pay into the Escrow or to Contractor, then Contractor must provide \*\*\*\*\* written notice, in accordance with Article 35, to Purchaser of the failure to pay. If Purchaser fails to cure such failure, then Contractor, upon written notice, may suspend Work until such payment is made.

Article 6. Contract Variations

A. Either the Purchaser or the Contractor may, during construction of the System request, in writing, contract variations requiring additions or alterations to, deviations or deductions from the System ("Contract Variation"). Upon consent of the other Party, any such change will be formalized as an amendment to the Contract.

B. A Contract Variation shall be priced according to the applicable unit prices listed in the Provisioning Schedule. To the extent that the unit prices listed in the Provisioning Schedule are not applicable to equipment, services or work in the Contract Variation, the price payable for the Contract Variation shall be as determined, in advance, by mutual agreement based upon the price information provided to the Purchaser by the Contractor. The terms of payment and the payment procedures for the Contract Variations shall also be as mutually agreed upon prior to the execution of the Contract Variation.

C. If a Contract Variation results in an increase in the time required to complete the Work, the Contractor shall notify, in writing, the Purchaser of the extension of time required. A Contract Variation shall not become effective unless and until the price adjustment, the terms and schedule of

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payment and the extension of time have been mutually agreed upon by the Parties. A Contract Variation is accepted and binding when signed by an authorized representative of each Party and shall be incorporated as amendments into the Contract.

D. Any changes in Work resulting from a change in route selection will be treated as a Contract Variation.

E. Any change of any law (except those affecting the customs duties, sales, use or import taxes, VAT, and any other tax, duty, levy or similar charges borne by the Purchaser, relating to Contract items and fiscal stamps connected within Contract legalization) which require a change in the Work and/or affect the Contract Price, shall be treated as a Contract Variation and its terms must be mutually agreed as set forth in Articles 6(B) and 6(C).

F. The engineering for the shore end/land construction is provided for in the Provisioning Schedule and the Specifications. Purchaser and Contractor shall work together cooperatively to determine the final engineering for the shore

end/land construction. Any changes will be treated as a Contract Variation. In the event, Purchaser seek certain changes to reach an agreed upon final engineering plan and provided such changes are within the general scope of Work covered by the Contract and technically feasible, the Contractor shall not unreasonably refuse to agree to such changes where they are not of a fundamental nature and provided the changes can be implemented during the construction period. Contractor agrees it will not commence Work on the final engineering for the shore end/land construction until such final engineering plan is mutually agreed upon.

Article 7. Responsibilities for Submarine Cable Construction Approvals, Permits, Permissions and Consents

- A. Both the Contractor and the Purchaser shall work together to obtain all necessary approvals, permits, permissions, consents, licenses and customs clearance (hereinafter referred to as "Permits").
- B. The Purchaser shall be solely responsible for obtaining the Permits identified in Appendix 4(I) (Responsibilities for Submarine Cable Construction Approvals, Permits, Permissions and Consents). Upon written request, the Contractor shall assist the Purchaser in obtaining such Permits. In case of such assistance, promptly after the actual costs become known to the Contractor, the Contractor shall provide a statement of such actual costs to the Purchaser. Thereafter, the Purchaser shall reimburse the Contractor for the actual costs incurred by the Contractor against submission of corresponding invoices, and in accordance with Article 5 (Terms of Payment).

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- C. The Contractor shall be solely responsible for obtaining the Permits identified in Appendix 4(II). Upon written request, the Purchaser will assist and promptly provide information to the Contractor.
- D. Any delay in obtaining such Permits shall constitute a Force Majeure and be treated as described in Article 17 (Force Majeure), unless the fault can be attributed to a Party.

Article 8. Route Survey

- A. Contractor has conducted a Route Survey and has made a route selection for the System, based on the Route Survey. The Purchaser and Contractor have mutually agreed on the route and on the consequent Straight Line Diagram (SLD). The Contractor shall be responsible for any changes resulting from any Route Survey inaccuracies.
- B. Any changes required to the route selection shall be treated as a Contract Variation in accordance with Article 6, Contract Variation.

Article 9. Acceptance

- A. General
  1. Provisional Acceptance and Final Acceptance shall be determined in accordance with the applicable test programs described in the Specifications ("Acceptance Testing").
  2. The Acceptance Testing shall be performed by the Contractor. The Purchaser or its designated representatives may observe the Contractor's tests and review the test results. Additionally, Purchaser shall perform its own tests, including the confidence trials described in Section 1.1.2 of the Specifications.
  3. All expenses incurred by the Contractor (including testing apparatus and technical staff) in the execution of the Acceptance Testing shall be borne by the Contractor. The Contractor shall not be responsible for any costs incurred by the Purchaser or its representatives or for any additional tests requested by the Purchaser.

4. The Purchaser shall not unreasonably withhold issuance of any Acceptance Certificate.

B. Provisional Acceptance

1. This System shall be ready for Provisional Acceptance by a date mutually agreed to by both the Purchaser and the Contractor. Provisional Acceptance occurs when the results of the Acceptance Testing demonstrate that the Work is sufficient to realize the System performance requirements set forth in the

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Specifications or such other System performance levels as agreed upon as acceptable by the Purchaser and the Contractor (hereinafter collectively "Performance Requirements"), and the Contractor has fulfilled its commitments under the Contract.

2. Within \*\*\*\*\* of receipt of the complete set of Acceptance Testing results, the Purchaser must issue notification of the following:
  - (a) Issuance of a Certificate of Provisional Acceptance in accordance with this Article 9(B); or
  - (b) rejection of a Certificate of Provisional Acceptance, but instead issuance of a Certificate of Commercial Service in accordance with Article 9(C) below; or
  - (c) rejection of the System for both Provisional Acceptance and Commercial Service in its existing condition with a written explanation of reasons for rejection.

If the Purchaser fails to respond with such notification in a timely manner, but no later than \*\*\*\*\* , then Provisional Acceptance of the System shall be deemed from the date of receipt of the results of Acceptance Testing.

3. On receipt of a notice from the Purchaser pursuant to Articles 9(B)(2)(b) or (c) above, the Contractor shall be entitled to address any disputes and explain any discrepancies to the Purchaser regarding the results of the Acceptance Testing. If the Purchaser is agreeable, it may issue a new notice pursuant to Article 9(B)1 above, which shall be deemed to have been issued on the date of the original notice.
4. In case of rejection, and if the explanation by the Contractor as in Article 9(B)(3) above is not accepted, for good cause, by the Purchaser, the Contractor shall carry out the necessary corrective actions and will effect a new series of Acceptance Testing ("Re-testing"). After receipt of the results of the Re-testing, the Purchaser will be granted a new period of \*\*\*\*\* to analyze the new results according to the provisions of Article 9(B)2 and any new notice from the Purchaser shall apply from the date the Purchaser receives the latest test results.
5. In accordance with the above, upon issuance of a Certificate of Provisional Acceptance by the Purchaser, the System shall vest in the Purchaser on whichever is the later of the following dates, the actual deemed date of issue of the notice or the Provisional Acceptance date. The Certificate of Provisional Acceptance shall bear the actual date when the System was put into service and may contain a written list of outstanding items, if any, required by this Contract that do not affect the normal operation and maintenance of the System.

6. The Contractor shall remedy the items in a timely fashion, prior to Final Acceptance. In such a situation, the Purchaser shall allow the Contractor access to the System, as the Contractor may need to remedy such outstanding items upon the Contractor giving the Purchaser reasonable notice of its need for such access.
7. As from the date of vesting of the System, determined in accordance with Article 9(B)5 above, the Purchaser shall assume the risk in respect of all parts of the System and responsibility for its maintenance. Notwithstanding the above, provided that the Contractor has been allowed access to the System as required in Article 9(B)6, the Contractor shall continue to carry the risk with respect of any outstanding items.

C. Commercial Service

1. A Certificate of Commercial Service may be issued if the results of the Acceptance Testing demonstrate that the Work: (i) is not sufficient to meet the System Performance Requirements and (ii) does not reasonably justify the issuance of a Certificate of Provisional Acceptance, but nevertheless, the Contractor determines that the System is capable of carrying commercial traffic and the Purchaser consents to put the System into Commercial Service, which consent shall not be unreasonably withheld.
2. Upon the issuance of a Certificate of Commercial Service, the System shall be deemed to be accepted for commercial use and shall vest in the Purchaser on the actual date when the System was put into commercial service.
3. The Certificate of Commercial Service shall have annexed to it a mutually agreed list of all outstanding items to be completed by the Contractor.
4. The Contractor shall remedy the items in a timely fashion, provided that the Purchaser allows the Contractor the necessary access to the System as the Contractor needs to remedy such outstanding items. The Contractor shall give the Purchaser reasonable notice of its requirement for such access. Notwithstanding the above, provided that the Contractor has been allowed access to the System as required in Article 9(D)4, the Contractor shall continue to carry the risk of loss for any outstanding items.
5. From the date of vesting, as determined in accordance with Article 9(C)2 above, the Purchaser shall assume the risk of loss with

- respect to all parts of the System (except as mentioned in Article 9(C)4 above) and responsibility for its maintenance.
6. When the outstanding items referenced in Article 9(C)3 above have been remedied, the Purchaser will immediately issue a Certificate of Provisional Acceptance.
  7. The issuance of a Certificate of Commercial Service shall in no way relieve the Contractor from its obligation to provide a System conforming with the Performance Requirements at the time of the issuance of a Certificate of Provisional Acceptance.



\*\*\*\*\*.

3. The Contractor shall \*\*\*\*\*. However, the Contractor may use, with the consent of the Purchaser, which shall not be unreasonably withheld, \*\*\*\*\*. The Contractor shall replace in kind \*\*\*\*\* or at the option of the Purchaser, reimburse the Purchaser \*\*\*\*\*. The replacement of or reimbursement for such materials shall be made at a time mutually agreed to by the Purchaser and the Contractor.
  4. If during the Warranty Period \*\*\*\*\*.
  5. Any defective part repaired or replaced during the Warranty Period \*\*\*\*\*. However, the Warranty Period shall never \*\*\*\*\*.
- B. The Contractor warrants that services furnished hereunder will be performed in a careful and workmanlike manner using materials free from defects except \*\*\*\*\*. If such services prove to be not so performed and the Purchaser notifies the Contractor \*\*\*\*\* the Contractor, at its option, either \*\*\*\*\*.
- C. The warranty provided by the Contractor shall not apply to defects or failures of performance, which result from \*\*\*\*\*.

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- D. EXCEPT AS EXPRESSLY PROVIDED FOR HEREIN, \*\*\*\*\*.

#### Article 11. Contractor Support

- A. For a period of \*\*\*\*\* from the date of Provisional Acceptance, the Contractor will make available to the Purchaser replacement parts and repair service for the System as may be reasonably necessary for its operation, maintenance or repair. Where identical parts cannot be supplied, the Contractor shall provide fully compatible parts with characteristics equal or equivalent to those originally provided by the Contractor. Such parts and services shall be provided under Contractor's normal and reasonable conditions of price and delivery.
- B. If for any reason the Contractor intends to cease manufacturing or having manufactured identical or fully compatible replacement parts, the Contractor shall give a minimum of \*\*\*\*\* notice to the Purchaser to allow the Purchaser to order from the Contractor any required replacement parts and shall forthwith provide full details of the arrangements to provide equivalents.
- C. In the event that Purchaser fails or does not purchase sufficient parts during the period set forth in Article 11(B), Purchaser understands that Contractor will provide support, but such support shall be at Purchaser's expense.
- D. Nothing under Article 11(B) shall be interpreted to limit or eliminate the Contractor's obligations under Article 10(A)4.

#### Article 12. Purchaser's Obligations

If any loss, damage, delay or failure of performance of the System results from the Purchaser's failure to perform its obligations hereunder and results in an increase in the costs of performance or the time required for performance of any of the Contractor's duties or obligations under this Contract, which cannot be avoided by reasonable efforts on the part of the Contractor, the Contractor shall be entitled to (i) \*\*\*\*\* (ii) \*\*\*\*\* (iii) \*\*\*\*\* and (iv) \*\*\*\*\*.

- A. The Contractor shall inform the Purchaser promptly of any occurrence covered under this Article, and shall use reasonable efforts to minimize any such additional costs or

delay.

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- B. The Contractor shall promptly provide to the Purchaser an estimate of the anticipated additional costs and time required to complete the Work.
- C. As soon as reasonably practicable after the actual costs become known to the Contractor, the Contractor shall provide a statement of such actual costs to the Purchaser.
- D. The Purchaser thereafter shall reimburse the Contractor for the actual, reasonable and necessary costs incurred by the Contractor against submission of corresponding invoices, and in accordance with Article 5 (Terms of Payment).

Article 13. Termination for Default

- A. Either Party may, by written Notice of Termination for Default, immediately upon receipt or such later date as specified in the notice, terminate the whole or any part of this Contract in any one of the following circumstances:

- 1. If a Party materially fails to comply with the Terms and Conditions of this Contract and does not proceed to cure such failure within a period of \*\*\*\*\* (or such longer period as the non-breaching Party may authorize in writing) after receipt of written notice to cure from the non-breaching Party specifying such failure; or

- 2. If the other Party \*\*\*\*\*.

- B. If this Contract is terminated by the Purchaser as provided in Article 13(A), the Purchaser, in addition to any other rights provided in this Article and upon payment to Contractor of all monies due and owing as set forth in Article 13(C) below, may require the Contractor to transfer title and deliver to the Purchaser in the manner and to the extent directed by the Purchaser any completed equipment, material or supplies, and such partially completed cable and materials, parts, tools, dies, jigs, fixtures, plans, drawings, information, and contract rights (hereinafter collectively "Manufacturing Materials") as the Contractor has had specifically produced or specifically acquired for the performance of such part of this Contract as has been terminated and which, if this Contract had been completed, would have been required to be furnished to the Purchaser; and the Contractor shall, upon the direction of the Purchaser, protect and preserve property in the Contractor's possession in which the Purchaser has an interest.

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- C. If the Contract is terminated by either Party as provided in 13(A), the Contractor shall be paid:
  - 1. the prices, less the applicable discount, specified in the Provisioning Schedule for completed equipment, material and supplies delivered and services performed; and
  - 2. the amount agreed upon by the Purchaser and the Contractor for Manufacturing Materials delivered to and approved by the Purchaser; and

3. the Contractor's actual, reasonable, and necessary costs incurred for the protection and preservation of property.

D. Force Majeure events pursuant to Article 17 (Force Majeure) shall not constitute a default under this Article.

E. In the event of any termination of this Contract as provided in Article 13(A), neither Party shall be relieved from any liability for damages or otherwise which may have been incurred by reason of any breach of this Contract.

Article 14. Termination for Convenience

A. On or before \*\*\*\*\*, the performance of Work under this Contract may be terminated by Purchaser in whole, or in part, at its discretion. Purchaser shall deliver to the Contractor a written Notice of Termination specifying the extent to which performance of Work under this Contract is terminated, and the date upon which such termination becomes effective. Upon termination, the Purchaser will make payment to Contractor of all monies due and owing as set forth in Article 14(D) below.

B. After receipt of such Notice of Termination, and except as otherwise directed by the Purchaser, the Contractor shall:

1. Stop Work under this Contract on the date and to the extent specified in the Notice of Termination;
2. Place no further orders or contracts for materials, services or facilities except as may be necessary for completion of such portion of Work under this Contract as is not terminated;
3. Use reasonable best efforts to terminate all orders and contracts to the extent that they relate to the performance of Work terminated by the Notice of Termination;

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4. Assign to the Purchaser, in the manner, at the time, and to the extent directed by the Purchaser, all of the Contractor's rights, title and interest under the orders and contracts so terminated;
5. Use reasonable efforts to settle all outstanding liabilities and all claims arising out of such termination of orders and contracts, with the Purchaser's prior approval;
6. Transfer title and deliver to the Purchaser in the manner, at the time and to the extent (if any) directed for the following:
  - (a) the fabricated or unfabricated parts, work in process, completed work, supplies, inventory and other material produced as a part of, or acquired in connection with, the performance of the Work terminated by the Notice of Termination; and
  - (b) the completed or partially completed plans, drawings, information and other property which, if this Contract had been completed, would have been required to be furnished to the Purchaser.
7. Use reasonable best efforts to sell, in the manner, at the time, to the extent and at the price or prices directed or authorized by the Purchaser, any property of the types referred to in Article 13(B)6 above provided, however, that the Contractor:
  - (a) shall not be required to extend credit to any buyer; and
  - (b) may acquire any such property under the conditions prescribed by and at a price approved by the Purchaser; and provided further that the proceeds of any such

transfer or disposition shall be applied in reduction of any payments to be made by the Purchaser to the Contractor under this Contract or paid in such other manner as the Purchaser may direct.

8. Complete performance of such part of the Work which was not terminated by the Notice of Termination; and
  9. Take such action as may be necessary, or as the Purchaser may reasonably direct, for the protection and preservation of the property related to this Contract which is in the Contractor's possession and in which the Purchaser has acquired or may acquire an interest.
- C. After such Notice of Termination, the Contractor shall submit to the Purchaser a written termination claim. Such claim shall be submitted promptly, but, unless otherwise extended, in no event later than one year, but for a termination of the entire Contract within six months, from the effective date of termination.

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- D. In the settlement of any such partial or total termination claim, the Purchaser shall pay to the Contractor the total of:
1. the Contract Price for that part of the Work which has been completed;
  2. a fair and reasonable proportion of the Contract Price for that part of the Work which has been partially completed;
  3. the costs, including administrative costs, plus a reasonable markup of materials and supplies purchased in respect of the Contract but not yet incorporated into the Work;
  4. the cost of settling and paying claims rising out of the termination of Work under the contracts in orders, as provided in Article 14(D)5 below which are properly chargeable to the terminated portion of this Contract, as previously approved Purchaser; and
  5. the actual and reasonable costs of settlement including accounting, legal, clerical and other expenses necessary for the preparation of settlement claims and supporting data with respect to the terminated portion of this Contract and for termination and settlement of contracts thereunder, together with reasonable storage, transportation and other costs incurred in connection with the protection and disposition of property proper to this Contract.
- E. In arriving at the amount due to the Contractor under this Article 14 all unliquidated payments made to the Contractor, any liability which the Contractor may have to the Purchaser, and the agreed price for, or the proceeds of sale of any materials, supplies or other things acquired by the Contractor or sold, pursuant to the provisions of this Article 14, and not otherwise recovered by or credited to the Purchaser shall be deducted.
- F. In addition, if the Contract is only partially terminated, prior to the settlement of the terminated portion, the Contractor may file with the Purchaser a request in writing for an equitable adjustment of the Contract Price for the portion of the Contract not terminated by the Notice of Termination, and any such equitable adjustments as mutually agreed shall be reflected in the Provisioning Schedule, Appendix 1.
- G. The Purchaser may, from time to time, under such terms and conditions as it prescribes, approve partial payments and

payments on account against costs incurred by the Contractor in connection with the terminated portion of this Contract. If such payments total in excess of the amount finally agreed or determined to be due under this Article 14, such excess shall be refunded, upon demand, by the Contractor to the Purchaser.

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- H. For a period of \*\*\*\*\* after final settlement under this Contract, the Contractor shall preserve and make available to the Purchaser and its representatives at reasonable times at the Contractor's office, but without charge to the Purchaser, all supporting books, records and documents required to be kept relating to the terminated Work.

Article 15. Suspension

- A. On or before \*\*\*\*\*, Purchaser may, at its convenience, order the Contractor to suspend all or part of the Work (hereafter "Suspension") for such period of time as the Purchaser determines to be appropriate. If, as a result of such Suspension, the Contractor incurs additional costs or losses in the discharge of its responsibilities under this Contract, and where such suspension, losses or costs are not caused by the Contractor's act or omission and could not have been reasonably prevented by the Contractor, the Contractor shall be allowed an equitable adjustment to the Contract Price or the Provisioning Schedule in Appendix 1 and an equitable extension in the time required for performance.
- B. Every \*\*\*\*\*, during the period of Suspension, the Parties shall meet formally and review the circumstances surrounding the Suspension including without limitation, the anticipated date of re-commencing Work.
- C. Thereafter, if the Suspension continues for a total of \*\*\*\*\*, the Contractor may terminate the Contract in accordance with the terms as specified in Article 14 (Termination for Convenience).

Article 16. Title and Risk of Loss

- A. Except as provided in Article 18 (Intellectual Property), Article 20 (Safeguarding of Information and Technology) and Article 21 (Export Control), title to all equipment, materials and supplies provided by the Contractor hereunder for incorporation in or attachment to the System shall pass to and vest in the Purchaser upon receipt of Final Payment in accordance with Article 5(B)3 and the issuance of Certificate of Provisional Acceptance. Risk of loss or damage to all equipment, materials and supplies provided by the Contractor for incorporation in or attachment to the System shall pass to and vest in the Purchaser upon Provisional Acceptance or upon placement of the System in Commercial Service, whichever comes first. Prior to such vesting, unless provided for otherwise in this Contract, the risk of loss shall be borne by the Contractor. Upon termination of this Contract pursuant to Articles 13 (Termination for Default) or 14 (Termination for Convenience), the Purchaser may require, upon full payment, that title to the equipment, materials and supplies, which has not previously passed to the Purchaser, pass to the Purchaser, free and clear of all liens, claims, charges and other encumbrances.

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- B. Upon Provisional Acceptance or upon placement in Commercial Service of the System, the Contractor warrants that all parts, materials, and equipment furnished by the Contractor or its subcontractors hereunder are free from valid liens,

encumbrances, and security interests arising by or through the Contractor.

- C. Once risk of loss has passed to the Purchaser, the Purchaser shall indemnify and hold the Contractor harmless from any claims by third parties (other than Contractor, its subcontractors, agents or employees) for damage or loss including bodily injuries and deaths, resulting from the use, ownership, or operation of the System.

Article 17. Force Majeure

A. The Contractor shall not be responsible for any loss, damage, delay or failure of performance resulting directly or indirectly from any cause which is beyond its reasonable control, including but not limited to: acts of God or of the public enemy; acts or failure to act of any governmental authority; war or warlike operations, civil war or commotions, mobilizations or military call-up, and acts of similar nature; revolution, rebellions, sabotage, and insurrections or riots; fires, floods, epidemics, quarantine restrictions; strikes, and other labor actions; freight embargoes; severe or unworkable weather; trawler or anchor damage; damage caused by other marine activity such as fishing, marine research and marine development; inability to secure raw materials or components; delay in obtaining permits, permissions, licenses, approvals, consents or customs clearance of supplies, materials or equipment; acts or omissions of transporters; or the acts or failure to act of any of the Purchaser, of its representatives or agents.

- B. If any such Force Majeure causes an increase in the time or costs required for performance of any of its duties or obligations, the Contractor shall be entitled to the following: (i) an equitable adjustment in the Contract Price, (ii) an equitable extension of time for completion of the Work, (iii) reimbursement for all such uninsured additional costs incurred and (iv) relief from any obligation or duties as a result thereof.

1. Notwithstanding the above, Contractor will take the risk of loss for any trawler or anchor damage or damage caused by other marine activity until risk of loss passes to Purchaser under Article 16.

2. In addition, there are \*\*\*\*\* built into the Plan of Work for use for reasonable business purposes to cover unexpected contingencies affecting Contractor and are to be fully utilized before there is any equitable adjustment of time for any Force Majeure condition.

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- C. The Contractor shall inform the Purchaser promptly with written notification, and in all cases within \*\*\*\*\* of discovery and knowledge, of any occurrence covered under this Article and shall use its reasonable efforts to minimize such additional costs or delays. The Contractor shall promptly provide an estimate of the anticipated additional costs and the time required to complete the Work. Contractor shall be entitled to an extension of time equal to at \*\*\*\*\* resulting from the Force Majeure condition. As soon as reasonably practicable after the actual costs become known to the Contractor, the Contractor shall provide a statement of such actual costs to the Purchaser. Thereafter, the Purchaser shall reimburse the Contractor for the actual costs incurred by the Contractor against submission of corresponding invoices in accordance with Article 5 (Terms of Payment).
- D. Within \*\*\*\*\* of receipt of such a notice from Contractor, the Purchaser may provide a written response. The absence of a response shall be deemed as acceptance of Contractor's notice and request for additional costs.

Article 18. Intellectual Property  
A. Ownership

All right, title, and interest in and to any information, computer or other apparatus programs, software, specifications, drawings, designs, sketches, tools, market research or operating data, prototypes, records, documentation, works of authorship or other creative works, ideas, concepts, methods, inventions, discoveries, improvements, or other business, financial and/or technical information (whether or not protectable or registrable under any applicable intellectual property law) developed by Contractor in the course of its performance under this Contract, or otherwise furnished by Contractor to Purchaser as part of the delivery of the System under this Contract, is and shall remain the sole property of Contractor (hereinafter individually and collectively referred to as "Intellectual Property"). Unless otherwise expressed in this Contract, no license is implied or granted herein to Purchaser to any Intellectual Property by virtue of this Contract, nor by the transmittal or disclosure of any such Intellectual Property to Purchaser. Any Intellectual Property disclosed, furnished, or conveyed to Purchaser that is marked as "Proprietary" or "Confidential", (or if transmitted orally is identified as being proprietary or confidential), or under the totality of the circumstances ought to reasonably be treated as being proprietary or confidential to Contractor even if not so marked or identified, shall be treated in accordance with the provision of Article 20 (Safeguarding of Information and Technology).

B. Licenses

Contractor grants to Purchaser a personal, non-transferable license to use Intellectual Property that is conveyed to Purchaser when such use is unavoidably necessary for Purchaser to fulfill its obligations under this Contract. For the purposes of this Article, transfer means \*\*\*\*\*. Such

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grant shall further include the right by Purchaser to use such conveyed Intellectual Property to the extent unavoidably necessary to use any System supplied in accordance with the terms of this Contract. The licenses granted herein shall not include the right to sub-license. No license under Contractor's patents, copyrights, trade or service marks, trade secrets or other intellectual property rights protectable under law in the United States or any foreign country is granted to Purchaser.

C. Software

Contractor grants to the Purchaser a personal, non-exclusive, and non-transferable right to use Intellectual Property conveyed to Purchaser by Contractor in the form of software, including object codes and related documentation. Such software license shall not be applicable to commercial, off-the-shelf software, or software provided or developed by third parties, and shall be limited to the right to use the software with the equipment in the System for which the software was provided.

1. Confidentiality

Purchaser shall keep the software confidential in accordance with Article 20 (Safeguarding of Information and Technology) and Article 21 (Export Control) and agrees to use its best efforts to see that its employees, consultants, and agents, and other users of such software, comply with the provisions of this Contract. Purchaser also agrees to refrain from taking any steps, such as reverse assembly or decompilation, to derive a source code equivalent of any object code that is furnished by Contractor.

2. Backup Copies

Purchaser may make and retain two archive copies of software provided. Any copy will contain the same copyright notice and proprietary markings as are on the original software and shall be subject to the

same restrictions as the originals.

3. Termination of Software Licenses  
In the event of use of software furnished hereunder other than that permitted in Article 18(C) or any other material breach of this Article 18 by Purchaser, Contractor, at its option, may terminate the rights granted to Purchaser pursuant to this Article, upon written notice to Purchaser. Upon termination, Purchaser shall either return or destroy, at Contractor's option, all copies of software furnished under this Contract.
4. Indemnification  
In the event of use of software furnished hereunder other than permitted in Article 18(C) or any other material breach of this Article 18 by Purchaser, the Purchaser shall indemnify and hold Contractor harmless from any defect of the software as well as from any and all third party claims resulting therein.

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- D. Trademarks, Tradenames, etc.  
No right is granted herein to Purchaser to use any identification (such as, but not limited to tradenames, trademarks, service marks or symbols, and abbreviations, contractions, or simulations thereof) owned or used by Contractor or its parent company and affiliates to identify Contractor or its parent company and affiliates or any of its products or services. Purchaser agrees that it will not, without the prior written permission of Contractor, use such identification in advertising, publicity, packaging, labeling, or in any other manner to identify itself or any of its products, services, or organizations, or represent directly or indirectly that any product, service, or organization of it is a product, service, or organization of Contractor or its parent company or affiliates, or that any product or service of Purchaser is made in accordance with or utilizes any Intellectual Property of Contractor or its parent company or affiliates.
- E. Disclaimer, Limitation of Liability  
Contractor represents that any information or Intellectual Property furnished in connection with this Contract shall be true and accurate to the best of its knowledge and belief, but Contractor shall not be held to any liability for unintentional errors or omissions therein except under Article 10(A). Except as expressly provided, Contractor makes no representations or warranties, expressly or implied. By way of example, but not of limitation, Contractor and its parent company and affiliates make \*\*\*\*\*, or that the use of information or Intellectual Property disclosed or provided hereunder will not infringe any patent or other intellectual property right of a third party. Contractor and its parent and affiliates shall not be held to any liability with respect to any claim by Purchaser or any third party claim against Purchaser on account of, or arising from, Purchaser's use of information or Intellectual Property disclosed or provided by Contractor.
- F. Joint Development  
In the event that the disclosure of Intellectual Property by Contractor or the exchange of other information results in the creation or development of new information from the substantial contribution of one or more of Contractor's employees, agents, or consultants with one or more of Purchaser's employees, agents, or consultants during the course of this Contract, then such newly created information shall be subject to the terms of Article 20 (Safeguarding of Information and Technology). Any such newly developed information shall be jointly owned by the Parties. Notwithstanding the above, the Parties acknowledge and agree that between them the ownership of any newly created information comprising inventions, discoveries, improvements, conceived, first reduced to

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practice, made or developed in anticipation of, in the course or as a result of Work, shall be determined in accordance with Title 35 of the United States Code. With respect to any newly created information that is patented and jointly owned by the Parties, each Party shall have equal rights to license such patents or assign their interests to third parties without accounting to or obtaining the consent of the other Party hereto. The Parties shall by mutual agreement decide which Party shall file any United States Patent application. The Party filing such application shall do so at its own expense and shall have the right to elect to file in any foreign country it so chooses. Each Party agrees that it will, without charge to the other, have its employees, agent, consultants or other associates, sign all papers and do all acts necessary, desirable, or convenient to enable the filing party at its expense to file and prosecute applications for patents on such inventions, discoveries, or improvements, and to maintain patents granted thereon.

Article 19. Infringement

- A. The Contractor agrees to defend or settle at its own expense all suits for infringement of any patent, copyright, trademark or other form of intellectual property right in any country of the world, for any material (or the manufacture of any material or the normal use thereof) provided by the Contractor or on its behalf pursuant to this Contract and will hold the Purchaser harmless from all expense of defending any such suit and all payments for final judgment assessed on account of such infringement, except such infringement or claim arising from:
1. The Contractor's adherence to the Purchaser's directions to use materials or parts of the Purchaser's selection; or
  2. Such material or parts furnished to the Contractor by the Purchaser, other than in each case, items of the Contractor's design or selection or the same as any of the Contractor's commercial merchandise or in processes or machines of the Contractor's design or selection used in the manufacture of such standard products or parts; or
  3. Use of the equipment other than for the purposes indicated in, or reasonably to be inferred from, this Contract or in conjunction with other products; or
  4. Modification of the equipment by the Purchaser, without prior expressed written approval by Contractor.
- B. The Purchaser will, at its own expense, defend all suits against the Contractor for such excepted infringement and hold the Contractor harmless from all expense of defending any such suit and from all payments by final judgment assessed against the Contractor on account of such excepted infringement.

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- C. The Contractor and the Purchaser agree to give each other prompt written notice of claims and suits for infringement, full opportunity and authority to assume the sole defense, including appeals and, upon request and at its own expense, the other agrees to furnish all information and assistance available to it for such defense.

- D. If any part or equipment provided by the Contractor or on its behalf is held to constitute an infringement (excluding such



2. Article 17 (Force Majeure); or
3. Other arrangements as agreed between the Purchaser and the Contractor; OR

B. If \*\*\*\*\*.

Article 23. Limitation of Liability/Indemnification

- A. NOTWITHSTANDING ANY OTHER PROVISION IN THIS CONTRACT, NEITHER PARTY SHALL IN ANY EVENT BE LIABLE FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT OR SPECIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, LOSS OF REVENUE, LOSS OF

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BUSINESS OPPORTUNITY OR THE COSTS ASSOCIATED WITH THE USE OF RESTORATION FACILITIES RESULTING FROM THEIR FAILURE TO PERFORM, PURSUANT TO THE TERMS & CONDITIONS OF THIS CONTRACT.

- B. THE MAXIMUM LIABILITY OF EITHER PARTY UNDER THIS CONTRACT SHALL BE LIMITED TO DIRECT DAMAGES PROVEN NOT TO EXCEED ONE HUNDRED PERCENT (100%) OF THE CONTRACT PRICE.

- C. Contractor, at its expense, shall defend, indemnify and hold harmless Purchaser, its agents, subcontractors and employees against any and all claims, demands, and judgments for losses or damages to real or tangible property or for bodily injury or death to any person due to any act or omission, arising out of, or in connection with this Contract to the extent such damage, injury or death was caused by the negligence or willful misconduct of the Contractor, its subcontractors, employees or agents. The defense, indemnification and save harmless obligation is specifically conditioned on the following: (i) Purchaser providing prompt notification in writing of any such claim or demand; (ii) Contractor having control of the defense of any such action, claim or demand and of all negotiations for its settlement or compromise; and (iii) Purchaser cooperating in a reasonable way to facilitate the defense of such claim or demand or the negotiations for its settlement.

- D. Purchaser, at its expense, shall defend, indemnify and hold harmless Contractor, its agents, subcontractors and employees against any and all claims, demands, and judgments for losses or damages to real or tangible property or for bodily injury or death to any person due to any act or omission, arising out of, or in connection with this Contract, to the extent such damage, injury or death was caused by the negligence or willful misconduct of the Purchaser, its subcontractors, employees or agents. The defense, indemnification and save harmless obligation is specifically conditioned on the following: (i) Contractor providing prompt notification in writing of any such claim or demand; (ii) Purchaser having control of the defense of any such action, claim or demand and of all negotiations for its settlement or compromise; and (iii) Contractor cooperating in a reasonable way to facilitate the defense of such claim or demand or the negotiations for its settlement.

Article 24. [Intentionally Left Blank]

Article 25. Design and Performance Responsibility

- A. The Contractor shall be solely responsible for the design of and for all details of the System and for the adequacy thereof.

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- B. The Contractor's responsibility for design of the System shall not in any way be diminished nor shall the Contractor's design approach be restricted or limited by the Purchaser's acceptance of the Contractor's guidance or recommendations as to engineering standards and design specifications, or by the Purchaser's suggestions or recommendations on any aspect of the design.
- C. Purchaser shall use all reasonable efforts in assisting the Contractor to obtain in a timely manner accurate information required for the Contractor to perform the Work, including but not limited to, information available from parties to any Construction and Maintenance agreements for the System.

Article 26. Product Changes

Prior to Provisional Acceptance of the System, the Contractor may at any time make changes to the System furnished pursuant to this Contract, or modify the drawings and published specifications relating thereto, or substitute equipment of later design, provided the changes, modifications, or substitutions under normal and proper use do not impact upon the form, fit, or function of the System as provided in the System Performance Requirements.

Article 27. Risk and Insurance

- A. Upon request, the Contractor shall furnish the Purchaser with certificates, or other satisfactory evidence, that all of the responsibilities and risks of the Contractor herein are covered by insurance policies or by self-insurance and that such insurance is being maintained, including but not limited to:
1. General Liability insurance sufficient to cover all losses and claims for injuries or death to any person (including any employee of the Contractor) or damage to any property (including that of the Purchaser) under this Contract until Provisional Acceptance;
  2. Marine Cargo or equivalent is required to protect against all risks of physical loss or damage to the plant, equipment and supplies to be included in the System (other than War Risks) beginning with when each such item is ready for shipping and ending when the submersible plant and equipment are placed outside the cable laying vessel and when the equipment and supplies are delivered to the cable stations, central offices, or network operation center;
  3. Sea Bed or equivalent coverage is required to protect against all risks of physical loss or damage to the submersible plant and equipment described in Article 27(A)2 above until

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Provisional Acceptance (upon written request, Contractor shall assist Purchaser in obtaining the continuation of such Sea Bed coverage); and

4. War Risks or equivalent coverage is required to protect against damage to, seizure by and/or destruction of the System by means of war, piracy, takings at sea and other warlike operations until discharge of the submersible plant and equipment. For the purposes of this Article "discharge of the submersible plant and equipment" shall be deemed to take place when the plant and equipment reaches the sea bottom, as far as the submersible plant and equipment is concerned, and when the plant is off-loaded in the respective terminal country, as far as non-submersible plant is concerned.
- B. The Contractor may organize such levels of deductibles, excesses and self-insurance as it considers appropriate.

Article 28. Plant and Work Rules

Employees and agents of each Party shall, while on the premises of the other or its subcontractors, comply with all plant rules and governmental regulations.

Article 29. Right of Access

A. The Contractor shall, upon reasonable notice, during normal business hours and in a manner to avoid any disruption of the work on the premises including performance of other contracts, permit access by the Purchaser or its Quality Assurance (QA) Representative (other than a competitor of the Contractor) to the Contractor's premises where the work will be performed, and will use its best endeavors to secure rights of access to premises of its subcontractors where the work will be performed, having subcontracts or orders in the amount of, or equivalent to U.S. \$\*\*\*\*\* or more, in accordance with the Contractor's contractual arrangements with its subcontractors, and allow the Purchaser or its QA Representative to:

1. audit the Contractor's quality assurance system and its application to the Work, including manufacture, development and raw materials and components provision;
2. inspect all parts of the Work to the extent reasonably practicable to ensure that their quality meets the Specifications.

This right of access shall allow for the Purchaser and/or its QA representative (up to a total of three (3) persons). The Purchaser shall provide the name(s), nationality and title of each such visitor prior to the visit. The Contractor shall not be responsible for any costs, including travel and accommodation costs, of the Purchaser or its representatives.

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- B. The right of access shall also allow for the Purchaser and/or representatives (up to a total of three (3) persons) to be aboard the vessel(s) during installation, provided accommodations are available. The Contractor shall not be responsible for any costs of the Purchaser or its representatives, except for food and lodging expenses on board the vessel which includes one (1) daily telex or fax. All other travel and accommodation costs for the Purchaser or its QA Representatives shall be for the account of the Purchaser.
- C. Any right of access shall not be construed as creating any obligation requiring the Contractor or its subcontractors to disclose trade secrets or proprietary information. Further, such right of access may be conditioned on the execution of a confidentiality and non-disclosure agreement and/or subject to routine building security measures.

Article 30. Quality Assurance

All equipment, material and supplies provided under this Contract shall be inspected and tested by representatives designated by the Contractor to the extent reasonably practical to assure that the quality of the equipment, materials and supplies being incorporated is sufficient to realize the System Performance Requirements. The inspection and test program established for such equipment, materials and supplies shall be consistent with the Specifications or if not specified therein, with the commercial practices normally employed by the Contractor in the construction of submarine cable systems.

Article 31. Documentation

The Contractor shall furnish to the Purchaser documentation as set forth in the Provisioning Schedule in the English language for the System. Such documentation shall be provided prior to the Provisional Acceptance testing.

Article 32. Training

The Contractor will make available training for Purchaser's personnel to learn to operate and maintain the System. Such training as described in the Specifications at the Contractor's training locations or as may be mutually agreed. The number of trainees and duration of the training sessions will be as provided for in the Specifications. All training will be in the English language; however, training in another language will be made available upon request and at Purchaser's expense. The Contractor shall not be held liable for any loss or damage caused to the System or to other properties, or for bodily injuries, resulting from negligence or intentional act in the use, maintenance

or operation of the System by the Purchaser's personnel who attended the training sessions.

Article 33. Settlement of Disputes/Arbitration

- A. The Parties shall endeavor to settle amicably by mutual discussions any disputes, differences, or claims whatsoever related to this Contract. The Parties will internally escalate all disputes, in writing, to the

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highest levels of their respective organizations before initiating or resorting to Mediation or Arbitration. A meeting shall be promptly held between the Parties, attended by individuals with decision-making authority regarding the dispute, to attempt in good faith to negotiate a resolution of the dispute.

- B. If within \*\*\*\*\* after such meeting, the Parties have not succeeded in negotiating a resolution of the dispute, then the Parties shall commence non-binding mediation ("Mediation") by each Party providing the other Party a written statement of the subject of the dispute and the relief requested. They will jointly appoint a mutually acceptable neutral person not affiliated with either of the Parties (the "Mediator"), seeking assistance in such regard from the American Arbitration Association ("AAA") if they have been unable to agree upon such appointment within \*\*\*\*\* from the initial meeting.

The Parties shall cooperate with the Mediator and one another in scheduling the Mediation proceeding. Both Parties consent to appear at any scheduled Mediation. The Mediation shall be held, as soon as possible, but not later than \*\*\*\*\* after the initial meeting, in Seattle, Washington. The fees of the Mediator shall be shared equally by the Parties.

- C. If the Parties are not successful in resolving the dispute through the Mediation, then the Parties shall submit the dispute to be settled by arbitration according to the Commercial Arbitration Rules of the AAA ("Arbitration"). Unless the Parties agree to have the Mediator act as the sole arbitrator, there shall be three (3) arbitrators, with each Party appointing one (1) arbitrator with the Mediator serving as the third arbitrator ("Arbitration Tribunal").

1. The Arbitration Tribunal shall apply the laws of the State of Alaska and shall render a written decision. The Arbitration Tribunal will not have the authority to award punitive damages.
2. Each Party shall bear its own expenses, but the Parties shall share equally the expenses of the Arbitration Tribunal.

- D. This Contract shall be enforceable, and any arbitration award shall be final, and judgment thereon shall be entered in any court of competent jurisdiction. In any such Arbitration, the decision in any prior arbitration under this Contract shall not be deemed conclusive of the rights as among themselves of the Parties hereunder. The Arbitration shall be held in Seattle, Washington.

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Article 34. Applicable Law

This Contract shall be construed and governed in accordance with the laws of the State of Alaska, United States, excluding its conflicts of law provisions.



independent contractor and not as an agent of the other and no persons furnished by the performing Party shall be considered the employees or agents of the other. The performing Party shall be responsible for its own and its employees' compliance with all laws, rules and regulations while performing work under this Contract. The Parties shall not be deemed to be partners by virtue of this Contract.

Article 39. Successors Bound

This Contract shall be binding on the Contractor and the Purchaser and their respective successors and assigns.

Article 40. Paragraph Captions

The captions of the Articles do not form part of this Contract and shall not have any effect on the interpretation thereof.

Article 41. Severability

If any of the provisions of this Contract shall be invalid or unenforceable, such invalidity or unenforceability shall not invalidate or render unenforceable the entire Contract, but rather the entire Contract shall be construed as if not containing the particular invalid or

-----  
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of this contract.

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unenforceable provision or provisions and the rights and obligations of the Contractor and the Purchaser shall be construed and enforced accordingly. In the event such invalid or unenforceable provision is an essential and material element of this Contract, the Parties shall promptly negotiate a replacement provision.

Article 42. Survival of Obligations

The Parties' rights and obligations, which, by their nature would continue beyond the termination, cancellation or expiration of this Contract, including, but not limited to, those contained in Article 10 (Warranty), Article 11 (Contractor Support), Article 18 (Intellectual Property), Article 20 (Safeguarding of Information and Technology) Article 21 (Export Control) and Article 23 (Limitations of Liability), shall survive termination, cancellation or expiration hereof.

Article 43. Non-Waiver

No waiver of any of the terms and conditions of this Contract, nor the failure of either Party strictly to enforce any such term or condition, on one or more occasions shall be construed as a waiver of the same or of any other term or condition of this Contract on any other occasion.

Article 44. Language

This Contract has been executed in the English language and English will be the controlling language for this Contract.

Article 45. Performance Guarantee

A. Contractor shall, by \*\*\*\*\*, provide a performance guarantee (in a format mutually and reasonably acceptable to the Parties) to Purchaser having a value of \*\*\*\*\*.

B. The performance guarantee shall be reduced to \*\*\*\*\* on the Provisional Acceptance date, and it shall remain in force until the date of Final Acceptance (as specified in Article 9(D)1).

C. The Purchaser shall be entitled to demand payment under the performance guarantee if \*\*\*\*\*.

Article 46. Entire Agreement

This Contract supersedes all prior oral or written understandings between the Parties and constitutes the entire agreement with respect to the subject matter herein. Such terms and conditions shall not be modified or amended except by a writing signed by authorized representatives of both Parties.

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-----  
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of this contract.

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1.1.3.0	Transitions							
1.1.3.1	LW/SPA	***	***	***	***	***	***	***
1.1.3.2	LWA/SPA	***	***	***	***	***	***	***
1.1.3.3	LWA/DA	***	***	***	***	***	***	***
1.1.4.0	Total Cable to Cable Joints							
1.1.4.1	LW Cbl-to-Cbl Joint	***	***	***	***	***	***	***
1.1.4.2	SPA Cbl-to-Cbl Joint	***	***	***	***	***	***	***
1.1.4.3	Polysleeves	***	***	***	***	***	***	***
1.1.5.0	End Seals							
1.1.5.1	A-838244	***	***	***	***	***	***	***
1.1.5.2	A-838260	***	***	***	***	***	***	***
1.1.5.3	A-838611	***	***	***	***	***	***	***

[INFORMATION HAS BEEN REDACTED FROM THIS PAGE PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT SUBMITTED TO THE SEC.]

AT&T Submarine Systems Inc., PROPRIETARY  
Use restricted to Company Instruction

<TABLE>

Appendix 1: Alaska United Fiber System

Submerged Plant - Seattle, Washington to BU

<CAPTION>

		Type	Quantity	Unit Price	FOB	CIF	Taxes
Total	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1.1.6.0	Repeater and BU Integration						
1.1.6.1	Unarmored	***	***	***	***	***	***
1.1.6.2	Armored	***	***	***	***	***	***
1.1.6.3	Branching Unit	***	***	***	***	***	***
1.1.7.0	Undersea Quality Assurance	***	***	***	***	***	***
1.1.8.0	Integrated Repeaters, BU's, & Couplings						
1.1.8.1	Integrated Repeaters 2x0	***	***	***	***	***	***
1.1.8.2	Integrated Branching Unit (PSBU)	***	***	***	***	***	***
1.1.8.3	Integrated Couplings	***	***	***	***	***	***
1.1.9.0	Spare Repeaters, BU's, & Couplings						
1.1.9.1	Spare Repeaters 2x0	***	***	***	***	***	***
1.1.9.2	Spare Branching Unit (PSBU)	***	***	***	***	***	***
1.1.9.3	Spare Couplings	***	***	***	***	***	***
1.1	Total Submerged Plan - Seattle Washington				***	***	***

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AT&T Submarine Systems Inc., PROPRIETARY  
Use restricted to Company Instruction

<TABLE>

Appendix 1: Alaska United Fiber System

Submerged Plant - Lena Point, Alaska to BU

<CAPTION>

		Type	Quantity	Unit Price	FOB	CIF	Taxes
Total							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
1.2.1.0	INSTALLED CABLE						
1.2.1.1	LW	***	***	***	***	***	***
***							
1.2.1.2	SPA	***	***	***	***	***	***
***							
1.2.1.3	LWA	***	***	***	***	***	***
***							
1.2.1.4	DA	***	***	***	***	***	***
***							
1.2.2.0	SPARE CABLE						
1.2.2.1	LW	***	***	***	***	***	***
***							
1.2.2.2	SPA	***	***	***	***	***	***
***							
1.2.2.3	LWA	***	***	***	***	***	***
***							
1.2.2.4	DA	***	***	***	***	***	***
***							
1.2.3.0	TRANSITIONS						
1.2.3.1	LW/SPA	***	***	***	***	***	***
***							
1.2.3.2	LWA/SPA	***	***	***	***	***	***
***							
1.2.3.3	LWA/DA	***	***	***	***	***	***
***							
1.2.4.0	TOTAL CABLE TO CABLE JOINTS						
1.2.4.1	LW CBL-TO-CBL JOINT	***	***	***	***	***	***
***							
1.2.4.2	SPA CBL-TO-CBL JOINT	***	***	***	***	***	***
***							
1.2.4.3	POLYSLEEVES	***	***	***	***	***	***
***							
1.2.5.0	END SEALS						
1.2.5.1	A-838244	***	***	***	***	***	***
***							
1.2.5.2	A-838260	***	***	***	***	***	***
***							
1.2.5.3	A-838611	***	***	***	***	***	***
***							

</TABLE>

[INFORMATION HAS BEEN REDACTED FROM THIS PAGE PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT SUBMITTED TO THE SEC.]

AT&T Submarine Systems Inc., PROPRIETARY  
Use restricted to Company Instruction

<TABLE>

Appendix 1: Alaska United Fiber System

Submerged Plant - Lena Point, Alaska to BU

<CAPTION>

		Type	Quantity	Unit Price	FOB	CIF	Taxes
Total							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
1.2.6.0	REPEATER AND BU INTEGRATION						
1.2.6.1	UNARMORED	***	***	***	***	***	***
***							
1.2.6.2	ARMORED	***	***	***	***	***	***
***							
1.2.6.3	BRANCHING UNIT	***	***	***	***	***	***
***							
1.2.7.0	UNDERSEA QUALITY ASSURANCE	***	***	***	***	***	***
***							

1.2.8.0	INTEGRATED REPEATERS, BU'S & COUPLINGS						
1.2.8.1	INTEGRATED REPEATERS 2x0	***	***	***	***	***	***
***							
1.2.8.2	INTEGRATED BRANCHING UNIT (PSBU)	***	***	***	***	***	***
***							
1.2.8.3	INTEGRATED COUPLINGS	***	***	***	***	***	***
***							
1.2.9.0	SPARE REPEATERS, BU'S, & COUPLINGS						
1.2.9.1	SPARE REPEATERS 2x0	***	***	***	***	***	***
***							
1.2.9.2	SPARE BRANCHING UNITS (PSBU)	***	***	***	***	***	***
***							
1.2.9.3	SPARE COUPLINGS	***	***	***	***	***	***
***							
1.2	TOTAL SUBMERGED PLAN - LENA POINT, ALASKA				***	***	***
***							

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AT&T Submarine Systems Inc., PROPRIETARY  
Use restricted to Company Instruction

<TABLE>

Appendix 1: Alaska United Fiber System  
Submerged Plant - Whittier, Alaska to BU

<CAPTION>

Total		Type	Quantity	Unit Price	FOB	CIF	Taxes
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1.3.1.0	INSTALLED CABLE						
1.2.1.1	LW	***	***	***	***	***	***
***							
1.3.1.2	SPA	***	***	***	***	***	***
***							
1.3.1.3	LWA	***	***	***	***	***	***
***							
1.3.1.4	DA	***	***	***	***	***	***
***							
1.3.2.0	SPARE CABLE						
1.3.2.1	LW	***	***	***	***	***	***
***							
1.3.2.2	SPA	***	***	***	***	***	***
***							
1.3.2.3	LWA	***	***	***	***	***	***
***							
1.3.2.4	DA	***	***	***	***	***	***
***							
1.3.3.0	TRANSITIONS						
1.3.3.1	LW/SPA	***	***	***	***	***	***
***							
1.3.3.2	LWA/SPA	***	***	***	***	***	***
***							
1.3.3.3	LWA/DA	***	***	***	***	***	***
***							
1.3.4.0	TOTAL CABLE TO CABLE JOINTS						
1.3.4.1	LW CBL-TO-CBL JOINT	***	***	***	***	***	***
***							
1.3.4.2	SPA CBL-TO-CBL JOINT	***	***	***	***	***	***
***							
1.3.4.3	POLYSLEEVES	***	***	***	***	***	***
***							
1.3.5.0	END SEALS						
1.3.5.1	A-838244	***	***	***	***	***	***
***							
1.3.5.2	A-838260	***	***	***	***	***	***
***							

1.3.5.3 A-838611 \*\*\* \*\*

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		Appendix 1: Alaska United Fiber System					
		Submerged Plant - Whittier, Alaska to BU					
<CAPTION>		Type	Quantity	Unit Price	FOB	CIF	Taxes
Total	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<S>	<C>						
1.3.6.0	REPEATER AND BU INTEGRATION						
1.3.6.1	UNARMORED	***	***	***	***	***	***
***							
1.3.6.2	ARMORED	***	***	***	***	***	***
***							
1.3.6.3	BRANCHING UNIT	***	***	***	***	***	***
***							
1.3.7.0	UNDERSEA QUALITY ASSURANCE	***	***	***	***	***	***
***							
1.3.8.0	INTEGRATED REPEATERS, BU'S & COUPLINGS						
1.3.8.1	INTEGRATED REPEATERS 2x0	***	***	***	***	***	***
***							
1.3.8.2	INTEGRATED BRANCHING UNIT (PSBU)	***	***	***	***	***	***
***							
1.3.8.3	INTEGRATED COUPLINGS	***	***	***	***	***	***
***							
1.3.9.0	SPARE REPEATERS, BU'S, & COUPLINGS						
1.3.9.1	SPARE REPEATERS 2x0	***	***	***	***	***	***
***							
1.3.9.2	SPARE BRANCHING UNITS (PSBU)	***	***	***	***	***	***
***							
1.3.9.3	SPARE COUPLINGS	***	***	***	***	***	***
***							
1.3	TOTAL SUBMERGED PLAN - WHITTIER, ALASKA				***	***	***
***							

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		Appendix 1: Alaska United Fiber System					
<CAPTION>		Marine Services - Total System					
Taxes	Total	Type	Quantity	Unit Price	FOB	CIF	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
2.1.0	MARINE SERVICES						
2.1.1	OPERATIONS	***	***	***	***	***	***
***							
2.1.2	TRANSIT	***	***	***	***	***	***
***							



\*\*\*  
</TABLE>

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Use restricted to Company Instruction

<TABLE>

Appendix 1: Alaska United Fiber System

Terminal Station Equipment - Lena Point, Alaska

<CAPTION>		TERMINAL STATION EQUIPMENT - SEATTLE, WASHINGTON		Type	Quantity	Unit Price	FOB	CIF	
Taxes	Total								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>									
3.2.1.0		TERMINAL TRANSMISSION EQUIPMENT							
3.2.1.1		FT 2000, OC48, ADD DROP RING W/ NGLN W/ SPARES		***	***	***	***	***	***
***									
3.2.1.2		ENGINEERING ORDER WIRES W/ SPARES		***	***	***	***	***	***
***									
3.2.1.3		CRAFT INTERFACE TERMINALS		***	***	***	***	***	***
***									
3.2.1.4		DIGITAL DISTRIBUTION FRAME		***	***	***	***	***	***
***									
3.2.2.0		POWER FEED EQUIPMENT							
3.2.2.1		MEDIUM VOLTAGE PFE W/ SPARES		***	***	***	***	***	***
***									
3.2.2.2		LOW VOLTAGE PFE W/ SPARES		***	***	***	***	***	***
***									
3.2.3.0		OUT OF SERVICE MAINTENANCE - COTDR & HLLB SHELF		***	***	***	***	***	***
***									
3.2.4.0		INSTALLATION		***	***	***	***	***	***
***									
3.2		SUBTOTAL TSE - LENA POINT, ALASKA					***	***	***
***									

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AT&T Submarine Systems Inc., PROPRIETARY  
Use restricted to Company Instruction

<TABLE>

Appendix 1: Alaska United Fiber System

Terminal Station Equipment - Whittier, Alaska

<CAPTION>		TERMINAL STATION EQUIPMENT - SEATTLE, WASHINGTON		Type	Quantity	Unit Price	FOB	CIF	Taxes
Total									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>									
3.3.1.0		TERMINAL TRANSMISSION EQUIPMENT							
3.3.1.1		FT 2000, OC48, ADD DROP RING W/ NGLN W/ SPARES		***	***	***	***	***	***
***									
3.3.1.2		ENGINEERING ORDER WIRES W/ SPARES		***	***	***	***	***	***
***									
3.3.1.3		CRAFT INTERFACE TERMINALS		***	***	***	***	***	***
***									
3.3.1.4		DIGITAL DISTRIBUTION FRAME		***	***	***	***	***	***

3.3.2.0	POWER FEED EQUIPMENT						
3.3.2.1	MEDIUM VOLTAGE PFE W/ SPARES	***	***	***	***	***	***
3.3.2.2	LOW VOLTAGE PFE W/ SPARES	***	***	***	***	***	***
3.3.3.0	OUT OF SERVICE MAINTENANCE - COTDR & HLLB SHELF	***	***	***	***	***	***
3.3.4.0	INSTALLATION	***	***	***	***	***	***
3.3	SUBTOTAL TSE - WHITTIER, ALASKA				***	***	***

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Appendix 1: Alaska United Fiber System  
Land Cable and Installation - Total System

<CAPTION>		Type	Quantity	Unit Price	FOB	CIF	
Taxes	Total	<C>	<C>	<C>	<C>	<C>	<C>
4.1.0	LAND CABLE - SEATTLE, WASHINGTON						
4.1.1	MV-900	***	***	***	***	***	***
4.1.2	RL	***	***	***	***	***	***
4.1.3	INSTALLATION	***	***	***	***	***	***
4.1.4	OCEAN GROUND BED	***	***	***	***	***	***
4.1	SUBTOTAL LAND CABLE - SEATTLE, WASHINGTON				***	***	***
4.2.0	LAND CABLE - LENA POINT, ALASKA						
4.2.1	MV-900	***	***	***	***	***	***
4.2.2	RL	***	***	***	***	***	***
4.2.3	INSTALLATION	***	***	***	***	***	***
4.2.4	OCEAN GROUND BED	***	***	***	***	***	***
4.2	SUBTOTAL LAND CABLE - LENA POINT, ALASKA				***	***	***
4.3.0	LAND CABLE - WHITTIER, ALASKA						
4.3.1	MV-900	***	***	***	***	***	***
4.3.2	RL	***	***	***	***	***	***
4.3.3	INSTALLATION	***	***	***	***	***	***
4.3.4	OCEAN GROUND BED	***	***	***	***	***	***
4.3	SUBTOTAL LAND CABLE - WHITTIER, ALASKA				***	***	***

NOTE: ALL LANDING POINTS ARE ASSUMED

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AT&T Submarine Systems Inc., PROPRIETARY  
Use restricted to Company Instruction

<TABLE>

Appendix 1: Alaska United Fiber System

Other - Total System

<CAPTION>

Taxes	Total		Type	Quantity	Unit Price	FOB	CIF	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
5.1.0		OTHER						
5.1.1		ACCEPTANCE TRAINING	***	***	***	***	***	***
***								
5.1.2		ENGINEERING SERVICES	***	***	***	***	***	***
***								
5.1.3		WARRANTY	***	***	***	***	***	***
***								
5.1.4		PERFORMANCE GUARANTEE	***	***	***	***	***	***
***								
5.1.5		PROJECT MANAGEMENT	***	***	***	***	***	***
***								
5.2.0		TRAINING						
5.2.1		TYPE A	***	***	***	***	***	***
***								
5.2.2		TYPE B	***	***	***	***	***	***
***								
5.2.3		TYPE C	***	***	***	***	***	***
***								
5.3.0		DOCUMENTATION						
5.3.1		ORIGINAL	***	***	***	***	***	***
***								
5.3.2		COPIES	***	***	***	***	***	***
***								
5.0		SUBTOTAL - OTHER				***	***	***
***								

</TABLE>

[INFORMATION HAS BEEN REDACTED FROM THIS PAGE PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT SUBMITTED TO THE SEC.]

AT&T Submarine Systems Inc., PROPRIETARY  
Use restricted to Company Instruction

<TABLE>

Appendix 2 - Alaska United Fiber System - Billing Schedule

<CAPTION>

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Subtotal
<S>	<C>		<C>		<C>			<C>				<C>	<C>
1997								\$***					\$***
1998	\$***		\$***		\$***			\$***				\$***	\$***
Total													\$***

</TABLE>

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AT&T Submarine Systems Inc., PROPRIETARY  
Use restricted to Company Instruction  
SAMPLE INVOICE

INVOICE  
Alaska United Fiber System

Addresses

xxxxxxx Central Billing Party  
Attn: Mr(s) : xxxxxxx  
340 Mount Kemble Ave., Room N100  
Morristown, NJ 07962

Invoice No. ATTSSI9512xx  
Issue Date 12/x/1995  
Payment Due Date  
Customer Code

Remit Payment Wire To:  
Submarine Systems International  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*  
\*\*\*\*\*

Billing for the xxxxxxx Cable Construction Activities for milestones achieved by December x, \*\*\*\*\*. Per attached Milestone Achievement Certificate.

Amount Due US\$ xxxxxxxxxxxxxxxx

Attachments

1) Milestone Achievement Certificate

PLEASE INDICATE INVOICE NUMBER(S) AND CUSTOMER CODE ON REMITTANCE

CERTIFIED CORRECT

Please Refer Questions Related  
To this invoice to: R. M. Grella  
Manager - SSI Finance  
340 Mt. Kemble Ave., Room N125  
P.O. Box 1923  
Morristown, NJ 07962-1923  
Telephone: (201) 326 4255  
Facsimile: (201) 326 2587

R. M. Grella  
Manager - SSI Finance

Commercial Volume

Appendix 4

APPENDIX 4

Responsibility For Submarine Cable Construction Approvals, Permits,  
Permissions and Consents  
(Alaska United Fiber System)

I. Purchaser's Responsibilities:

1. To obtain all necessary permissions \*\*\*\*\*.
2. To obtain, \*\*\*\*\* necessary approvals, permits, permissions and consents to lay the System \*\*\*\*\*.
3. To obtain the necessary Government Approvals \*\*\*\*\*.
4. To bear the cost of \*\*\*\*\*.
5. To obtain the necessary approvals, permits, permissions, and consent \*\*\*\*\*.
6. To obtain Environmental Impact Statement(s), permits, and environmental approval(s) \*\*\*\*\*.
7. To obtain all necessary approvals, permits, permissions, and consents \*\*\*\*\*.
8. To provide \*\*\*\*\* crossing notification \*\*\*\*\*.
9. Obtain the necessary permissions \*\*\*\*\*.
10. To obtain customers clearance and make arrangements \*\*\*\*\*.
11. To obtain import licenses/certificates, \*\*\*\*\*.

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this Contract  
July 11, 1997 1 Alaska United Fiber System

Commercial Volume

Appendix 4

- II. Contractor's Responsibilities 1. To pay necessary charges \*\*\*\*\*.
2. to obtain Work Permits \*\*\*\*\*.
  3. Notice to \*\*\*\*\*.
  4. To obtain from relevant third parties approval \*\*\*\*\*.
  5. To remove \*\*\*\*\*.
  6. To obtain temporary import clearance, \*\*\*\*\*.
  7. To jointly obtain import licenses with \*\*\*\*\*.
  8. To obtain, as necessary, temporary radio site and radio frequency permits \*\*\*\*\*.
  9. To obtain terrestrial permits \*\*\*\*\*.
  10. To obtain excavation and road access permits \*\*\*\*\*.

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Submarine Systems International Ltd. (SSI) - Proprietary  
Use Restricted to Article 20, Safeguard of Information Technoloty, of  
this Contract  
July 11, 1997 2 Alaska United Fiber System

<TABLE>  
GCI Communication Corp. Submarine Systems International  
ALASKA UNITED FIBER SYSTEM  
PLAN OF WORK

<CAPTION>

ID	Work Activity	Start				End			
		Days	Date	Date	Qtr	Qtr	Qtr	Qtr	
3	Qtr 4 Qtr 1								
<S>	<C>	<C>							
1	ALASKA UNITED FIBER SYSTEM								
2	Contract Signing								
3	Fiber/Cable Manufacture								
4	Place Cable & Fiber Order								
5	Fiber Manufacture/Delivery								
6	Cable Manufacture - Hitachi								
7	Unit fiber Structure (UFS)								
8	Power Conductor (PC)								
9	Extrusion								
10	Post Survey SLD								
11	Partial Section Details								
12	Ship Tank Plan								
13	Section Assembly Guidelines								
14	Span Assembly								
15	SPA Production								
16	Armoring								
17	SPA/LW Tanking								
18	Repeater Manufacture								
19	Place Repeater Order								
20	Manufacture								
21	PSBU Manufacture								
22	Repeater Delivery								
23	Repeater/Cable Integration								
24	Assembled System Test								

</TABLE>





110 Transit to Juneau/Coordination Meeting  
 111 Land Segment 3 Shore End, Splice/Test  
 112 Lay/Bury 142 km Armored  
 113 Surface Lay 210 km Armored  
 114 Lay/Bury 17 km Armored  
 115 Surface Lay 67 km Unarmored/Deploy BU 1  
 116 Surface Lay 1,208 km Unarmored  
 117 Transit to Seattle/Coordination Meeting  
 118 Land Segment 1 Shore End, Splice/Test  
 119 Lay/Bury 340 km Armored  
 120 Contingency

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Date: 7/11/97 Task Milestone Rolled Up Task Rolled Up Progress  
 Project Mgr-L. Riegler Progress Summary Rolled Up Milestone

SSI Proprietary Page 5 of 6

<TABLE>

GCI Communication Corp. Submarine Systems International  
 ALASKA UNITED FIBER SYSTEM  
 PLAN OF WORK

<CAPTION>

ID	Work Activity	Start End		***				***			
		Days	Date	Date	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr
3	Qtr 4 Qtr 1										
<S>	<C>										
121	Final Splice										
122	Transit to Depot/Offload Spares										
123	Transit to Seattle/Off Charter										
124	Commissioning & Acceptance Tests										
125	Commissioning Tests										
126	Confidence Trial										
127	Ready For Provisional Acceptance										

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 TO A REQUEST FOR CONFIDENTIAL TREATMENT SUBMITTED TO THE SEC.]

Date: 7/11/97 Task Milestone Rolled Up Task Rolled Up Progress  
 Project Mgr-L. Riegler Progress Summary Rolled Up Milestone

SSI Proprietary Page 6 of 6

SUPPLY CONTRACT BETWEEN  
TYCO SUBMARINE SYSTEMS LTD.  
AND  
ALASKA UNITED FIBER SYSTEM PARTNERSHIP  
Contract Variation No. 1

This Contract Variation No. 1 ("CV1"), dated effective as of December 1, 1997, is between Tyco Submarine Systems Ltd. (formerly known as Submarine Systems International Ltd.), a Delaware corporation ("Contractor") and the Alaska United Fiber System Partnership, an Alaska general partnership ("AU" or "Purchaser") as assignee of GCI Communication Corp., an Alaska corporation ("GCICC," and Contractor and AU, collectively, the "Parties," or individually, a "Party").

WHEREAS, Article 6 (Contract Variations) of that certain Supply Contract between Contractor and GCICC dated effective as of July 11, 1997 ("Supply Contract"), provides for the Parties' ability to modify the Supply Contract;

WHEREAS, dated effective as of October 3, 1997, GCICC assigned all its rights and delegated all its duties under the Supply Contract to AU;

NOW, THEREFORE, for valuable consideration hereby acknowledged, the Parties agree as follows:

1. Definitions. Unless specifically defined or redefined below, capitalized terms used herein shall have the meanings ascribed thereto in the Supply Contract.

2. Recitals. The Recitals are hereby modified by replacing in its entirety the first recital with the following new recital:

WHEREAS, Purchaser desires to establish a fiber optic submarine cable system, to be known as Alaska United Fiber System ("System") linking the State of Alaska, with landings in Juneau at Lena Point North and Whittier at Lookout Point, and the State of Washington, with a landing in Norma Beach at Puget Sound, and such System is hereby defined to also include the Valdez Extension, as defined below;

and, the Recitals are further modified by adding the following new recital:

WHEREAS, Purchaser desires by this CV1 to include into the Work the addition of an extension of the System from Whittier to Valdez, Alaska (the "Valdez Extension") and to make certain other modifications to the Supply Contract;

[CERTAIN INFORMATION HAS BEEN REDACTED FROM THIS DOCUMENT WHICH THE COMPANY DESIRES TO KEEP UNDISCLOSED AND A COPY OF THE UNREDACTED DOCUMENT HAS BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.]

1

3. Article 2, Documents Forming the Entire Contract, is hereby amended with the following documents:

- A Technical Volume; Volume 2-Valdez Extension
- A revised Plan of Work; Appendix 6.1
- A Provisioning Schedule; Appendix 1(A)-Valdez Extension
- A Billing Schedule; Appendix 2(A)-Valdez Extension
- An Appendix 7; Straight Line Diagram-Valdez Extension

The balance of Article 2 remains unchanged hereby.

4. Article 4(A), Contract Price is hereby amended and restated in its entirety as follows:

A. Contract Price.

1. Prices shall be as set forth in Appendix 1, Provisioning Schedule. The initial Contract Price in United States Dollars (US \$) is \$\*\*\*\*\* ("Initial Contract Price") for the System.
2. The CV1 initial Contract Price in United States Dollars (US \$) is \$\*\*\*\*\* for the Valdez Extension ("CV1 Initial Contract Price").

5. Article 5, Terms of Payment, is hereby modified as follows:

Article 5(A)2 is amended by replacing the first sentence with the following sentence:

"On or before \*\*\*\*\*, payment by Purchaser shall be secured by \*\*\*\*\*."

Article 5(A)3 is replaced in its entirety with the following:

5(A) (3). The Payment Security for the Supply Contract and this CV1 will be (i) in the initial amount of \$\*\*\*\*\*; and (ii) AU shall make an \*\*\*\*\* payment \*\*\*\*\*, amounting to \$\*\*\*\*\*, in accordance with the new Billing Schedule; Appendix 2(A). The \*\*\*\*\* payment shall be correspondingly reduced by such \$\*\*\*\*\*, plus \*\*\*\*\*.

For the purposes of the Valdez Extension, Article 5(B) is hereby amended to add new Subarticles as follows:

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2

5. Terms of Payment for CV1.

(a) Down Payment. \*\*\*\*\* of the CV1 Initial Contract Price ("CV1 Down Payment"), as provided in the CV1 Billing Schedule, shall be due after the execution of this CV1, and on or before \*\*\*\*\*.

(b) Progress Payments. \*\*\*\*\* of the CV1 Contract Price will be invoiced in accordance with the Billing Schedule in Appendix 2 (A).

(c) Final Payment

(i) The remaining balance, \*\*\*\*\* of the CV1 Contract Price, will be invoiced upon the issuance of the Certificate of Provisional Acceptance for the Valdez Extension, as set forth in Article 9.

(ii) In the event a Certificate of Commercial Service is issued prior to the issuance of the Certificate of Provisional Acceptance, the Purchaser shall be invoiced \*\*\*\*\* of the remaining balance upon issuance of the Certificate of Commercial Service, with the balance to be invoiced upon the issuance of the Certificate of Provisional Acceptance.

Article 5(D)5 is hereby superseded and replaced in its entirety with the following provision:

5. An invoice shall be deemed to have been accepted for payment if the Purchaser does not present a written good faith objection within \*\*\*\*\* of the receipt date of the invoice by Mail, as defined in Article 35.

The balance of Article 5 remains unchanged hereby.

6. Article 9, Acceptance. Article 9(B)(1) is hereby amended by modifying (i) the first sentence and (ii) inserting a new sentence after the first line of the existing text, with the balance of the section remaining unchanged, as follows:

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3

B. Provisional Acceptance

1. This System shall be ready for Provisional Acceptance by \*\*\*\*\*. The Valdez Extension shall be ready for Provisional Acceptance by \*\*\*\*\* ("CV1 Completion Date"). Provisional Acceptance occurs when the results of the Acceptance Testing demonstrate that the Work is sufficient to realize the System performance requirements set forth in the Specifications or such other System performance levels as agreed upon as acceptable by the Purchaser and the Contractor (hereinafter collectively "Performance Requirements"), and the Contractor has fulfilled its commitments under the Contract.

7. Article 10, Warranty. Article 10A, Warranty is hereby amended by adding the following sentence at the end of Article 10(A):

The Warranty for the Valdez Extension shall \*\*\*\*\* for the entire system.

A new Article 10(E) is hereby added as follows:

E. Notwithstanding to the contrary in Article 10(A), SL101 Cable provided by Contractor for the Valdez Extension shall include \*\*\*\*\*.

8. Article 22, Liquidated Damages. Article 22 is hereby amended and restated in its entirety as follows:

Article 22, Liquidated Damages

A. For the System (other than the Valdez Extension) the Contractor shall pay to the Purchaser by way of pre-estimated and liquidated damages for the delay and not as a penalty, an assessed amount equal to \*\*\*\*\* under the following limited circumstances:

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4

1. If the System \*\*\*\*\*:

- (a) Article 6 (Contract Variations);
- (b) Article 17 (Force Majeure); or
- (c) Other arrangements as agreed between the Purchaser and the Contractor; or

2. If \*\*\*\*\*.

B. For the Valdez Extension only, the Contractor shall pay to the Purchaser by way of pre-estimated and liquidated damages for the delay and not as a penalty, an assessed amount equal to \*\*\*\*\*.

9. Article 45, Performance Guarantee. Article 45(A) is amended in its entirety as follows:

A. Contractor shall, by \*\*\*\*\*, provide a performance guarantee (in a format mutually and reasonably acceptable to the Parties) to Purchaser having a value of \*\*\*\*\* (1) \*\*\*\*\* (2) \*\*\*\*\* (hereinafter referred to as the "Guarantee Amount").

Article 45(B) is amended by deleting reference to \*\*\*\*\* and replacing it with "Guarantee Amount."

10. Entire Agreement; Ratification. The Supply Contract and this CV1 represent the final agreement between the Parties and may not be contradicted by evidence of prior, contemporaneous or subsequent oral agreement of the Parties. There are no unwritten oral agreements between the Parties. Except as modified or supplemented hereby, the Supply Contract and this CV1 and all other documents and agreements executed in connection therewith shall continue in full force and effect.

11. Counterparts. This CV1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof hereof, it shall not be necessary to produce or account for any counterpart other than one

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5

signed by the Party against which enforcement is sought.

12. Governing Law. This CV1 shall be construed in accordance with the laws of the State of Alaska.

13. Effectiveness. This Contract Variation shall become effective upon the endorsement of Purchaser and Contractor.

14. Modifications only as Stated. Except as expressly modified in this CV1, in all other respects, the Supply Contract shall remain unchanged by this CV1.

This CV1 is executed by duly authorized representatives of the Parties as set forth below.





78 Seattle  
 79 Place TTE Order  
 80 Manufacture  
 81 FAT  
 82 Ship to HUT Manufacturing Site  
 83 Whittier  
 84 Place TTE Order  
 85 Manufacture  
 86 FAT  
 87 Ship to Whittier Station  
 88 Lena Point  
 89 Place TTE Order  
 90 Manufacture  
 91 FAT  
 92 Ship to Lena Point Station  
 93 Land Cable Manufacture/Ship  
 94 Place Land Cable Order  
 95 Manufacture  
 96 Ship Land Cables to Sites  
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Date: 10/31/97 Task Milestone Rolled Up Task Rolled Up Progress  
 Project Mgr-L. Riegler Progress Summary Rolled Up Milestone

TSS Proprietary Page 4 of 8

<TABLE>  
 GCI Communication Corp. Tyco Submarine Systems, Ltd.  
 ALASKA UNITED FIBER SYSTEM  
 PLAN OF WORK

<CAPTION>

ID	Work Activity	Start End		***				***			
		Days	Date	Date	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr
3	Qtr 4 Qtr 1										
<S>	<C>										
97	TSE Installation/Training										
98	Valdez Extension										
99	Whittier										
100	Equipment On-Site at Station										
101	Install TSE in Station										
102	SAT										
103	Type B Training										
104	Valdez										
105	Equipment On-Site at HUT Manufacturer										
106	Install TSE in Containerized HUT										
107	Containerized HUT FAT										
108	Ship HUT to Landing Site (GCI)										
109	Install HUT on Site (GCI)										
110	SAT										
111	Remaining AUFS Stations										
112	Seattle										
113	Equipment On-Site at HUT Manufacturer										
114	Install TSE in Containerized HUT										
115	Containerized HUT Testing										
116	Ship Containerized HUT to Landing Site (GCI)										
117	Install Containerized HUT on Site (GCI)										
118	SAT										
119	Type B Training										
120	Whittier (Trunk Leg)										

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Date: 10/31/97 Task Milestone Rolled Up Task Rolled Up Progress  
 Project Mgr-L. Riegler Progress Summary Rolled Up Milestone

TSS Proprietary Page 5 of 8

<TABLE>  
 GCI Communication Corp. Tyco Submarine Systems, Ltd.  
 ALASKA UNITED FIBER SYSTEM  
 PLAN OF WORK

<CAPTION>

ID	Work Activity	Start End		***				***		
		Days	Date	Date	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2

3	Qtr 4	Qtr 1			
<S>	<C>		<C>		
121			Equipment On-Site at Station	*****	
122			Install TSE in Station		
123			SAT		
124			Lena Point		
125			Equipment On-Site at Station		
126			Install TSE in Station		
127			SAT		
128			Land Construction		
129			Valdez		
130			Land Cables/Equipment On-Site		
131			Land Construction Activities		
132			Whittier		
133			Land Cables/Equipment On-Site		
134			Land Construction Activities		
135			Lena Point		
136			Land Cables/Equipment On-Site		
137			Land Construction Activities		
138			Seattle		
139			Land Cables/Equipment On-Site		
140			Land Construction Activities		
141			Training		
142			Emergency Land Cable Joint Training		
143			Whittier		
144			Valdez Extension Cable Loading/Transit to Seattle		

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Date: 10/31/97	Task	Milestone	Rolled Up Task	Rolled Up Progress
Project Mgr-L. Riegler	Progress	Summary	Rolled Up Milestone	

TSS Proprietary Page 6 of 8

<TABLE>  
GCI Communication Corp. Tyco Submarine Systems, Ltd.  
ALASKA UNITED FIBER SYSTEM  
PLAN OF WORK

<CAPTION>

ID	Work Activity	Start End		***				***			
		Days	Date	Date	Qtr 1	Qtr 2	Qtr 3	Qtr 4	Qtr 1	Qtr 2	Qtr
3	Qtr 4	Qtr 1									
<S>	<C>		<C>								
145	Load Valdez Extension Cable into RR Cars										
146	RR Transit to Seattle										
147	Valdez Cable On-Site @ Seattle										
148	Cable Loading/Laying Activities										
149	Load Valdez Extension Cable From RR Cars										
150	Transit to Hitachi Cable Factory										
151	Cable Loading										
152	Transit to Whittier/Port Call										
153	Land Valdez Shore End, Beach Splice, Test										
154	Lay/Bury Valdez Extension, Buoy End										
155	Transit to Whittier/Port Call										
156	Land Whittier S/E, Beach Splice/Lay toward Buoyed End										
157	Recover Buoy/Perform Valdez Extension Final Splice										
158	Land Segment 2 Shore End, Splice/Test										
159	Lay/Bury 282 km Armored										
160	Surface Lay 729 km Unarmored										
161	Transit to Juneau/Coordination Meeting										
162	Land Segment 3 Shore End, Splice/Test										
163	Lay/Bury 142 km Armored										
164	Surface Lay 210 km Armored										
165	Lay/Bury 17 km Armored										
166	Surface Lay 67 km Unarmored/Deploy BU 1										
167	Surface Lay 1,208 km Unarmored										
168	Transit to Seattle/Coordination Meeting										

[INFORMATION HAS BEEN REDACTED FROM THIS PAGE PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT SUBMITTED TO THE SEC.]

Date: 10/31/97	Task	Milestone	Rolled Up Task	Rolled Up Progress
Project Mgr-L. Riegler	Progress	Summary	Rolled Up Milestone	

TSS Proprietary Page 7 of 8





Terminal Transmission Equipment	***	***	***	***	***	***	***
FT 2000, OC48, Add Drop Ring w/Spares	***	***	***	***	***	***	***
TOA +16 w/Spares (2 Service + 1 Spare)	***	***	***	***	***	***	***
Engineering Order Wires w/Spares	***	***	***	***	***	***	***
Craft Interface Terminals	***	***	***	***	***	***	***
Digital Distribution Frame	***	***	***	***	***	***	***
Cable Terminating Unit - CTU	***	***	***	***	***	***	***
Network Sync. Equipment	***	***	***	***	***	***	***
Installation				***	***	***	***
Subtotal TSE - Valdez				***	***	***	***

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Alaska United Fiber System Tyco Submarine Systems Ltd. PROPRIETARY 10/30/97  
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Alaska United Fiber System Extention - Whittier to Valdez

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	Type	Quantity	Unit Price	FOB	CIF	Taxes	
Total							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Land Cable - Whittier							
RL	***	***	***	***	***	***	***
MV-90	***	***	***	***	***	***	***
Installation	***	***	***	***	***	***	***
Ocean Ground Bed	***	***	***	***	***	***	***
Subtotal Land Cable - Whittier				***	***	***	***

Land Cable - Valdez

RL	***	***	***	***	***	***	***
MV-90	***	***	***	***	***	***	***
Installation	***	***	***	***	***	***	***
Ocean Ground Bed	***	***	***	***	***	***	***
Subtotal Land Cable - Valdez				***	***	***	***

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Alaska United Fiber System Tyco Submarine Systems Ltd. PROPRIETARY 10/30/97  
<TABLE>

Alaska United Fiber System Extention - Whittier to Valdez

<CAPTION>

	Type	Quantity	Unit Price	FOB	CIF	Taxes	
Total							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Other							
Acceptance Testing	***	***	***	***	***	***	***
Engineering Services	***	***	***	***	***	***	***
Warranty (Impact to AUFS)	***	***	***	***	***	***	***
Project Management	***	***	***	***	***	***	***
Documentation	***	***	***	***	***	***	***
Original (Added Development)	***	***	***	***	***	***	***
Copies							
Subtotal - Other				***	***	***	***

</TABLE>

[INFORMATION HAS BEEN REDACTED FROM THIS PAGE PURSUANT TO A REQUEST FOR CONFIDENTIAL TREATMENT SUBMITTED TO THE SEC.]

Alaska United Fiber System Tyco Submarine Systems Ltd. PROPRIETARY 10/30/97

Billing Schedule for AUFS Extension - Option A

<TABLE>  
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Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<S>				<C>		<C>		<C>	<C>		<C>	<C>
***				***		***		***	***		***	***
***				***		***		***	***		***	***

</TABLE>

Contract Signature	***	***
Fiber/Cable Manufacture Complete	***	***
Transmission Equipment Manufacture Complete	***	***
Final Splice Complete	***	***
Provisional Acceptance	***	***
TOTAL	***	***

AUFS Extension Tyco Submarine Systems Ltd. (TSSL) PROPRIETARY 12/1/97

Valdez Extension

Straight Line Diagram

Appendix 7

Option A

Whittier

Valdez

***	***	***	***	***
***	***	***	***	***
tentative burial				
max depth = ***				

Notes:

1. This SLD is a pre-survey document for planning purposes only; no detailed engineering has been conducted.
2. All distances are in kilometers.
3. Land Cable is estimated, as are transitions in the segment lengths.
4. Burial may be required as indicated.
5. This diagram corresponds to issue "A" of the RPL.
6. The selection of "Option A" or "Option B" will be determined with the results of the survey.

SUMMARY OF CABLE TYPES AND QUANTITIES

Land	Option A	ISSUE NO	FILE	ENGINEER	ISSUE DATE	CLASS
DA	***	A1	VALDEZ	CC	07 AUG 97	B
SA	***					
Total	***					

ALASKA UNITED FIBER SYSTEM  
 WHITTIER TO VALDEZ EXTENSION  
 STRAIGHT LINE DIAGRAM  
 PRE-SURVEY CABLE ESTIMATES

TYCO SUBMARINE  
 SYSTEMS, INC.

PAGE 01  
 OF 01 PAGES



\$200,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of November 14, 1997

BETWEEN

GCI HOLDINGS, INC.

and

NATIONSBANK OF TEXAS, N.A.  
As Administrative Agent

CREDIT LYONNAIS NEW YORK BRANCH  
As Documentation Agent

TD SECURITIES (USA), INC.  
As Syndication Agent

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GCI HOLDINGS, INC.

\$200,000,000

## AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT is dated as of November 14, 1997 and is between GCI HOLDINGS, INC., an Alaska corporation, (the "Borrower"), the Lenders from time to time party hereto or to an Assignment and Acceptance, and NATIONSBANK OF TEXAS, N.A., a national banking association ("NationsBank"), as a Lender and Administrative Agent (the "Administrative Agent"), CREDIT LYONNAIS NEW YORK BRANCH ("Credit Lyonnais") as Documentation Agent and TD

SECURITIES (USA), INC. ("TD"), as Syndication Agent, (NationsBank, Credit Lyonnais and TD being collectively referred to herein as the "Managing Agents").

#### BACKGROUND

1. The Borrower, the Administrative Agent and the Lenders entered into a Credit Agreement dated as of August 1, 1997 (the "Original Credit Agreement") which provides for -an eight year reducing revolving credit facility in an amount up to \$200,000,000 (which, under certain circumstances could be increased to \$300,000,000), with a sub-facility for letters of credit up to \$10,000,000.

2. The Borrower, the Administrative Agent and the Lenders party hereto agree to amend and restate the Original Credit Agreement as follows:

#### AGREEMENT

NOW, THEREFORE, for valuable consideration hereby acknowledged, the parties hereto agree as follows:

#### ARTICLE I. DEFINITIONS

1.01. Definitions. As used in this Agreement, the following terms have the respective meanings indicated below (such meanings to be applicable equally to both the singular and plural forms of such terms):

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"Administrative Agent" means NationsBank of Texas, National Association, in its capacity as Administrative Agent hereunder, or any successor Administrative Agent appointed pursuant to Section 9.06 hereof.

"Advance" means an advance made by a Lender to the Borrower pursuant to Section 2.01 hereof.

"Affiliate" means a Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled By or is Under Common Control with another Person, and with respect to the Borrower, "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled By or is Under Common Control with GCI, the Borrower or any Subsidiary of the Borrower or GCI.

"Agreement" means this Credit Agreement, as hereafter amended, modified, or supplemented in accordance with its terms.

"Annualized Operating Cash Flow" means, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters; provided that notwithstanding the preceding and any other provision in this Agreement or in the Loan Papers, Annualized Operating Cash Flow for any period prior to the Closing Date shall be determined by using the relevant financial information of the Restricted Subsidiaries.

"Applicable Law" means (a) in respect of any Person, all provisions of Laws applicable to such Person, and all orders and decrees of all courts and arbitrators in proceedings or actions to which the Person in question is a party and (b) in respect of contracts made or performed in the State of Texas, "Applicable Law" shall also mean the laws of the United States of America, including, without limiting the foregoing, 12 USC Sections 85 and 86, as amended to the date hereof and as the same may be amended at any time and from time to time hereafter, and any other statute of the United States of America now or at any time hereafter prescribing the maximum rates of interest on loans and extensions of credit, and the laws of the State of Texas, including, without limitations, Articles 5069-1H, Title 79, Revised Civil Statutes of Texas, 1925, as amended ("Art. 1H"), if applicable, and if Art. 1H is not applicable, Article 5069-1D, Title 79, Revised Civil Statutes of Texas, 1925 ("Art. 1D"), as amended, and any other statute of the State of Texas now or at any time hereafter prescribing maximum rates of interest on loans and extensions of credit, provided however, that pursuant to Article 5069-15.10(b), Title 79, Revised Civil Statutes of Texas, 1925, as amended, the Borrower agrees that the provisions of Chapter 15, Title 79, Revised Civil Statutes of Texas, 1925, as amended, shall not apply to the Advances hereunder.

"Applicable Margin" means (i) with respect to the Base Rate Advances under the Facility, 1.125% per annum and (ii) with respect to LIBOR Advances under the Facility, 2.250% per annum. Notwithstanding the foregoing, effective three Business Days after receipt by the

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Administrative Agent from the Borrower of a Compliance Certificate delivered to the Lenders for any reason and demonstrating a change in the Total Leverage Ratio to an amount so that another Applicable Margin should be applied pursuant to the table set forth below, the Applicable Margin for each type of Advance shall mean the respective amount set forth below opposite such relevant Total

Leverage Ratio in Columns A and B below, in each case until the first succeeding Quarterly Date which is at least three Business Days after receipt by the Administrative Agent from the Borrower of a Compliance Certificate, demonstrating a change in the Total Leverage Ratio to an amount so that another Applicable Margin shall be applied; provided that, if there exists a Default or if the Total Leverage Ratio shall at any time be greater than or equal to 6.50 to 1.00, the Applicable Margin shall again be the respective amounts first set forth in this definition; provided further, that the Applicable Margin in effect on the Closing Date shall be determined pursuant to a Compliance Certificate delivered on the Closing Date, provided, further, that if the Borrower fails to deliver any financial statements to the Administrative Agent within the required time periods set forth in Sections 6.05(a) and Section 6.05(b) hereof, the Applicable Margin shall again be the respective amounts first set forth in this definition until the date which is three Business Days after the Administrative Agent receives financial statements from the Borrower which demonstrate that another Applicable Margin should be applied pursuant to the table set forth below; and provided further, that the Applicable Margin shall never be a negative number.

<TABLE>

<CAPTION>

	Column A	Column B
Total Leverage Ratio	Base Rate	LIBOR
<S>	<C>	<C>
Greater than or equal to 6.50 to 1.00	1.125%	2.250%
Greater than or equal to 6.00 to 1.00 but less than 6.50 to 1.00	0.750%	1.875%
Greater than or equal to 5.50 to 1.00 but less than 6.00 to 1.00	0.500%	1.625%
Greater than or equal to 5.00 to 1.00 but less than 5.50 to 1.00	0.250%	1.375%
Greater than or equal to 4.50 to 1.00 but less than 5.00 to 1.00	0.000%	1.125%
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Greater than or equal to 4.00 to 1.00 but less than 4.50 to 1.00	0.000%	1.000%
Less than 4.00 to 1.00	0.000%	0.750%

</TABLE>

"Application" means any stand-by letter of credit application delivered to Administrative Agent for or in connection with any Stand-By Letter of Credit pursuant to Article III hereof, in Administrative Agent's standard form for stand-by letters of credit.

"Art. 1H" has the meaning specified in the definition herein of "Applicable Law".

"Art. 1D" has the meaning specified in the definition herein of "Applicable Law".

"Asset Sale" means any sale, disposition, liquidation, conveyance or transfer by the Borrower or any Restricted Subsidiary of any Property (or portion thereof) or an interest (other than Permitted Dispositions and Permitted Liens or a Lien granted to the Administrative Agent on behalf of the Lenders) therein, other than in the ordinary course of business.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by Administrative Agent, in the form of Exhibit B hereto, as each such agreement may be amended, modified, extended, restated, renewed, substituted or replaced from time to time.

"Auditor" means KPMG Peat Marwick, L.L.P., or other independent certified public accountants selected by the Borrower and acceptable to Administrative Agent.

"AUSP" means Alaska United Fiber System Partnership, an Alaska general partnership and Unrestricted Subsidiary, which is a wholly owned indirect Subsidiary of the Borrower.

"AUSP Closing Date" means the closing date for the AUSP Financing, but

in no event later than March 31, 1998.

"AUSP Credit Agreement" means the Credit and Security Agreement among AUSP, the lenders referred to therein, Credit Lyonnais as administrative agent, NationsBank as syndication agent, and TD as documentation agent, substantially similar in all material respects in form and substance to the draft thereof dated November 5, 1997, as amended, restated or otherwise modified from time to time (it being understood that nothing herein shall be deemed to permit amendments contrary to Section 7.18 hereof).

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"AUSP Financing" means that certain credit facility for AUSP, in the maximum amount of \$75,000,000 pursuant to the AUSP Credit Agreement.

"AUSP Financing Agreements" means those certain credit, collateral and other agreements described on Schedule 1.01B hereto evidencing and related to the AUSP Financing, and such other agreements as may hereafter be entered into from time to time which materially and adversely affect the obligations of the Borrower or the Restricted Subsidiaries in connection with the AUSP Financing; such AUSP Financing Agreements to be substantially similar in all material respects in form and substance to drafts thereof dated November 4, 1997 and which may be amended, restated or otherwise modified from time to time.

"Authorizations" means all filings, recordings and registrations with, and all validations or exemptions, approvals, orders, authorizations, consents, Licenses, certificates and permits from, the FCC, applicable public utilities and other federal, state and local regulatory or governmental bodies and authorities or any subdivision thereof, including, without limitation, FCC Licenses.

"Authorized Officer" means any of the President, Senior Vice President-Chief Financial Officer, Vice President-Chief Accounting Officer, Vice President-Finance, Secretary-Treasurer, or any other officer authorized by the Borrower from time to time of which the Administrative Agent has been notified in writing.

"Bank Affiliate" means the holding company of any Lender, or any wholly owned direct or indirect subsidiary of such holding company or of such Lender.

"Base Rate Advance" means an Advance bearing interest at the Base Rate.

"Base Rate" means a fluctuating rate per annum as shall be in effect from time to time equal to the lesser of (a) the Highest Lawful Rate and (b) the sum of the Applicable Margin plus the greater of (i) the sum of Federal Funds Rate in effect from time to time plus .50% and (ii) the rate of interest as then in effect announced publicly by NationsBank of Texas, N.A. in Dallas, Texas from time to time as its U.S. dollar prime commercial lending rate (such rate may or may not be the lowest rate of interest charged by NationsBank from time to time). The Base Rate shall be adjusted automatically as of the opening of business on the effective date of each change in the prime rate to account for such change.

"Borrower" means GCI Holdings, Inc., an Alaska corporation.

"Borrowing" means a borrowing under the Facility of the same Type made on the same day.

"Borrowing Notice" has the meaning set forth in Section 2.02(a) hereof.

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"Business Day" means a day of the year on which banks are not required or authorized to close in Dallas, Texas and, if the applicable day relates to any notice, payment or calculation related to a LIBOR Advance, London, England.

"Capital Expenditures" means the aggregate amount of all purchases or acquisitions of items considered to be capital items under GAAP, and in any event shall include the aggregate amount of items leased or acquired under Capital Leases at the cost of the item, and the acquisition of realty, tools, equipment, and fixed assets, and any deferred costs associated with any of the foregoing.

"Capital Leases" means capital leases and subleases, as defined in accordance with GAAP.

"Capital Stock" means, as to any Person, the equity interests in such Person, including, without limitation, the shares of each class of capital stock of any Person that is a corporation and each class of partnership interests (including without limitation, general, limited and preference units) in any Person that is a partnership.

"Cash Equivalents" means investments (directly or through a money

market fund) in (a) certificates of deposit and other interest bearing deposits or accounts with United States commercial banks having a combined capital and surplus of at least \$250,000,000, which certificates, deposits, and accounts mature within one year from the date of investment and are fully insured as to principal by the FDIC, (b) obligations issued or unconditionally guaranteed by the United States government, or issued by an agency thereof and backed by the full faith and credit of the United States government, which obligations mature within one year from the date of investment, (c) direct obligations issued by any state or political subdivision of the United States, which mature within one year from the date of investment and have the highest rating obtainable from Standard & Poor's Ratings Group or Moody's Investors Services, Inc. on the date of investment, and (d) commercial paper which has one of the three highest ratings obtainable from Standard & Poor's Ratings Group or Moody's Investors Services, Inc.

"Change of Control" means the occurrence of one or more of the following events: (a) any change in the ownership of the Borrower or any Restricted Subsidiary (except any change due to any merger or consolidation among the Wholly-Owned Subsidiaries) or (b) any change in the ownership of GCI resulting in MCI or any of its wholly-owned Subsidiaries, owning less than 18% of the total combined voting power of GCI, or (c) MCI shall at any time have less than two representatives sitting on the GCI's Board of Directors.

"Closing Date" means August 1, 1997.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations issued thereunder, as from time to time in effect.

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"Collateral" means all "collateral" referred to in any Loan Paper and all other property which is or may be subject to a Lien in favor or for the benefit of Administrative Agent on behalf of Lenders or any Lender to secure the Obligations, including, without limitation, "Collateral" as defined in Section 2.15(a) hereof.

"Commitment Fees" means each of the fees described in Sections 2.10(a) and 2.10(b) hereof.

"Completion Guaranty" means that certain completion guaranty from the Borrower that is a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such guaranty may be amended, restated or otherwise modified from time to time.

"Compliance Certificate" means a certificate of an Authorized Officer of the Borrower acceptable to Administrative Agent, in the form of Exhibit D hereto, (a) certifying that such individual has no knowledge that a Default or Event of Default has occurred and is continuing, or if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action being taken or proposed to be taken with respect thereto, and (b) setting forth detailed calculations with respect to each of the covenants described in Section 7.01 hereof.

"Consequential Loss," with respect to (a) the Borrower's payment of all or any portion of the then-outstanding principal amount of a LIBOR Advance on a day other than the last day of the related Interest Period, including, without limitation, payments made as a result of the acceleration of the maturity of a Note, (b) (subject to Administrative Agents' prior consent), a LIBOR Advance made on a date other than the date on which the Advance is to be made according to Section 2.02(a) or Section 2.09 hereof, or (c) any of the circumstances specified in Section 2.04, Section 2.05 and Section 2.06 hereof on which a Consequential Loss may be incurred, means any loss, cost or expense incurred by any Lender as a result of the timing of the payment or Advance or in liquidating, repositing, repositing, repositing or reinvesting the principal amount so paid or affected by the timing of the Advance or the circumstances described in Section 2.04, Section 2.05, and Section 2.06 hereof, which amount shall be the sum of (i) the interest that, but for the payment or timing of Advance, such Lender would have earned in respect of that principal amount, reduced, if such Lender is able to reposit, reposit, or reinvest the principal amount, by the interest earned by such Lender as a result of repositing, repositing or reinvesting the principal amount plus (ii) any expense or penalty incurred by such Lender by reason of liquidating, repositing, repositing or reinvesting the principal amount. Each determination by each Lender of any Consequential Loss is, in the absence of manifest error, conclusive and binding.

"Contingent Liability" means, as to any Person, any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other Person in any manner, whether directly or indirectly, including without

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limitation any obligation of such Person, direct or indirect, (a) to purchase or

pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (b) to purchase Property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Continue," "Continuation" and "Continued" each refer to the continuation pursuant to Section 2.09 hereof of a LIBOR Advance from one Interest Period to the next Interest Period.

"Control" or "Controlled By" or "Under Common Control" mean possession, direct or indirect, of power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract or otherwise); provided that, in any event (a) it shall include any director (or Person holding the equivalent position) or executive officer (or Person holding the equivalent position) of such Person or of any Affiliate of such Person, (b) any Person which beneficially owns 5% or more (in number of votes) of the securities having ordinary voting power for the election of directors of a corporation shall be conclusively presumed to control such corporation, (c) any general partner of any partnership shall be conclusively presumed to control such partnership, (d) any other Person who is a member of the immediate family (including parents, spouse, siblings and children) of any general partner of a partnership, and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is controlled by any such member or trust, or is the executor, administrator or other personal representative of such Person, shall be conclusively presumed to control such Person, and (e) no Person shall be deemed to be an Affiliate of a corporation solely by reason of his being an officer or director of such corporation.

"Controlled Group" means, as to any Person, all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) which are under common control with such Person and which, together with such Person, are treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

"Conversion Date" means the date that is 364 days after the Closing Date.

"Conversion or Continuance Notice" has the meaning set forth in Section 2.09(b) hereof.

"Debt" means all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capital Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to

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consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any Property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" means, as to any Person, at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business and (d) all obligations of such Person secured by a Lien on any assets or property of any Person.

"Debtor Relief Laws" means applicable bankruptcy, reorganization, moratorium, or similar Laws, or principles of equity affecting the enforcement of creditors' rights generally.

"Default" means any event specified in Section 8.01 hereof, whether or not any requirement in connection with such event for the giving of notice, lapse of time, or happening of any further condition has been satisfied.

"Distribution" means, as to any Person, (a) any declaration or payment of any distribution or dividend (other than a stock dividend) on, or the making of any pro rata distribution, loan, advance, or investment to or in any holder (in its capacity as a partner, shareholder or other equity holder) of, any partnership interest or shares of capital stock or other equity interest of such Person, or (b) any purchase, redemption, or other acquisition or retirement for value of any shares of partnership interest or capital stock or other equity interest of such Person.

"Eligible Assignee" means (a) any Bank Affiliate, (b) a commercial bank organized under the laws of the United States, or any state thereof, and having

total assets in excess of \$500,000,000; (c) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having total assets in excess of \$500,000,000, provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is described in this clause; and (d) the central bank of any country which is a member of the Organization for Economic Cooperation and Development.

"Environmental Laws" means the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. ss.9601 et seq.) ("CERCLA"), the Hazardous Material Transportation Act (49 U.S.C. ss.1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. ss.6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. ss.1251 et seq.), the Clean Air Act (42 U.S.C. ss.7401 et seq.), the Toxic Substances Control Act (15 U.S.C. ss.2601 et seq.), and the Occupational Safety and Health Act (29 U.S.C. ss.651 et seq.) ("OSHA"), as such laws have been or hereafter may be amended or supplemented, and any and all analogous future federal, or present or future state or local, Laws.

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"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, and the rulings and regulations issued thereunder, as from time to time in effect.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the controlled group of GCI, the Borrower or any Subsidiary of GCI or the Borrower, or is under common control with GCI, the Borrower or any Subsidiary of GCI or the Borrower, within the meaning of Section 414(c) of the Code.

"ERISA Event" means (a) a reportable event, within the meaning of Section 4043 of ERISA, unless the 30-day notice requirement with respect thereto has been waived by the PBGC, (b) the issuance by the administrator of any Plan of a notice of intent to terminate such Plan in a distress situation, pursuant to Section 4041(a)(2) and 4041(c) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA), (c) the cessation of operations at a facility in the circumstances described in Section 4062(e) of ERISA, (d) the withdrawal by the Borrower, any Subsidiary of the Borrower or GCI, or an ERISA Affiliate from a Multiple Employer Plan during a Plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, (e) the failure by the Borrower, any Subsidiary of the Borrower or either Parent, or any ERISA Affiliate to make a payment to a Plan required under Section 302 of ERISA, (f) the adoption of an amendment to a Plan requiring the provision of security to such Plan, pursuant to Section 307 of ERISA, or (g) the institution by the PBGC of proceedings to terminate a Plan, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition that constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, a Plan.

"Event of Default" means any of the events specified in Section 8.01 hereof, provided there has been satisfied any requirement in connection therewith for the giving of notice, lapse of time, or happening of any further condition.

"Excess Cash Flow" means, for the most recently completed fiscal year, the difference between Operating Cash Flow for such year minus the sum of (a) Total Interest Expense for such year, plus (b) scheduled repayments of principal of Total Debt (whether by installment or as a result of a scheduled reduction in a revolving commitment, or otherwise) for such year, plus (c) permitted payments or loans made to AUSP with cash from the operations of the Borrower or its Restricted Subsidiaries during such year, plus (d) Capital Expenditures made during such year and financed with cash from operations of the Borrower or its Restricted Subsidiaries, plus (e) not more than \$2,000,000 in working capital of the Borrower, plus (f) cash taxes for GCII, the Borrower and its Restricted Subsidiaries with respect to such year, whether accrued or paid.

"Facility" means the Revolving Loan.

"FCC" means the Federal Communications Commission and any successor thereto.

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"FCC License" means any community antenna relay service, broadcast auxiliary license, earth station registration, business radio, microwave or special safety radio service license issued by the FCC pursuant to the Communications Act of 1934, as amended, and any other FCC license from time to time necessary or advisable for the operation of the Parent's, the Borrower's or any of their Subsidiaries' business.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the

rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of Dallas, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such date on such transactions received by Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letters" means that certain letter agreement, dated June 30, 1997, addressed to the Borrower and acknowledged by the Borrower, and describing certain fees payable to the Administrative Agent in connection with this Agreement and the Facility, and such other fee letter agreements as may be executed from time to time among the parties hereto, as each may be amended, modified, substituted or replaced by the parties thereto.

"Fiber Lease" means that certain lease agreement entered into by GCI Communication Corp. with AUSP, for lease of a portion of AUSP's fiber network, which lease constitutes a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such agreement may be amended, restated, or otherwise modified from time to time.

"Fixed Charges" means, for the most recently completed four fiscal quarters, the sum of (a) cash Total Interest Expense paid or accrued, plus (b) scheduled repayments of principal of Total Debt (whether by installment or as a result of a scheduled reduction in a revolving commitment, or otherwise), plus (c) cash taxes paid or accrued for GCII, the Borrower and its Restricted Subsidiaries, plus (d) cash payments (in the form of capital contributions, loans, advances or otherwise) made to Unrestricted Subsidiaries (including, without limitation, AUSP, except scheduled lease payments made pursuant to the Fiber Lease, and scheduled payments under the O&M Contract that is a Project Agreement), plus (e) Capital Expenditures made by any of the Borrower and its Restricted Subsidiaries.

"Fixed Charges Coverage Ratio" means the ratio of Annualized Operating Cash Flow to Fixed Charges.

"Funded Debt" means, without duplication, with respect to any Person, all Debt of such Person, determined on a consolidated basis and measured in accordance with GAAP that is either

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(a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one year after the date of creation thereof, notwithstanding the fact that payments are required to be made less than one year after such date, (c) Capital Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit, without duplication, (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with Interest Hedge Agreements, (h) payments due under Non-Compete Agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than 90 days old and any thereof that are being contested in good faith).

"GAAP" means generally accepted accounting principles applied on a consistent basis. Application on a consistent basis shall mean that the accounting principles observed in a current period are comparable in all material respects to those applied in a preceding period, except for new developments or statements promulgated by the Financial Accounting Standards Board.

"GCI" means General Communication, Inc., an Alaska corporation, and immediate parent and holder of 100% of the Capital Stock of GCII.

"GCI Entities" means the Borrower, the Parents, each Restricted Subsidiary and each Guarantor from time to time in existence, and any other Person from time to time constituting a Subsidiary of Parents or the Borrower, except the Unrestricted Subsidiaries.

"GCII" means GCI, Inc., an Alaska corporation, and immediate parent and holder of 100% of the Capital Stock of the Borrower.

"Guarantors" means GCII, GCI Communication Services, Inc., GCI Leasing Co., Inc., GCI Communication Corp. (including, without limitation, the Long Distance Division and the Local & Wireless Division), GCI Cable, Inc., each Subsidiary of GCI Cable, Inc., each other Restricted Subsidiary and each other Person from time to time guaranteeing payment of the Obligations to the Administrative Agent and Lenders.

"Guaranty" of a Person means any agreement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor or

such other Person against loss, including, without limitation, any agreement which assures any creditor or such other Person payment or performance of any obligation, or any take-or-pay contract and shall include without limitation, the contingent liability of such Person in connection with any application for a letter of credit (without duplication of any amount already included in its Debt).

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"Hazardous Materials" means all materials subject to any Environmental Law, including without limitation materials listed in 49 C.F.R. ss. 172.101, Hazardous Substances, explosive or radioactive materials, hazardous or toxic wastes or substances, petroleum or petroleum distillates, asbestos, or material containing asbestos.

"Hazardous Substances" means hazardous waste as defined in the Clean Water Act, 33 U.S.C. ss. 1251 et seq., the Comprehensive Environmental Response Compensation and Liability Act as amended by the Superfund Amendments and Reauthorization Act, 42 U.S.C. ss. 9601 et seq., the Resource Conservation Recovery Act, 42 U.S.C. ss. 6901 et seq., and the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq.

"Highest Lawful Rate" means at the particular time in question the maximum rate of interest which, under Applicable Law, Administrative Agent is then permitted to charge on the Obligations. If the maximum rate of interest which, under Applicable Law, such Lender is permitted to charge on the Obligations shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, from time to time as of the effective time of each change in the Highest Lawful Rate without notice to the Borrower. For purposes of determining the Highest Lawful Rate under Applicable Law, the applicable rate ceiling shall be (a) the indicated rate ceiling described in and computed in accordance with the provisions of Art. 1H; or (b) either the annualized ceiling or quarterly ceiling computed pursuant to .008 of Art. 1D; provided, however, that at any time the indicated rate ceiling, the annualized ceiling or the quarterly ceiling, as applicable, shall be less than 18% per annum or more than 24% per annum, the provisions of Sections .009(a) and .009(b) of said Art. 1D shall control for purposes of such determination, as applicable.

"Indemnitees" has the meaning ascribed thereto in Section 6.09 hereof.

"Indenture" means the Indenture dated as of August 1, 1997, between GCII and The Bank of New York, as Trustee, providing for the Senior Notes.

"Initial Advance" means the initial Advance made in accordance with the terms hereof, which shall only be after the Borrower has satisfied each of the conditions set forth in Section 4.01 and Section 4.02 hereof (or any such condition shall have been waived by each Lender).

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities within the meaning of Section 4001(a)(18) of ERISA.

"Intercompany Notes" means those notes, substantially in the form of Exhibit G hereto, evidencing loans and/or advances made by the Borrower to A USP under the Keepwell Agreement or the Completion Guaranty, and made in accordance with the terms of Section 7.10(g) hereof.

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"Interest Coverage Ratio" means as of any date of determination, the ratio of (a) Annualized Operating Cash Flow to (b) Total Interest Expense for the most recently completed four fiscal quarters, provided that, notwithstanding the preceding and any other provision in this Agreement or in the Loan Papers, for the first three fiscal quarters after the Closing Date only, Annualized Operating Cash Flow and Total Interest Expense shall be determined by annualizing the relevant financial information of GCII, the Borrower and the Restricted Subsidiaries from the Closing Date through the date of determination; and provided further that notwithstanding the preceding and any other provision in this Agreement or in the Loan Papers, Annualized Operating Cash Flow and Total Interest Expense for any period prior to the Closing Date shall be determined by using the relevant financial information of the Restricted Subsidiaries.

"Interest Hedge Agreements" means any interest rate swap agreements, interest cap agreements, interest rate collar agreements, or any similar agreements or arrangements designed to hedge the risk of variable interest rate volatility, or foreign currency hedge, exchange or similar agreements, on terms and conditions reasonably acceptable to Administrative Agent (evidenced by Administrative Agent's consent in writing), as such agreements or arrangements may be modified, supplemented, and in effect from time to time, and notwithstanding the above, fixed rate Debt for Borrowed Money shall be deemed an Interest Hedge Agreement.

"Interest Period" means, with respect to any LIBOR Advance, the period beginning on the date an Advance is made or continued as or converted into a LIBOR Advance and ending one, two, three or six months thereafter (as the Borrower shall select) provided, however, that:

(a) the Borrower may not select any Interest Period that ends after any principal repayment date unless, after giving effect to such selection, the aggregate principal amount of LIBOR Advances having Interest Periods that end on or prior to such principal repayment date, shall be at least equal to the principal amount of Advances due and payable on and prior to such date;

(b) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(c) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

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"Investment" means any acquisition of all or substantially all assets of any Person, or any direct or indirect purchase or other acquisition of, or a beneficial interest in, capital stock or other securities of any other Person, or any direct or indirect loan, advance (other than advances to employees for moving and travel expenses, drawing accounts, and similar expenditures in the ordinary course of business), or capital contribution to or investment in any other Person, including without limitation the incurrence or sufferance of Debt or accounts receivable of any other Person that are not current assets or do not arise from sales to that other Person in the ordinary course of business.

"Keepwell Agreement" means that certain operating keepwell agreement among the Borrower, AUSP, and Credit Lyonnais as administrative agent under the AUSP Credit Agreement, which such agreement is a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such agreement may be amended, restated, or otherwise modified from time to time.

"Law" means any constitution, statute, law, ordinance, regulation, rule, order, writ, injunction, or decree of any Tribunal.

"Lease Guaranty" means that certain lease guaranty agreement among the Borrower, AUSP, and Credit Lyonnais as administrative agent under the AUSP Credit Agreement, which such agreement is a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such agreement may be amended, restated, or otherwise modified from time to time.

"Lenders" means the lenders listed on the signature pages of this Agreement, and each Eligible Assignee which hereafter becomes a party to this Agreement pursuant to Section 10.04 hereof, for so long as any such Person is owed any portion of the Obligations or obligated to make any Advances under the Revolving Loan.

"Lending Office" means, with respect to each Lender, its branch or affiliate, (a) initially, the office of such Lender, branch or affiliate identified as such on the signature pages hereof, and (b) subsequently, such other office of such Lender, branch or affiliate as such Lender may designate to the Borrower and Administrative Agent as the office from which the Advances of such Lender will be made and maintained and for the account of which all payments of principal and interest on the Advances and the Commitment Fees will thereafter be made. Lenders may have more than one Lending Office for the purpose of making Base Rate Advances and LIBOR Advances.

"Letters of Credit" means the irrevocable standby letters of credit issued by Administrative Agent under and pursuant to Article III hereof, as each may be amended, modified, substituted, increased, replaced, renewed or extended from time to time.

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"Letter of Credit Commitment" means an amount equal to the lesser of (i) the Revolving Unused Commitment and (ii) \$10,000,000.

"LIBOR Advance" means an Advance bearing interest at the LIBOR Rate.

"LIBOR Rate" means a simple per annum interest rate equal to the lesser of (a) the Highest Lawful Rate, and (b) the sum of the LIBOR Rate Basis plus the Applicable Margin. The LIBOR Rate shall, with respect to LIBOR Advances subject to reserve or deposit requirements, be subject to premiums assessed therefor by each Lender, which are payable directly to each Lender. Once determined, the LIBOR Rate shall remain unchanged during the applicable Interest Period.

"LIBOR Rate Basis" means, for any LIBOR Advance for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "LIBOR Rate Basis" shall mean, for any LIBOR Advance for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates.

"License" means, as to any Person, any license, permit, certificate of need, authorization, certification, accreditation, franchise, approval, or grant of rights by any Tribunal or third person necessary or appropriate for such Person to own, maintain, or operate its business or Property, including FCC Licenses.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien, or charge of any kind, including without limitation any agreement to give or not to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the filing of or agreement to give any financing statement or other similar form of public notice under the Laws of any jurisdiction (except for the filing of a financing statement or notice in connection with an operating lease).

"Litigation" means any proceeding, claim, lawsuit, arbitration, and/or investigation conducted or threatened by or before any Tribunal, including without limitation proceedings, claims, lawsuits, and/or investigations under or pursuant to any environmental, occupational, safety and health, antitrust, unfair competition, securities, Tax, or other Law, or under or pursuant to any contract, agreement, or other instrument.

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"Loan Papers" means this Agreement; the Notes; Interest Rate Hedge Agreements executed among any GCI Entity and any Lender or Bank Affiliate; all Pledge Agreements; all Guaranties executed by any Person guaranteeing payment of any portion of the Obligations; all Fee Letters; all Letters of Credit, all Applications and all documentation related to any Letter of Credit; each Assignment and Acceptance; all promissory notes evidencing any portion of the Obligations; assignments, security agreements and pledge agreements granting any interest in any of the Collateral; stock certificates and partnership agreements constituting part of the Collateral; mortgages, deeds of trust, financing statements, collateral assignments, and other documents and instruments granting an interest in any portion of the Collateral, or related to the perfection and/or the transfer thereof, all collateral assignments or other agreements granting a Lien on any intercompany note, including without limitation, the Intercompany Notes; and all other documents, instruments, agreements or certificates executed or delivered by the Borrower or any other GCI Entity, as security for the Borrower's obligations hereunder, in connection with the loans to the Borrower or otherwise; as each such document shall, with the consent of the Lenders pursuant to the terms hereof, be amended, revised, renewed, extended, substituted or replaced from time to time.

"Local Telephone Business" means the local telephone business of the Borrower and its Restricted Subsidiaries in (i) Anchorage, Alaska, for which GCI Communication Corp. received its authority to operate from the Alaskan Public Utilities Commission on February 4, 1997 and (ii) elsewhere in Alaska for which Borrower or any Restricted Subsidiary receives authority to operate from the Alaska Public Utilities Commission.

"Majority Lenders" means any combination of Lenders having at least 66.67% of the aggregate amount of Advances under the Facility; provided, however, that if no Advances are outstanding under this Agreement, such term means any combination of Lenders having a Specified Percentage equal to at least 66.67% of the Facility.

"Management Fees" means all fees from time to time directly or indirectly (including any payments made pursuant to guarantees of such fees) paid or payable by the Borrower, any GCI Entity or any of the Restricted Subsidiaries to any Person for management services for managing any portion of

any System.

"Managing Agents" means NationsBank, Credit Lyonnais and TD.

"Material Adverse Change" means any circumstance or event that (a) can reasonably be expected to cause a Default or an Event of Default, (b) otherwise can reasonably be expected to (i) be material and adverse to the continued operation of the Borrower and the Restricted Subsidiaries taken as a whole or any other GCI Entity, or (ii) be material and adverse to the financial condition, business operations, prospects or Properties of the Borrower and the Restricted Subsidiaries taken as a whole or any other GCI Entity, or (c) in any manner

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whatsoever does or can reasonably be expected to materially and adversely affect the validity or enforceability of any of the Loan Papers.

"Maturity Date" means July 31, 2005, or such earlier date all of the Obligations become due and payable (whether by acceleration, prepayment in full, scheduled reduction or otherwise).

"Maximum Amount" means the maximum amount of interest which, under Applicable Law, Administrative Agent or any Lender is permitted to charge on the Obligations.

"MCI" means (i) prior to the effective date of the merger of MCI Telecommunications Corporation into British Telecommunications, PLC, MCI Telecommunications Corporation and (ii) on and after the effective date of the merger of MCI Telecommunications Corporation into British Telecommunications, PLC, British Telecommunications, PLC.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower, any Subsidiary of the Borrower or GCI or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions, such plan being maintained pursuant to one or more collective bargaining agreements.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower, any Subsidiary of the Borrower or GCI, or any ERISA Affiliate and at least one Person other than the Borrower, any Subsidiary of the Borrower or GCI, and any ERISA Affiliate, or (b) was so maintained and in respect of which the Borrower, any Subsidiary of the Borrower or GCI, or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Proceeds" means the gross proceeds received by the Borrower or any Restricted Subsidiary in connection with or as a result of any Asset Sale, minus (so long as each of the following are estimated in good faith by the Vice President - Chief Financial Officer of the Borrower or such Restricted Subsidiary and certified to the Lenders in reasonable detail by an Authorized Officer) (a) amounts paid or reserved in good faith, if any, for taxes payable with respect to such Asset Sale in an amount equal to the tax liability of the Borrower or any Restricted Subsidiary in respect of such sale (taking into account all other tax benefits of each of the parties) and (b) reasonable and customary transaction costs payable by the Borrower or any Restricted Subsidiary related to such sale.

"Net Total Interest Expense" means as of any date of determination for any period of calculation, all the Borrower's and the Restricted Subsidiaries' consolidated interest expense included in a consolidated income statement (without deduction of interest income) on Senior Debt for such period calculated on a consolidated basis in accordance with GAAP, including

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without limitation or duplication (or, to the extent not so included, with the addition of) for the Borrower and the Restricted Subsidiaries: (a) the amortization of Debt discounts; (b) any commitment fees or agency fees related to any Senior Debt, but specifically excluding any one-time facility and/or arrangement fees; (c) any fees or expenses with respect to letters of credit, bankers' acceptances or similar facilities; (d) fees and expenses with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements, other than fees or charges related to the acquisition or termination thereof which are not allocable to interest expense in accordance with GAAP; (e) preferred stock Distributions for the Borrower and the Restricted Subsidiaries declared and payable in cash; and (f) interest capitalized in accordance with GAAP.

"Non-Compete Agreement" means any agreement or related set of agreements under which the Borrower or any Restricted Subsidiary agrees to pay money in one or more installments to one or more Persons in exchange for agreements from such Persons to refrain from competing with the Borrower or such

Restricted Subsidiary in a certain line of business in a specific geographical area for a certain time period, or pursuant to which any Person agrees to limit or restrict its right to engage, directly or indirectly, in the same or similar industry for any period of time for any geographic location.

"Notes" means all Revolving Notes in effect from time to time, and "Note" means any of such notes, as applicable.

"Obligations" means all present and future obligations, indebtedness and liabilities, and all renewals and extensions of all or any part thereof, of the Borrower and each other GCI Entity to Lenders and Administrative Agent arising from, by virtue of, or pursuant to this Agreement, any of the other Loan Papers and any and all renewals and extensions thereof or any part thereof, or future amendments thereto, all interest accruing on all or any part thereof and reasonable attorneys' fees incurred by Lenders and Administrative Agent for the administration, execution of waivers, amendments and consents, and in connection with any restructuring, workouts or in the enforcement or the collection of all or any part thereof, whether such obligations, indebtedness and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several. Without limiting the generality of the foregoing, "Obligations" includes all amounts which would be owed by the Borrower, each other GCI Entity and any other Person (other than Administrative Agent or Lenders) to Administrative Agent or Lenders under any Loan Paper, but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower, any other GCI Entity or any other Person (including all such amounts which would become due or would be secured but for the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding of the Borrower, any other GCI Entity or any other Person under any Debtor Relief Law).

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"O&M Contract" means the Operation and Maintenance Contract between AUSP and GCI Communication Corp., which agreement is a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated October 30, 1997, as such contract may be amended, restated, or otherwise modified from time to time.

"Operating Cash Flow" means, for the Borrower and the Restricted Subsidiaries, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense for the Borrower and Restricted Subsidiaries plus (e) deferred income Taxes for the Borrower and Restricted Subsidiaries; provided, the calculation is made after giving effect to acquisitions and dispositions of assets of the Borrower or any Restricted Subsidiary during such period as if such transactions had occurred on the first day of such period.

"Operating Leases" means operating leases, as defined in accordance with GAAP.

"Parents" means, collectively, GCI and GCII.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor agency or entity performing substantially the same functions.

"Permitted Dispositions" means any sale, assignment, disposition, conveyance or transfer of any agreements, licenses, permits, franchises, contract rights, documents, instruments or other Property or any interest therein, related to the construction, operation or maintenance of AUSP's fiber network including, without limitation, the agreements listed on Schedule 3.23 to this Agreement.

"Permitted Liens" means

(a) those imposed by the Loan Papers and in connection with the Revolver/Term Credit Agreement;

(b) Liens in connection with workers' compensation, unemployment insurance or other social security obligations (which phrase shall not be construed to refer to ERISA);

(c) deposits, pledges or liens to secure the performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, statutory obligations, surety, customs, appeal, performance and payment bonds and other obligations of like nature arising in the ordinary course of business;

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(d) mechanics', worker's, carriers, warehousemen's, materialmen's, landlords', or other like Liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith and by appropriate proceedings diligently conducted;

(e) Liens for taxes, assessments, fees or governmental charges or levies not delinquent or which are being contested in good faith and by appropriate proceedings diligently conducted, and in respect of which adequate reserves shall have been established in accordance with GAAP on the books of the Borrower or such GCI Entity;

(f) Liens or attachments, judgments or awards against the Borrower or any other GCI Entity with respect to which an appeal or proceeding for review shall be pending or a stay of execution shall have been obtained, and which are otherwise being contested in good faith and by appropriate proceedings diligently conducted, and in respect of which adequate reserves shall have been established in accordance with GAAP on the books of the Borrower or such other GCI Entity;

(g) Liens in existence on the Closing Date described on Schedule 5.08(a) hereto;

(h) statutory Liens in favor of CoBank with respect to the Participation Certificates (as defined in Section 6.16) and of lessors arising in connection with Property leased to the Borrower or any other GCI Entity; and

(i) easements, rights of way, restrictions, leases of Property to others, easements for installations of public utilities, title imperfections and restrictions, zoning ordinances and other similar encumbrances affecting Property which in the aggregate do not materially adversely affect the value of such Property or materially impair its use for the operation of the business of the Borrower or such GCI Entity.

"Person" means an individual, partnership, joint venture, corporation, trust, Tribunal, unincorporated organization, and government, or any department, agency, or political subdivision thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Pledge Agreement" means each Security Agreement and each Pledge and Security Agreement, whereby the Pledged Interests are pledged to Administrative Agent and a security interest is granted in the assets of the Borrower and Restricted Subsidiaries to secure the Obligations, each substantially in the form of Exhibit C hereto, as each such agreement may be amended, modified, extended, renewed, restated, substituted or replaced from time to time.

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"Pledged Interests" means (a) a first perfected security interest in 100% of the Capital Stock of the Borrower; (b) a first perfected security interest in 100% of the Capital Stock of GCI Communication Services, Inc., and GCI Communication Corp.; (c) subject to the Prior Stock Lien, a first perfected security interest in 100% of the Capital Stock of GCI Leasing Co., Inc.; and (d) a first perfected security interest in 100% of the Capital Stock of GCI Cable, Inc. each Subsidiary of GCI Cable, Inc., and each other Restricted Subsidiary, if any, now existing or hereafter formed or acquired.

"Prior Stock Lien" means those certain Liens in the stock of GCI Leasing Co., Inc. and such other Liens as are listed on Schedule 1.02 hereto.

"Prime Management Agreement" means that certain Management Agreement, between GCI Cable, Inc. and Prime II Management, L.P., dated October 31, 1996.

"Pro Forma Debt Service" means, for GCII, the Borrower and its Restricted Subsidiaries for the four full fiscal quarters immediately following the date of determination, the sum of (a) cash Total Interest Expense (using the interest rates in effect on the date of determination to project interest rates for any Total Debt subject to a floating interest rate), plus (b) scheduled repayments of principal of Total Debt (whether by installment or as a result of a scheduled reduction in a revolving commitment, or otherwise).

"Pro Forma Debt Service Coverage Ratio" means the ratio of Annualized Operating Cash Flow to Pro Forma Debt Service.

"Prohibited Transaction" has the meaning specified therefor in Section 4975 of the Code or Section 406 of ERISA.

"Project Agreements" means those "Projects Agreements" as defined in the A USP Credit Agreement and as described on Schedule 1.01B hereto, and such other agreements as may hereafter be entered into from time to time which materially and adversely affect the obligations of the Borrower or the Restricted Subsidiaries with respect to the A USP Financing; such Project Agreements to be substantially similar in all material respects in form and substance to drafts thereof dated draft November 4, 1997 (except for the O&M

Contract), as amended, restated, or otherwise modified from time to time.

"Property" means all types of real, personal, tangible, intangible, or mixed property, whether owned in fee simple or leased.

"Quarterly Date" means the last Business Day of each March, June, September and December during the term of this Agreement, commencing on September 30, 1997.

"Ratable" means, as to any Lender, in accordance with its Specified Percentage.

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"Reduction Percentage" means that percentage of the Revolving Commitment as the Revolving Commitment is in effect on June 30, 2000.

"Refinancing Advance" means an Advance that is used to pay the principal amount of an existing Advance (or any performance thereof) at the end of its Interest Period and which, after giving effect to such application, does not result in an increase in the aggregate amount of outstanding Advances.

"Regulatory Change" means any change after the date hereof in federal, state, or foreign Laws (including the introduction of any new Law) or the adoption or making after such date of any interpretations, directives, or requests of or under any federal, state, or foreign Laws (whether or not having the force of Law) by any Tribunal charged with the interpretation or administration thereof, applying to a class of financial institutions that includes any Lender, excluding, however, any such change which results in an adjustment of the LIBOR Reserve Percentage and the effect of which is reflected in a change in the LIBOR Rate as provided in the definition of such term.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waivers in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Restricted Payments" means (a) any direct or indirect distribution, Distribution or other payment on account of any general or limited partnership interest in (or the setting aside of funds for, or the establishment of a sinking fund or analogous fund with respect to), or shares of Capital Stock or other securities of, the Borrower or any Restricted Subsidiary; (b) any payments of principal of, or interest on, or fees related to, or any other payments and prepayments with respect to, or the establishment of, or any payment to, any sinking fund or analogous fund for the purpose of making any such payments on, Funded Debt of GCII, the Borrower or any Restricted Subsidiary (excluding the Obligations and the obligations under the Revolver/Term Credit Agreement); (c) any Management Fee or any management, consulting or other similar fees, or any interest thereon, payable by the Borrower or any Restricted Subsidiary to any Affiliate of the Borrower or Parents or to any other Person; (d) any administration fee or any administration, consulting or other similar fees, or any interest thereon, payable by the Borrower or any Restricted Subsidiary to any Affiliate of Parents or the Borrower or to any other Person (excluding the payment of compensation (including, amounts paid pursuant to employee benefit plans) in the ordinary course of business for the personal services of officers, directors and employees of Parents, the Borrower or any of its Restricted Subsidiaries, so long as the Board of Directors of Parents and the Borrower in good faith shall have approved the terms thereof and

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deemed the services therefore or thereafter to be performed for such compensation or fees to be fair consideration therefor); (e) any payments of any amounts owing under any Non-Compete Agreements; and (f) fees, loans or other payments or advances by the Borrower or any Restricted Subsidiary to any Unrestricted Subsidiary or any other Affiliate of the Parents or the Borrower, except to the extent such payments are permitted in accordance with the terms of Section 7.09 hereof.

"Restricted Subsidiaries" means GCI Communication Services, Inc., GCI Leasing Co., Inc., GCI Communication Corp. (including, without limitation, the Long Distance Division and the Local & Wireless Division), GCI Cable, Inc., each Subsidiary of GCI Cable, Inc., and any other Subsidiary, now or hereafter created or acquired, of the Borrower or the Parents, other than Unrestricted Subsidiaries, in each case that engages in either the operation of (a) switched message long distance telephone systems and ancillary services including DAMA, cellular resale and PCS systems, (b) cable distribution operations, or (c) the Local Telephone Business and "Restricted Subsidiary" means any one of them, as applicable in the context.

"Revolver/Term Commitment" has the meaning ascribed to it in the Revolver/Term Credit Agreement.

"Revolver/Term Credit Agreement" means the \$50,000,000 Amended and Restated Credit Agreement, of even date herewith, between the Borrower, the Administrative Agent and the Lenders, as amended, restated or otherwise modified from time to time.

"Revolving Commitment" means, with respect to the Revolving Loan, \$200,000,000, as such amount may be reduced from time to time in accordance with the terms of Section 2.04 hereof, or increased in accordance with Section 2.16 hereof.

"Revolving Loan" means that certain Revolving Loan made to the Borrower on the Closing Date until the Maturity Date in accordance with Section 2.01(a) hereof.

"Revolving Notes" means the promissory notes of the Borrower evidencing the Advances and obligations owing hereunder to each Lender under the Revolving Loan, in substantially the form of Exhibit A hereto, each payable to the order of each Lender, as each such note may be amended, extended, restated, renewed, substituted or replaced from time to time.

"Revolving Unused Commitment" means, on any date of determination, the Revolving Commitment as in effect on such date, minus all outstanding Advances made under the Revolving Loan on such date.

"Rights" means rights, remedies, powers, and privileges.

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"Senior Debt" means, without duplication, with respect to the Borrower and the Restricted Subsidiaries, the sum of all Funded Debt of the Borrower and the Restricted Subsidiaries, calculated on a consolidated basis in accordance with GAAP.

"Senior Leverage Ratio" means as of any date of determination, the ratio of (a) Senior Debt on such date of determination to (b) Annualized Operating Cash Flow, all calculated for the Borrower and the Restricted Subsidiaries on a consolidated basis in accordance with GAAP consistently applied.

"Senior Notes" means those certain \$180,000,000 9-3\4% Senior Notes due 2007 issued by GCII, pursuant to and in accordance with the Indenture.

"Single Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, other than a Multiple Employer Plan, that is maintained for employees of the Borrower or any ERISA Affiliate.

"Solvent" means, with respect to any Person, that on such date (a) the fair value of the Property of such Person is greater than the total amount of liabilities, including without limitation Contingent Liabilities of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's Property would constitute an unreasonably small capital.

"Special Counsel" means the law firm of Donohoe, Jameson & Carroll, P.C., Dallas, Texas, special counsel to Administrative Agent, or such other counsel selected by the Administrative Agent from time to time.

"Specified Percentage" means, as to any Lender, the percentage indicated beside its name on the signature pages hereof, or as adjusted or specified in any Assignment and Acceptance, or amendment to this Agreement.

"Subordinated Debt" means subordinated indebtedness of the Borrower incurred in accordance with the terms of Section 7.02(f)(ii) hereof.

"Subordination Agreement" means the Subordination Agreement among the Borrower, AUSP, GCI Transport Co., Inc. and Credit Lyonnais as administrative agent under the AUSP Credit Agreement, which agreement is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such agreement may be amended, restated or otherwise modified from time to time.

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"Subsidiary" of any Person means any corporation, partnership, limited

liability company, joint venture, trust or estate of which (or in which) more than 50% of:

(a) the outstanding Capital Stock having voting power to elect a majority of the Board of Directors of such corporation (or other Persons performing similar functions of such entity, and irrespective of whether at the time Capital Stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency),

(b) the interest in the capital or profits of such partnership or joint venture, or

(c) the beneficial interest of such trust or estate,

is at the time directly or indirectly owned by (i) such Person, (ii) such Person and one or more of its Subsidiaries or (iii) one or more of such Person's Subsidiaries.

"System" or "Systems" means the Borrower's and the other GCI Entities' (a) switched message long distance telephone systems and ancillary services including DAMA, cellular resale and PCS systems between Alaska and the contiguous states and the foreign countries listed on Schedule 1.01A hereto, and any and all other switched message long distance telephone systems, DAMA, cellular resale and PCS systems acquired or owned by the Parents, the Borrower, any of the Restricted Subsidiaries and any of the other GCI Entities from time to time, (b) cable distribution systems owned or acquired by the Borrower or any of its Restricted Subsidiaries which receives audio, video, digital, other broadcast signals or information or telecommunications by cable, optical, antennae, microwave or satellite transmission and which amplifies and transmits such signals to persons who pay to receive such signals, and (c) the Local Telephone Business, and all other such systems owned by the Borrower or any other GCI Entity from time to time.

"Taxes" means all taxes, assessments, imposts, fees, or other charges at any time imposed by any Laws or Tribunal.

"Total Debt" means, without duplication, with respect to GCII, the Borrower and the Restricted Subsidiaries, the sum of all Funded Debt, calculated on a consolidated basis in accordance with GAAP.

"Total Interest Expense" means as of any date of determination for any period of calculation, GCII's, the Borrower's and the Restricted Subsidiaries' consolidated interest expense included in a consolidated income statement (without deduction of interest income) on Total Debt for such period calculated on a consolidated basis in accordance with GAAP, including without

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limitation or duplication (or, to the extent not so included, with the addition of) for GCII, the Borrower and the Restricted Subsidiaries: (a) the amortization of Debt discounts; (b) any commitment fees or agency fees related to any Funded Debt, but specifically excluding any one-time facility and/or arrangement fees; (c) any fees or expenses with respect to letters of credit, bankers' acceptances or similar facilities; (d) fees and expenses with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements, other than fees or charges related to the acquisition or termination thereof which are not allocable to interest expense in accordance with GAAP; (e) preferred stock Distributions for GCII, the Borrower and the Restricted Subsidiaries declared and payable in cash; and (f) interest capitalized in accordance with GAAP.

"Total Leverage Ratio" means as of any date of determination, the ratio of (a) Total Debt of GCII, the Borrower and the Restricted Subsidiaries on such date of determination to (b) Annualized Operating Cash Flow, all calculated on a consolidated basis in accordance with GAAP consistently applied.

"Tribunal" means any state, commonwealth, federal, foreign, territorial, or other court or government body, subdivision, agency, department, commission, board, bureau, or instrumentality of a governmental body.

"Type" refers to the distinction between Advances bearing interest at the Base Rate and LIBOR Rate.

"UCC" means the Uniform Commercial Code as adopted in the State of Texas.

"Unrestricted Subsidiary" means GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., Fiber Hold Co., Inc. and AUSB, and, with the prior written consent of the Majority Lenders, any other Subsidiary of the Parents designated as a "Unrestricted Subsidiary" by the Borrower from time to time.

"Wholly-Owned Subsidiary" means any Subsidiary of the Borrower that is owned 100% by the Borrower or either of the Parents, directly or indirectly,

except any Unrestricted Subsidiary.

"Withdrawal Liability" has the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

1.02. Accounting and Other Terms. All accounting terms used in this Agreement which are not otherwise defined herein shall be construed in accordance with GAAP consistently applied on a consolidated basis for Borrower and the Restricted Subsidiaries, unless otherwise expressly stated herein. References herein to one gender shall be deemed to include all other

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genders. Except where the context otherwise requires, all references to time are deemed to be Central Standard time.

## ARTICLE II. AMOUNTS AND TERMS OF ADVANCES

2.01. The Facility. Each Lender severally agrees, on the terms and subject to the conditions hereinafter set forth, from the Closing Date until the Maturity Date, to make Advances under the Revolving Loan to the Borrower on any Business Day during the period from the Closing Date of this Agreement until the Maturity Date, in an aggregate principal amount not to exceed at any time outstanding such Lender's Specified Percentage of the difference between (i) the Revolving Commitment minus (ii) the sum of the aggregate face amount of all outstanding Letters of Credit plus, without duplication, all reimbursement obligations related to any draw on any Letter of Credit. Subject to the terms and conditions of this Agreement, until the Maturity Date, the Borrower may borrow, repay and reborrow the Advances under the Revolving Loan.

### 2.02 Making Advances Under the Revolving Loan

(a) Each Borrowing of Advances shall be made upon the written notice of the Borrower, received by Administrative Agent not later than (i) 12:00 noon three Business Days prior to the proposed date of the Borrowing, in the case of LIBOR Advances and (ii) not later than 10:00 a.m. on the date of such Borrowing, in the case of Base Rate Advances. Each such notice of a Borrowing (a "Borrowing Notice") shall be by telecopy, promptly confirmed by letter, in substantially the form of Exhibit F hereto specifying therein:

(i) the date of such proposed Borrowing, which shall be a Business Day;

(ii) the amount of such proposed Borrowing which (A) shall not when aggregated together with all other outstanding Advances under the Revolving Loan plus the sum of the aggregate face amount of all outstanding Letters of Credit plus, without duplication, all reimbursement obligations related to any draw on any Letter of Credit, exceed the Revolving Commitment, and (B) shall, in the case of a Borrowing of LIBOR Advances, be in an amount of not less than \$1,000,000 or an integral multiple of \$500,000 in excess thereof and, in the case of a Borrowing of Base Rate Advances, be in an amount of not less than \$500,000 or an integral multiple of \$100,000 in excess thereof;

(iii) the Type of Advances of which the Borrowing is to be comprised; and

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(iv) if the Borrowing is to be comprised of LIBOR Advances, the duration of the initial Interest Period applicable to such Advances.

If the Borrowing Notice fails to specify the duration of the initial Interest Period for any Borrowing comprised of LIBOR Advances, such Interest Period shall be three months. Each Lender shall, before 1:00 p.m. on the date of each Advance under the Revolving Loan (other than a Refinancing Advance), make available to

Administrative Agent  
NationsBank Plaza  
901 Main Street  
14th Floor  
Dallas, Texas 75202

such Lender's Specified Percentage of the aggregate Advances under the Revolving Loan to be made on that day in immediately available funds.

(b) Unless any applicable condition specified in Article IV hereof has not been satisfied, Administrative Agent will make the funds on Advances under the Facility promptly available to the Borrower (other than with respect to a

Refinancing Advance) at such account as shall have been specified by the Borrower.

(c) After giving effect to any Borrowing, (i) there shall not be more than eight different Interest Periods in the aggregate in effect under the Facility and under the Revolver/Term Credit Agreement, and (ii) the aggregate principal of outstanding Advances under the Revolving Loan plus the sum of the aggregate face amount of all outstanding Letters of Credit plus, without duplication, all reimbursement obligations related to any draw on any Letter of Credit, shall not exceed the Revolving Commitment.

(d) No Interest Period for a Borrowing under the Facility shall extend beyond the Maturity Date.

(e) Unless a Lender shall have notified Administrative Agent prior to the date of any Advance that it will not make available its Specified Percentage of any Advance, Administrative Agent may assume that such Lender has made the appropriate amount available in accordance with Section 2.02(a), and Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If and to the extent any Lender shall not have made such amount available to Administrative Agent, such Lender and the Borrower severally agree to repay to Administrative Agent immediately on demand such corresponding amount together with interest thereon, from the date such amount is made available to the Borrower until the date such amount is repaid to Administrative Agent, at (i) in the case of the Borrower, the Base Rate, and (ii) in the case of such Lender, the Federal Funds Rate.

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(f) The failure by any Lender to make available its Specified Percentage of any Advance hereunder shall not relieve any other Lender of its obligation, if any, to make available its Specified Percentage of any Advance. In no event, however, shall any Lender be responsible for the failure of any other Lender to make available any portion of any Advance.

(g) The Borrower shall indemnify each Lender against any Consequential Loss incurred by each Lender as a result of (i) any failure to fulfill, on or before the date specified for the Advance, the conditions to the Advance set forth herein or (ii) the Borrower's requesting that an Advance not be made on the date specified in the Borrowing Notice.

#### 2.03 Evidence of Indebtedness.

(a) The obligations of the Borrower with respect to the Letters of Credit and all Advances under the Revolving Loan made by each Lender shall be evidenced by a Revolving Note in the form of Exhibit A hereto and in the amount of such Lender's Specified Percentage of the Revolving Commitment (as the same may be modified pursuant to Section 10.04 hereof).

(b) Absent manifest error, Administrative Agent's and each Lender's records shall be conclusive as to amounts owed Administrative Agent and such Lender under the Notes and this Agreement.

#### 2.04 Reduction of Commitments.

(a) Voluntary Commitment Reduction. The Borrower shall have the right from time to time upon notice by the Borrower to the Administrative Agent not later than 1:00 p.m., three Business Days in advance, to reduce the Revolving Commitment in whole or in part; provided, however, that the Borrower shall pay the accrued commitment fee on the amount of each such reduction, if any, and any partial reduction shall be in an aggregate amount which is not less than \$1,000,000 and an integral multiple of \$500,000. Such notice shall specify the amount of reduction and the proposed date of such reduction.

(b) Mandatory Commitment Reductions.

(i) Scheduled Reductions in the Revolving Commitment.

<TABLE>

(A) Scheduled Quarterly Reductions in the Revolving Commitment. Commencing September 30, 2000, the Revolving Commitment in effect on such date shall be reduced thereafter from time to time by the Reduction Percentage set forth below on such dates as are set forth below:

<CAPTION>

Date of Reduction	Reduction Percentage
-----	-----

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<S>	<C>
September 30, 2000	3.750%
December 31, 2000	3.750%
March 31, 2001	3.750%

June 30, 2001	3.750%
September 30, 2001	3.750%
December 31, 2001	3.750%
March 31, 2002	5.000%
June 30, 2002	5.000%
September 30, 2002	5.000%
December 31, 2002	5.000%
March 31, 2003	5.000%
June 30, 2003	5.000%
September 30, 2003	5.000%
December 31, 2003	5.000%
March 31, 2004	5.625%
June 30, 2004	5.625%
September 30, 2004	5.625%
December 31, 2004	5.625%
March 31, 2005	7.500%
July 31, 2005	7.500%, and the Revolving Commitment shall be zero

</TABLE>

(B) Final Maturity - The Revolving Loan. The Revolving Commitment shall be reduced to zero on the Maturity Date.

(ii) Asset Sales. On the date of any Asset Sale by any of the GCI Entities (this provision not permitting such Asset Sales),

(A) if there exists no Default or Event of Default (I) prior to the Conversion Date, the Revolving Commitment and the Revolver/Term Commitment shall be automatically and permanently reduced by an amount equal to 100% of the Net Proceeds from any Asset Sales received by any of the GCI Entities in excess of \$10,000,000 in the aggregate over the term of this Agreement (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00), applied pro rata to the Revolving Commitment and to the obligations as specified in the Revolver/Term Credit Agreement, and (II) after the Conversion Date, the Revolving Commitment shall be automatically and permanently reduced by an amount equal to the Revolving Commitment's percentage of the sum of the Revolving Commitment and outstanding amounts under the Revolver/Term Credit Agreement, of 100%

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of the Net Proceeds from any Asset Sales received by any of the GCI Entities in excess of \$10,000,000 in the aggregate over the term of this Agreement (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00), and

(B) if there exists a Default or an Event of Default, (I) prior to the Conversion Date, the Revolving Commitment and the Revolver/Term Commitment shall be automatically and permanently reduced by an amount equal to 100% of the Net Proceeds from any Asset Sales received by any of the GCI Entities applied pro rata to the Revolving Commitment and the obligations as specified in the Revolver/Term Credit Agreement, and (II) after the Conversion Date, the Revolving Commitment shall be automatically and permanently reduced by an amount equal to the amount required by Section 2.05(b)(i)(B)(II) hereof to repay the outstanding Advances under the Revolving Loan, and

(C) on each such date set forth in (A) and (B) above, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) the reduction of the Revolving Commitment, and, with respect to the Asset Sale giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of Net Proceeds.

(iii) Debt Issuance. On the date of any issuance of public or private Subordinated Debt by the Borrower (this provision not permitting such Debt issuance),

(A) if there exists a Default or an Event of Default or if the Total Leverage Ratio equals or is greater than 5.00 to 1.00, (I) prior to the Conversion Date, the Revolving Commitment and the Revolver/Term Commitment shall be

automatically and permanently reduced by an amount equal to 100% of the net proceeds from any issuances of Subordinated Debt received by the Borrower, applied pro rata to the Revolving Commitment and the obligations as specified in the Revolver/Term Credit Agreement, and (II) after the Conversion Date, the Revolving Commitment shall be automatically and permanently reduced by an amount equal to the amount required by Section 2.05(b)(ii)(B)(II) hereof to repay the outstanding Advances under the Revolving Loan, and

(B) on such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such reduction in the Revolving Commitment, and, with respect to the Debt issuance giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of net proceeds of such Debt issuance.

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(iv) Change of Control. If a Change of Control occurs, the Revolving Commitment shall be automatically and permanently reduced to zero.

(v) Equity Issuances. On the date of any issuance of equity by the GCI Entities other than the Closing Date and other than the issuance of common stock or options or rights to purchase common stock of any GCI Entity to employees and directors pursuant to stock purchase plans or grant plans, or otherwise (this provision not permitting such equity issuances),

(A) if there exists a Default or an Event of Default, (I) prior to the Conversion Date, the Revolving Commitment and the Revolver/Term Commitment shall be automatically and permanently reduced by an amount equal to 100% of the net proceeds from any such equity issuances received by any of the GCI Entities applied pro rata to the Revolving Commitment and the obligations as specified in the Revolver/Term Credit Agreement, and (II) after the Conversion Date, the Revolving Commitment shall be automatically and permanently reduced by an amount equal to the amount required by Section 2.05(b)(iii)(B)(II) hereof to repay the outstanding Advances under the Revolving Loan, and

(B) on each such date set forth in (A) and (B) above, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) the reduction of the Revolving Commitment, with respect to the equity issuance giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of net proceeds of such equity issuance.

(vi) Distributions from AUSP or any other Unrestricted Subsidiary. On the date that any distribution is received by any GCI Entity from AUSP or any Unrestricted Subsidiary,

(A) if there exists a Default or an Event of Default, (I) prior to the Conversion Date, the Revolving Commitment and the Revolver/Term Commitment shall be automatically and permanently reduced by an amount equal to 100% of the distribution received by any GCI Entity from AUSP or any other Unrestricted Subsidiary, applied pro rata to the Revolving Commitment and the obligations as specified in the Revolver/Term Credit Agreement, and (II) after the Conversion Date, the Revolving Commitment shall be automatically and permanently reduced by an amount equal to the amount required by Section 2.05(b)(iv)(B)(II) hereof to repay the outstanding Advances under the Revolving Loan, and

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(B) on each such date set forth above, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) the reduction of the Revolving Commitment.

(c) Commitment Reductions, Generally. To the extent the sum of (i) the aggregate outstanding Advances under the Revolving Loan plus (ii) the sum of the aggregate face amount of all outstanding Letters of Credit plus, (iii) without duplication, all reimbursement obligations related to any draw on any Letter of

Credit, exceed the Revolving Commitment after any reduction thereof, the Borrower shall immediately repay on the date of such reduction, any such excess amount and all accrued interest thereon, together with any amounts constituting any Consequential Loss. Once reduced or terminated pursuant to this Section 2.04, the Revolving Commitment may not be increased or reinstated.

#### 2.05 Prepayments.

(a) Optional Prepayments. The Borrower may, upon at least three Business Days prior written notice to Administrative Agent stating the proposed date and aggregate principal amount of the prepayment, prepay the outstanding principal amount of any Advances in whole or in part, together with accrued interest to the date of such prepayment on the principal amount prepaid without premium or penalty other than any Consequential Loss; provided, however, that in the case of a prepayment of a Base Rate Advance, the notice of prepayment may be given by telephone by 11:00 a.m. on the date of prepayment. Each partial prepayment shall, in the case of Base Rate Advances, be in an aggregate principal amount of not less than \$500,000 or a larger integral multiple of \$100,000 in excess thereof and, in the case of LIBOR Advances, be in an aggregate principal amount of not less than \$1,000,000 or a larger integral multiple of \$500,000 in excess thereof. If any notice of prepayment is given, the principal amount stated therein, together with accrued interest on the amount prepaid and the amount, if any, due under Sections 2.11 and 2.13 hereof, shall be due and payable on the date specified in such notice.

#### (b) Mandatory Prepayments.

(i) Asset Sales. (A) Prior to the Conversion Date, on the date of any Asset Sale of any GCI Entity, the Borrower shall repay the Obligations and the obligations under the Revolver/Term Credit Agreement by an amount equal to 100% of the Net Proceeds applied pro rata to Advances outstanding under the Revolving Loan and the obligations as specified in the Revolver/Term Credit Agreement, and (B) after the Conversion Date, (I) if there exists no Default or Event of Default, on the date of any Asset Sale of any GCI Entity, the Borrower shall repay the Obligations by an amount equal to 100% of the Net Proceeds, applied to Advances outstanding under the Revolving Loan, and (II) if there exists a Default or Event of Default, on the date of any Asset Sale

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of any GCI Entity, the Borrower shall repay the Obligations and the obligations under the Revolver/Term Credit Agreement by an amount equal to 100% of the Net Proceeds, applied pro rata to Advances outstanding under the Revolving Loan and the obligations as specified under the Revolver/Term Credit Agreement. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment and, with respect to the Asset Sale giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of Net Proceeds.

(ii) Debt Issuances. (A) Prior to the Conversion Date, on the date of any issuance of public or private Subordinated Debt by the Borrower (this provision not permitting such Debt issuance), the Borrower shall repay the Obligations and the obligations under the Revolver/Term Credit Agreement by an amount equal to 100% of the net proceeds from such issuance, applied pro rata to Advances outstanding under the Revolving Loan and the obligations as specified under the Revolver/Term Credit Agreement, and (B) after the Conversion Date, (I) if there exists no Default or Event of Default, on the date of any issuance of any private or public Subordinated Debt by the Borrower (and Total Leverage Ratio is less than 5.00 to 1.00), the Borrower shall repay the Obligations by an amount equal to 100% of the net proceeds of such Subordinated Debt issuance, applied to Advances outstanding under the Revolving Loan, and (II) if there exists a Default or Event of Default or if the Total Leverage Ratio is equal to or greater than 5.00 to 1.00, on the date of any such issuance by the Borrower, the Borrower shall repay the Obligations and the obligations under the Revolver/Term Credit Agreement by an amount equal to 100% of the net proceeds of such issuance, applied pro rata to Advances outstanding under the Revolving Loan and the obligations as specified outstanding under the Revolver/Term Credit Agreement. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment and, with respect to the Debt issuance giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of net proceeds of such Debt issuance.

(iii) Equity Issuances. (A) Prior to the Conversion Date (unless there exists an Event of Default or Default), on the date of any issuance of equity by any GCI Entity other than the Closing Date

and other than the issuance of common stock or options or rights to purchase common stock of any GCI Entity to employees and directors pursuant to stock purchase plans or grant plans, or otherwise (this provision not permitting such equity issuances), the Borrower shall repay the Obligations and the obligations under the Revolver Term Credit Agreement by an amount equal to 50% of the net proceeds of such equity issuances in excess of \$50,000,000 in the aggregate over the term of this Agreement, applied pro rata to Advances outstanding under the Revolving Loan and the

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obligations outstanding under the Revolver/Term Credit Agreement, and (B) (I) after the Conversion Date, if there exists no Default or Event of Default, on the date of any issuance of equity by any GCI Entity, the Borrower shall repay the Obligations by an amount equal to 50% of the net proceeds of such equity issuances in excess of \$50,000,000 in the aggregate over the term of this Agreement, applied to Advances outstanding under the Revolving Loan, and (II) if there exists a Default or Event of Default, on the date of any such equity issuance by any GCI Entity, the Borrower shall repay the Obligations and the obligations outstanding under the Revolver/Term Credit Agreement by an amount equal to 100% of the net proceeds of such equity issuances, applied pro rata to Advances outstanding under the Revolving Loan and the obligations as specified under the Revolver/Term Credit Agreement. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment and, with respect to the equity issuance giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of net proceeds of such equity issuance.

(iv) Distributions from AUSP or any other Unrestricted Subsidiaries. (A) Prior to the Conversion Date, on the date of any receipt by the Borrower or any Restricted Subsidiary of a distribution from AUSP or any other Unrestricted Subsidiary, the Borrower shall repay the Obligations and the obligations under the Revolver/Term Credit Agreement by an amount equal to 100% of such distribution, applied pro rata to Advances outstanding under the Revolving Loan and the obligations outstanding under the Revolver/Term Credit Agreement, and (B) after the Conversion Date, (I) if there exists no Default or Event of Default, on the date of any receipt by the Borrower or any Restricted Subsidiary of a distribution from AUSP or any other Unrestricted Subsidiary, the Borrower shall repay the Obligations by an amount equal to 100% of such distribution, applied to Advances outstanding under the Revolving Loan, and (II) if there exists a Default or Event of Default, on the date of any such receipt by the Borrower or any Restricted Subsidiary of a distribution from AUSP or any other Unrestricted Subsidiary, the Borrower shall repay the Obligations and the obligations under the Revolver/Term Credit Agreement by an amount equal to 100% of such distribution, applied pro rata to Advances outstanding under the Revolving Loan and the obligations as specified under the Revolver/Term Credit Agreement. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment.

(v) Change of Control. If a Change of Control occurs, the Borrower shall repay the Obligations in full.

(c) Prepayments, Generally. No prepayments of Advances under the Revolving Loan made solely pursuant to this Section 2.05 shall cause the Commitment to be reduced. Any

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prepayment of Advances pursuant to this Section 2.05 shall be applied first to Base Rate Advances, if any, then outstanding under the Facility, second to LIBOR Advances for which the date of prepayment is the last day of the applicable Interest Period, if any, outstanding under the Facility and third to LIBOR Advances with the shortest remaining Interest Periods outstanding under the Facility. Any amounts repaying the Revolver/Term Loan on and after the Conversion Date will be applied in the inverse order of maturity and may not be reborrowed.

#### 2.06 Mandatory Repayment.

(a) Revolving Loan. On the date of a reduction of the Revolving Commitment pursuant to Section 2.04(b)(i)(A) hereof, to the extent the sum of (a) the aggregate outstanding Advances under the Revolving Loan plus (b) the sum of the aggregate face amount of all outstanding Letters of Credit plus, (c) without duplication, all reimbursement obligations related to any draw on any Letter of Credit, outstanding on the date of reduction exceeds the Revolving Commitment as reduced, such excess amounts shall be immediately due and payable, which principal payment may not be made by means of a Refinancing Advance.

(b) Final Maturity. The Borrower agrees that all Advances outstanding under the Revolving Loan, all reimbursement obligations from any draw on any Letter of Credit, and all other outstanding Obligations are due and payable in full on the Maturity Date.

Interest. Subject to Section 2.08 below, the Borrower shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal shall be paid in full, at the following rates, as selected by the Borrower in accordance with the provisions of Section 2.02 hereof:

(a) Base Rate Advances. Base Rate Advances shall bear interest at a rate per annum equal to the lesser of (i) the Base Rate as in effect from time to time and (ii) the Highest Lawful Rate. If the amount of interest payable in respect of any interest computation period is reduced to the Highest Lawful Rate pursuant to the immediately preceding sentence and the amount of interest payable in respect of any subsequent interest computation period would be less than the Maximum Amount, then the amount of interest payable in respect of such subsequent interest computation period shall be automatically increased to Maximum Amount; provided that at no time shall the aggregate amount by which interest paid has been increased pursuant to this sentence exceed the aggregate amount by which interest has been reduced pursuant to the immediately preceding sentence.

(b) LIBOR Advances. LIBOR Advances shall bear interest at the rate per annum equal to the LIBOR Rate applicable to such Advance, which at no time shall exceed the Highest Lawful Rate.

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(c) Payment Dates. Accrued and unpaid interest on Base Rate Advances shall be paid quarterly in arrears on each Quarterly Date and on the appropriate maturity, repayment or prepayment date. Accrued and unpaid interest on LIBOR Advances shall be paid on the last day of the appropriate Interest Period and on the date of any prepayment or repayment of such Advance; provided, however, that if any Interest Period for a LIBOR Advance exceeds three months, interest shall also be paid on each date occurring during the Interest Period which is the three month anniversary date of the first day of the Interest Period.

2.08 Default Interest. During the continuation of any Event of Default, the Borrower shall pay, on demand, interest (after as well as before judgment to the extent permitted by Law) on the principal amount of all Advances outstanding and on all other Obligations due and unpaid hereunder equal to the lesser of the (a) the Highest Lawful Rate and (b) the Base Rate (whether or not in effect) plus 2.00% per annum.

2.09 Continuation and Conversion Elections.

(a) The Borrower may upon irrevocable written notice to Administrative Agent and subject to the terms of this Agreement:

(i) elect to convert, on any Business Day, all or any portion of outstanding Base Rate Advances (in an aggregate amount not less than \$1,000,000 or a larger integral multiple of \$500,000 in excess thereof) into LIBOR Advances.

(ii) elect to convert at the end of any Interest Period therefor, all or any portion of outstanding LIBOR Advances comprised in the same Borrowing (in an aggregate amount not less than \$500,000 or a larger integral multiple of \$100,000 in excess thereof) into Base Rate Advances; or

(iii) elect to continue, at the end of any Interest Period therefor, any LIBOR Advances;

provided, however, that if the aggregate amount of outstanding LIBOR Advances comprised in the same Borrowing shall have been reduced as a result of any payment, prepayment or conversion of part thereof to an amount less than \$1,000,000, the LIBOR Advances comprised in such Borrowing shall automatically convert into Base Rate Advances at the end of each respective Interest Period.

(b) The Borrower shall deliver a notice of conversion or continuation (a "Notice of Conversion/Continuation"), in substantially the form of Exhibit E hereto, to Administrative Agent not later than (i) 12:00 noon three Business Days prior to the proposed date of conversion or continuation, if the Advances or any portion thereof are to be converted into or continued as

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LIBOR Advances; and (ii) not later than 10:00 a.m. on the proposed date of

conversion or continuation, if the Advances or any portion thereof are to be converted into Base Rate Advances.

Each such Notice of Conversion/Continuation shall be by telecopy or telephone, promptly confirmed in writing, specifying therein:

- (i) the proposed date of conversion or continuation;
- (ii) the aggregate amount of Advances to be converted or continued;
- (iii) the nature of the proposed conversion or continuation; and
- (iv) the duration of the applicable Interest Period.

(c) If, upon the expiration of any Interest Period applicable to LIBOR Advances, the Borrower shall have failed to select a new Interest Period to be applicable to such LIBOR Advances or if an Event of Default shall then have occurred and be continuing, the Borrower shall be deemed to have elected to convert such LIBOR Advances into Base Rate Advances effective as of the expiration date of such current Interest Period.

(d) Upon receipt of a Notice of Conversion/Continuation, Administrative Agent shall promptly notify each Lender thereof. All conversions and continuations shall be made pro rata among Lenders based on their Specified Percentage of the respective outstanding principal amounts of the Advances with respect to which such notice was given held by each Lender.

(e) Notwithstanding any other provision contained in this Agreement, after giving effect to any conversion or continuation of any Advances, there shall not be outstanding Advances with more than eight different Interest Periods in the aggregate under the Facility and under the Revolver/Term Credit Agreement.

#### 2.10 Fees.

(a) Subject to Section 10.09 hereof, the Borrower agrees to pay to the Administrative Agent, for the account of the Lenders in accordance with their Specified Percentages, a commitment fee on the average daily amount of the Revolving Unused Commitment, from the Closing Date through the Maturity Date, at the rate of .375% per annum, payable quarterly in arrears on each Quarterly Date occurring after the Closing Date, with the last such payment due and owing on the Maturity Date.

(b) Subject to Section 10.09 hereof, the Borrower agrees to pay to the Administrative Agent for its own account as administrative lender and underwriter, and to NationsBanc

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Montgomery Securities, Inc., as arranger hereunder, such fees as agreed to in writing among the Borrower and the Administrative Agent and NationsBanc Montgomery Securities, Inc., payable as set forth in that certain Fee Letter executed among the Borrower, the Administrative Agent and NationsBanc Montgomery Securities, Inc. in accordance with the terms of the Fee Letter.

2.11 Funding Losses. If the Borrower makes any payment or prepayment of principal with respect to any LIBOR Advance (including payments made after any acceleration thereof) or converts any Advance from a LIBOR Advance on any day other than the last day of an Interest Period applicable thereto or if the Borrower fails to prepay, borrow, convert, or continue any LIBOR Advance after a notice of prepayment, borrowing, conversion or continuation has been given (or is deemed to have been given) to Administrative Agent, the Borrower shall pay to each Lender on demand (subject to Section 10.09 hereof) any Consequential Loss. The Borrower agrees that each Lender is not obligated to actually reinvest the amount prepaid in any specific obligation as a condition to receiving any Consequential Loss, or otherwise.

#### 2.12 Computations and Manner of Payments.

(a) The Borrower shall make each payment hereunder and under the other Loan Papers not later than 1:00 p.m. on the day when due in same day funds to Administrative Agent, for the Ratable account of Lenders unless otherwise specifically provided herein, at

Administrative Agent  
NationsBank Plaza  
901 Main Street  
14th Floor  
Dallas, Texas 75202

for further credit to the account of GCI Holdings, Inc. No later than the end of each day when each payment hereunder is made, the Borrower shall notify the Administrative Agent, telephone (800) 880-5537, facsimile (214) 508-2515, or

such other Person as Administrative Agent may from time to time specify.

(b) Unless Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due hereunder that the Borrower will not make payment in full, Administrative Agent may assume that such payment is so made on such date and may, in reliance upon such assumption, make distributions to Lenders. If and to the extent the Borrower shall not have made such payment in full, each Lender shall repay to Administrative Agent forthwith on demand the applicable amount distributed, together with interest thereon at the Federal Funds Rate, from the date of distribution until the date of repayment. The Borrower

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hereby authorizes each Lender, if and to the extent payment is not made when due hereunder, to charge the amount so due against any account of the Borrower with such Lender.

(c) Subject to Section 10.09 hereof, interest on LIBOR Advances shall be calculated on the basis of actual days elapsed but computed as if each year consisted of 360 days. Subject to Section 10.09 hereof, interest on Base Rate Advances, the Commitment Fees and other amounts due under the Loan Papers shall be calculated on the basis of actual days elapsed but computed as if each year consisted of 365 or 366 days, as the case may be. Such computations shall be made including the first day but excluding the last day occurring in the period for which such interest, payment or Commitment Fees is payable. Each determination by Administrative Agent or a Lender of an interest rate, fee or commission hereunder shall be conclusive and binding for all purposes, absent manifest error. All payments under the Loan Papers shall be made in United States dollars, and without setoff, counterclaim, or other defense.

(d) Except as specifically set forth in Sections 2.04 and 2.05 hereof, so long as there exists no Default or Event of Default all payments made by the Borrower shall be applied as designated by the Borrower, and, if there exists a Default or Event of Default, or if the Borrower fails to designate application of payments, all payments made by the Borrower shall be applied pro rata among the Revolving Loan and the obligations as specified in the Revolver/Term Credit Agreement. Notwithstanding anything herein or in any Loan Paper to the contrary, any payment made by the Borrower in excess of the Revolving Commitment or outstanding Advances under the Revolving Loan, shall be applied to outstanding amounts (or to reduce the commitment) of any other outstanding Obligations.

(e) Reference to any particular index or reference rate for determining any applicable interest rate under this Agreement is for purposes of calculating the interest due and is not intended as and shall not be construed as requiring any Lender to actually fund any Advance at any particular index or reference rate.

#### 2.13 Yield Protection.

(a) If any Lender determines that either (i) the adoption, after the date hereof, of any Applicable Law, rule, regulation or guideline regarding capital adequacy and applicable to commercial banks or financial institutions generally or any change therein, or any change, after the date hereof, in the interpretation or administration thereof by any Tribunal, central bank or comparable agency charged with the interpretation or administration thereof, or (ii) compliance by any Lender (or Lending Office of any Lender) with any request or directive made after the date hereof applicable to commercial banks or financial institutions generally regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency has the effect of reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder to a level below that which such Lender could have achieved but for such adoption, change or compliance (taking into consideration such Lender's

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policies with respect to capital adequacy (but excluding consequences of such Lender's negligence or intentional disregard of law or regulation)) by an amount reasonably deemed by such Lender to be material, then from time to time, within fifteen days after demand by such Lender, the Borrower shall pay to such Lender such additional amount or amounts as will adequately compensate such Lender for such reduction. Each Lender will notify the Borrower of any event occurring after the date of this Agreement which will entitle such Lender to compensation pursuant to this Section 2.13(a) as promptly as practicable after such Lender obtains actual knowledge of such event; provided, no Lender shall be liable for its failure or the failure of any other Lender to provide such notification. A certificate of such Lender claiming compensation under this Section 2.13(a), setting forth in reasonable detail the calculation of the additional amount or amounts to be paid to it hereunder and certifying that such claim is consistent with such Lender's treatment of similar customers having similar provisions generally in their agreements with such Lender shall be conclusive in the absence of manifest error. Each Lender shall use reasonable efforts to mitigate the effect upon the Borrower of any such increased costs payable to such Lender under this Section 2.13(a).

(b) If, after the date hereof, any Tribunal, central bank or other comparable authority, at any time imposes, modifies or deems applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the amount of, or credit extended by, any Lender, or imposes on any Lender any other condition affecting a Letter of Credit, a LIBOR Advance, the Notes, or its obligation to make a LIBOR Advance; and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining its Letter of Credit, LIBOR Advances, or to reduce the amount of any sum received or receivable by such Lender under this Agreement or under the Notes or reimbursement obligations by an amount deemed by such Lender, to be material, then, within five days after demand by such Lender, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction. Each Lender will (i) notify the Borrower and Administrative Agent of any event occurring after the date of this Agreement that entitles such Lender to compensation pursuant to this Section 2.13(b), as promptly as practicable after such Lender obtains actual knowledge of the event; provided, no Lender shall be liable for its failure or the failure of any other Lender to provide such notification and (ii) use good faith and reasonable efforts to designate a different Lending Office for LIBOR Advances of such Lender if the designation will avoid the need for, or reduce the amount of, the compensation and will not, in the sole opinion of such Lender, be disadvantageous to such Lender. A certificate of such Lender claiming compensation under this Section 2.13(b), setting forth in reasonable detail the computation of the additional amount or amounts to be paid to it hereunder and certifying that such claim is consistent with such Lender's treatment of similar customers having similar provisions generally in their agreements with such Lender shall be conclusive in the absence of manifest error. If such Lender demands compensation under this Section 2.13(b), the Borrower may at any time, on at least five Business Days' prior notice to such Lender (i) repay in full the then outstanding principal amount of LIBOR Advances, of such Lender, together with accrued

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interest thereon, or (ii) convert the LIBOR Advances to Base Rate Advances in accordance with the provisions of this Agreement; provided, however, that the Borrower shall be liable for the Consequential Loss arising pursuant to those actions.

(c) Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation or administration of any Law shall make it unlawful, or any central bank or other Tribunal shall assert that it is unlawful, for a Lender to perform its obligations hereunder to issue or maintain Letters of Credit, make LIBOR Advances or to continue to fund or maintain LIBOR Advances hereunder, then, on notice thereof and demand therefor by such Lender to the Borrower, (i) each LIBOR Advance will automatically, upon such demand, convert into a Base Rate Advance, (ii) the obligation of such Lender to make, or to convert Advances into, LIBOR Advances shall be suspended until such Lender notifies Administrative Agent and the Borrower that such Lender has determined that the circumstances causing such suspension no longer exist and (iii) the obligation of such Lender to make or maintain Letters of Credit shall be suspended until such Lender notifies Administrative Agent and the Borrower that such Lender has determined that the circumstances causing such suspension no longer exist.

(d) Upon the occurrence and during the continuance of any Default or Event of Default, (i) each LIBOR Advance will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Advance and (ii) the obligation of each Lender to make, or to convert Advances into, LIBOR Advances shall be suspended.

(e) Failure on the part of any Lender to demand compensation for any increased costs, increased capital or reduction in amounts received or receivable or reduction in return on capital pursuant to this Section 2.13 with respect to any period shall not constitute a waiver of any Lender's right to demand compensation with respect to such period or any other period, subject, however, to the limitations set forth in this Section 2.13.

(f) The obligations of the Borrower under this Section 2.13 shall survive any termination of this Agreement.

(g) Determinations by Lenders for purposes of this Section 2.13 shall be conclusive, absent manifest error. Any certificate delivered to the Borrower by a Lender pursuant to this Section 2.13 shall include in reasonable detail the basis for such Lender's demand for additional compensation and a certification that the claim for compensation is consistent with such Lender's treatment of similar customers having similar provisions generally in their agreements with such Lender.

(h) If any Lender notifies Administrative Agent that the LIBOR Rate for any Interest Period for any LIBOR Advances will not adequately reflect the cost to such Lender of making, funding or maintaining LIBOR Advances for such Interest Period, Administrative Agent shall

promptly so notify the Borrower, whereupon (i) each such LIBOR Advance will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Advance and (ii) the obligation of such Lender to make, or to convert Advances into, LIBOR Advances shall be suspended until such Lender notifies Administrative Agent that such Lender has determined that the circumstances causing such suspension no longer exist and Administrative Agent notifies the Borrower of such fact.

2.14 Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower shall use such proceeds) to (a) refinance existing Funded Debt of the Borrower and its Restricted Subsidiaries, (b) fund Capital Expenditures of the Borrower and the Restricted Subsidiaries permitted by the terms of this Agreement, (c) contribute \$50,000,000 to the capitalization of AUSP, and (d) use for general working capital purposes.

#### 2.15 Collateral and Collateral Call.

(a) Collateral. Payment of the Obligations is secured by (i) subject to the Prior Stock Lien, a first perfected security interest in 100% of the Capital Stock the Borrower and the Restricted Subsidiaries and 100% of the Capital Stock of the Guarantors (other than GCI), (ii) subject to Permitted Liens, a first perfected security interest in all of the accounts, equipment, inventory, chattel paper, general intangibles, and other assets of the Borrower, the Restricted Subsidiaries and the Guarantors (except Parents), including without limitation a perfected Lien on all Intercompany Notes, including those payable by AUSP or any other Unrestricted Subsidiary to the Borrower or any other GCI Entity, subject to no other Lien, and (iii) a Guaranty of the Obligations executed by each Guarantor (collectively, together with all other Properties or assets of the Borrower, the Restricted Subsidiaries and other Persons securing the Obligations from time to time, the "Collateral"). The Borrower agrees that it will, and will cause the Restricted Subsidiaries, the other GCI Entities and Affiliates (except the Unrestricted Subsidiaries) to, execute and deliver, or cause to be executed and delivered, such documents as the Administrative Agent may from time to time reasonably request to create and perfect a first Lien (except with respect to the stock of GCI Leasing Co., Inc., which shall be a second Lien behind the Prior Stock Lien), and subject to Permitted Liens, for the benefit of the Administrative Agent and the Lenders in the Collateral.

(b) Collateral Call. The Borrower agrees that it will, and will cause any other Person owning any interest in the Borrower or any Restricted Subsidiary or other GCI Entity from time to time to immediately pledge such interest (other than with respect to a pledge of the Capital Stock of Parents and to the extent permitted by the Indenture) to secure the Obligations, pursuant to a pledge agreement substantially in the form of the Pledge Agreements. The Borrower agrees to, and agrees to cause the Restricted Subsidiaries and each other GCI Entity to, promptly grant the Administrative Agent and the Lenders from time to time at the request of the Lenders a Lien on any of the Property of the Borrower or other GCI Entity (other than GCI) not already constituting Collateral, to the extent permitted by the Indenture. In that regard, the Borrower

shall, and shall cause each other GCI Entity to, use best efforts to assist the Administrative Agent and the Lenders in creating and perfecting a first Lien for the benefit of Administrative Agent and Lenders securing the Obligations in any such Property of the Borrower and each other GCI Entity, subject to Permitted Liens (except for the Lien on the Capital Stock of GCI Leasing Co, Inc., which shall be a second Lien to the Prior Stock Lien)(other than GCI), including, without limitation, providing the Administrative Agent with title commitments, appraisals, surveys (with flood plain certification), mortgagee title insurance, evidence of insurance including flood hazard insurance, environmental audits, UCC-11 searches, Tax and Lien searches, recorded real estate documents, intellectual property documentation and registration and other similar types of documents, consents, Authorizations, instruments and agreements relating to all Property of the Borrower and each other GCI Entity (other than GCI) as reasonably requested by the Administrative Agent from time to time.

2.16 Increase of Revolving Commitment. From the Closing Date through June 30, 2000, the Borrower may increase the Revolving Commitment by up to an additional \$100,000,000 subject to the satisfaction of each of the following conditions:

(a) there exists no Default or Event of Default both on the date of notice of such election and on the date of consummation of such event,

(b) such amount is used exclusively to refinance all indebtedness (except agreed to baskets) of GCI Transport Co., Inc. and the other Unrestricted Subsidiaries,

(c) the Borrower receives additional commitments from existing Lenders or other creditors acceptable to the Managing Agents and the Borrower for the

increased amount in the Commitment (which increase shall be in each Lender's sole discretion),

(d) (i) the Borrower and each Subsidiary of the Borrower pledges 100% of the Capital Stock of each Unrestricted Subsidiary pursuant to a pledge agreement in form and substance substantially similar to the pledge agreement executed on the Closing Date securing the Obligations, (ii) each such Unrestricted Subsidiary shall become a Restricted Subsidiary under the Loan Papers, (iii) each such Unrestricted Subsidiary executes a Guaranty of the Obligations substantially similar to the Guaranty executed by the Restricted Subsidiaries on the Closing Date and (iv) each such Unrestricted Subsidiary executes a security agreement and deeds of trust, mortgages, collateral assignments and all other collateral documents necessary or advisable to grant a prior first perfected Lien on all tangible and intangible assets of each such Unrestricted (now Restricted) Subsidiary, subject to Permitted Liens,

(e) the Borrower has delivered prior to such consummation (i) pro forma projections for the GCI Entities through the Maturity Date and (ii) a pro forma compliance certificate, demonstrating compliance with all repayment, prepayment and reduction of commitment terms

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hereof, and with each financial covenant included in Section 7.01 hereof, in form and detail satisfactory to the Managing Agents and the Majority Lenders in their reasonable judgment,

(f) On any date of proposed increase, the representations and warranties contained in Article V hereof are true and correct on such date, as though made on and as of such date, except to the extent expressly made only as of a prior date,

(g) On any date of proposed increase, there shall have occurred no material adverse change in the business, assets or financial condition of the businesses of the Borrower (as operated by the Restricted Subsidiaries) since December 31, 1996,

(h) On any date of proposed increase, the sum of (i) all Advances outstanding under the Revolving Loan, plus (ii) the aggregate face amount of all outstanding Letters of Credit, plus (iii) (without duplication) the sum of the aggregate reimbursement obligations, shall not exceed the Revolving Commitment,

(i) The proposed increase shall occur prior to June 30, 2000 and shall not be in excess of the sum of \$100,000,000, and

(j) The Administrative Agent and each Lender shall have received a written request from the Borrower not less than 30 days prior to such increase.

#### ARTICLE III. LETTERS OF CREDIT

3.01 Issuance of Letters of Credit. The Borrower shall give the Administrative Agent not less than five Business Days prior written notice of a request for the issuance of a Letter of Credit, and the Administrative Agent shall promptly notify each Lender of such request. Upon receipt of the Borrower's properly completed and duly executed Applications, and subject to the terms of such Applications and to the terms of this Agreement, the Administrative Agent agrees to issue Letters of Credit on behalf of the Borrower in an aggregate face amount not in excess of the Letter of Credit Commitment at any one time outstanding. No Letter of Credit shall have a maturity extending beyond the earliest of (a) the Maturity Date, or (b) one year from the date of its issuance, or (c) such earlier date as may be required to enable the Borrower to satisfy its repayment obligations under Section 2.06 hereof. Subject to such maturity limitations and so long as no Default or Event of Default has occurred and is continuing or would result from the renewal of a Letter of Credit, the Letters of Credit may be renewed by the Administrative Agent in its discretion. The Lenders shall participate ratably in any liability under the Letters of Credit and in any unpaid reimbursement obligations of the Borrower with respect to any Letter of Credit in their Specified Percentages. The amount of the Letters of Credit issued and outstanding and the unpaid reimbursement obligations of the Borrower for such Letters of Credit shall reduce the amount of Revolving Commitment available, so that at no time shall the sum

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of (i) the aggregate outstanding Advances under the Revolving Loan plus (ii) the sum of the aggregate face amount of all outstanding Letters of Credit plus, (iii) without duplication, all reimbursement obligations related to any draw on any Letter of Credit, exceed the Revolving Commitment, and at no time shall the sum of all Advances by any Lender made under the Revolving Loan, plus its ratable share of amounts available to be drawn under the Letters of Credit and the unpaid reimbursement obligations of the Borrower in respect of such Letters of Credit exceed its Specified Percentage of the Revolving Commitment.

3.02 Letters of Credit Fees. (a) In consideration for the issuance (and

any renewal) of each Letter of Credit, the Borrower shall pay to the Administrative Agent for its sole account as issuer, a fee in an amount equal to .50% multiplied by the face amount of each such Letter of Credit. Each fee for a Letter of Credit shall be due and payable in full on the date of issuance of each Letter of Credit, and each renewal of each Letter of Credit.

(b) In consideration for the issuance (and any renewal) of each Letter of Credit, the Borrower shall pay to the Administrative Agent for the account of the Administrative Agent and the Lenders in accordance with their Specified Percentages, a per annum fee in an amount equal to 1.00% multiplied by the face amount of each such Letter of Credit. Each fee for a Letter of Credit shall be due and payable quarterly in arrears on each Quarterly Date until the expiration or termination of such Letter of Credit.

### 3.03 Reimbursement Obligations.

(a) The Borrower hereby agrees to reimburse Administrative Agent immediately upon demand by Administrative Agent, and in immediately available funds, for any payment or disbursement made by Administrative Agent under any Letter of Credit. Payment shall be made by the Borrower with interest on the amount so paid or disbursed by Administrative Agent from and including the date payment is made under any Letter of Credit to and including the date of payment, at the lesser of (i) the Highest Lawful Rate, and (ii) the sum of the Base Rate in effect from time to time plus 3% per annum; provided, however, that if the Borrower would be permitted under the terms of Section 2.01, Section 2.02 and Section 4.02 to borrow Advances in amounts at least equal to their reimbursement obligation for a drawing under any Letter of Credit, a Base Rate Advance by each Lender, in an amount equal to such Lender's Specified Percentage, shall automatically be deemed made on the date of any such payment or disbursement made by Administrative Agent in the amount of such obligation and subject to the terms of this Agreement.

(b) The Borrower hereby also agrees to pay to Administrative Agent immediately upon demand by Administrative Agent and in immediately available funds, as security for their reimbursement obligations in respect of the Letters of Credit under Section 3.03(a) hereof and any other amounts payable hereunder and under the Notes, an amount equal to the aggregate amount available to be drawn under Letters of Credit then outstanding, irrespective of whether

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the Letters of Credit have been drawn upon, at the occurrence of any of the following events: (i) upon an Event of Default, and (ii) upon a Change of Control. Any such payments shall be deposited in a separate account designated "GCI Special Account" or such other designation as Administrative Agent shall elect. All such amounts deposited with Administrative Agent shall be and shall remain funds of the Borrower on deposit with Administrative Agent and shall be invested by Administrative Agent in an interest bearing account, as Administrative Agent shall determine. Such amounts may not be used by Administrative Agent to pay the drawings under the Letters of Credit; however, such amounts may be used by Administrative Agent as reimbursement for Letter of Credit drawings which Administrative Agent has paid. If any amounts in the GCI Special Account shall have been deposited upon the occurrence of an Event of Default only and such Event of Default shall have been subsequently cured or waived and no other Event of Default exists, the Borrower shall be relieved of its obligations under this Section 3.03(b) until either of the two events specified in Section 3.03(b) (i) or Section 3.03(b) (ii) shall occur again. During the existence of an Event of Default but after the expiry of any Letter of Credit that was not drawn upon, the Borrower may direct the Administrative Agent to use any cash collateral for any such expired Letter of Credit, if any, to reduce the amount of the Obligations. Any amounts remaining in the GCI Special Account, including any remaining interest, after the date of the expiry of all Letters of Credit and after all Obligations have been paid in full, shall be repaid to the Borrower promptly after such expiry and such payment in full.

(c) The obligations of the Borrower under this Section 3.03 will continue until all Letters of Credit have expired and all reimbursement obligations with respect thereto have been paid in full by the Borrower and until all other Obligations shall have been paid in full.

(d) The Borrower shall be obligated to reimburse Administrative Agent upon demand for all amounts paid under the Letters of Credit as set forth in Section 3.03(a) hereof; provided, however, if the Borrower for any reason fails to reimburse Administrative Agent in full upon demand, whether by borrowing Advances to pay such reimbursement obligations or otherwise, the Lenders shall reimburse Administrative Agent in accordance with each Lender's Specified Percentage for amounts due and unpaid from the Borrower as set forth in Section 3.04 hereof; provided, however, that no such reimbursement made by the Lenders shall discharge the Borrower's obligations to reimburse Administrative Agent.

(e) The Borrower shall indemnify and hold Administrative Agent or any Lender, its officers, directors, representatives and employees harmless from loss for any claim, demand or liability which may be asserted against Administrative Agent or such indemnified party in connection with actions taken under the Letters of Credit or in connection therewith (including losses

resulting from the negligence of Administrative Agent or such indemnified party), and shall pay Administrative Agent for reasonable fees of attorneys (who may be employees of Administrative Agent) and legal costs paid or incurred by Administrative Agent in connection with any matter related to the Letters of Credit, except for losses and liabilities incurred as a direct result of the gross negligence or willful misconduct of Administrative Agent or such indemnified party. If the Borrower for any reason fails to indemnify or pay Administrative Agent or such

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indemnified party as set forth herein in full, the Lenders shall indemnify and pay Administrative Agent upon demand, in accordance with each Lender's Specified Percentage of such amounts due and unpaid from the Borrower. The provisions of this Section 3.03(e) shall survive the termination of this Agreement.

3.04 Lenders' Obligations. Each Lender agrees, unconditionally and irrevocably to reimburse Administrative Agent (to the extent Administrative Agent is not otherwise reimbursed by the Borrower in accordance with Section 3.03(a) hereof) on demand for such Lender's Specified Percentage of each draw paid by Administrative Agent under any Letter of Credit. All amounts payable by any Lender under this subsection shall include interest thereon at the Federal Funds Effective Rate, from the date of the applicable draw to the date of reimbursement by such Lender. No Lender shall be liable for the performance or nonperformance of the obligations of any other Lender under this Section. The obligations of the Lenders under this Section shall continue after the Maturity Date and shall survive termination of any Loan Papers.

#### 3.05 Administrative Agent's Obligations.

(a) Administrative Agent makes no representation or warranty, and assumes no responsibility with respect to the validity, legality, sufficiency or enforceability of any Application or any document relative thereto or to the collectibility thereunder. Administrative Agent assumes no responsibility for the financial condition of the Borrower and the Restricted Subsidiaries or for the performance of any obligation of the Borrower. Administrative Agent may use its discretion with respect to exercising or refraining from exercising any rights, or taking or refraining from taking any action which may be vested in it or which it may be entitled to take or assert with respect to any Letter of Credit or any Application.

(b) Except as set forth in subsection (c) below, Administrative Agent shall be under no liability to any Lender, with respect to anything the Administrative Agent may do or refrain from doing in the exercise of its judgment, the sole liability and responsibility of Administrative Agent being to handle each Lender's share on as favorable a basis as Administrative Agent handles its own share and to promptly remit to each Lender its share of any sums received by Administrative Agent under any Application. Administrative Agent shall have no duties or responsibilities except those expressly set forth herein and those duties and liabilities shall be subject to the limitations and qualifications set forth herein.

(c) Neither Administrative Agent nor any of its directors, officers, or employees shall be liable for any action taken or omitted (whether or not such action taken or omitted is expressly set forth herein) under or in connection herewith or any other instrument or document in connection herewith, except for gross negligence or willful misconduct, and no Lender waives its right to institute legal action against Administrative Agent for wrongful payment of any Letter of Credit due to Administrative Agent's gross negligence or willful misconduct. Administrative

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Agent shall incur no liability to any Lender, the Borrower or any Affiliate of the Borrower or Lender in acting upon any notice, document, order, consent, certificate, warrant or other instrument reasonably believed by Administrative Agent to be genuine or authentic and to be signed by the proper party.

#### ARTICLE IV. CONDITIONS PRECEDENT

Conditions Precedent to the Initial Advance. The obligations of each Lender under this Agreement and the obligation of each Lender to make the Initial Advance shall be subject to the following conditions precedent that on the Closing Date:

(a) All terms, conditions and documentation in connection with this Credit Agreement shall be acceptable to the Lenders.

(b) The making of the Revolving Commitment shall not contravene any Law applicable to the Administrative Agent or any Lender.

(c) Each Lender shall have received a Certificate from an Authorized Officer stating that no Material Adverse Change, as determined by the Lenders, shall have occurred and be continuing in the Systems, business, assets,

prospects, or financial condition of the businesses of the Borrower (as operated by the Restricted Subsidiaries) since December 31, 1996.

(d) All proceedings of the Borrower, the Restricted Subsidiaries and each other GCI Entity taken in connection with the transactions contemplated hereby, and all documents incidental thereto, shall be reasonably satisfactory in form and substance to the Lenders. Each Lender shall have received copies of all documents or other evidence that it may reasonably request in connection with such transactions.

(e) Each Lender shall have received an executed copy of this Agreement, the Revolver/Term Credit Agreement and all documents required to be delivered pursuant thereto, and its respective Notes, duly completed and correct. The Lenders shall have received copies of the Fee Letters signed by the Borrower, as applicable. Each of the following shall have been delivered to the Administrative Agent on behalf of Lenders, in form and substance satisfactory to the Administrative Agent, Special Counsel and each Lender to the extent required by the Administrative Agent: Each other Loan Paper requested by the Administrative Agent, including, without limitation, all guarantees, pledge agreements, security agreements, mortgages, deeds of trust, collateral assignments and other agreements granting any interest in any collateral.

(f) The Borrower shall have delivered to each Lender a Certificate, dated the Closing Date, executed by an Authorized Officer on behalf of each GCI Entity, certifying that (i) no Default or Event of Default has occurred and is continuing, (ii) the representations and

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warranties set forth in Article V hereof are true and correct, (iii) each of the GCI Entities has complied with all agreements and conditions to be complied with by it under the Loan Papers by such date, (iv) that the attached resolutions for each GCI Entity are the true, accurate and complete resolutions authorizing the corporate restructuring, the incurrence and performance of the Facility and the Loan Papers, (v) that the attached copies of certified articles of incorporation, or other articles of organization, certificates of good standing, certificates of existence and incumbency certificates for each GCI Entity are (A) not more than 30 days old and certified by the appropriate secretary of state of other governmental organization and (B) represent the true and accurate certificate for each such entity, and (vi) the attached copies of by-laws or other organizational documents represent the true and accurate by-laws or other organizational documents for each GCI Entity in effect on the Closing Date.

(g) Each Lender shall have received opinions of (i) Sherman & Howard, L.L.C. corporate counsel to the Borrower, the Restricted Subsidiaries and each other GCI Entity, dated the Closing Date, acceptable to the Lenders and otherwise in form and substance satisfactory to the Lenders and Special Counsel, with respect to this loan transaction and otherwise, including, without limitation, opinions (A) to the valid and binding nature of the Loan Papers, (B) to the enforceability of the Loan Papers, (C) to the power, authorization and corporate matters of each such Person taken in connection with the transactions contemplated by the Loan Papers, (D) that the execution, delivery and performance by the GCI Entities, as applicable, of the Agreement and the Loan Papers does not violate any of the terms of the Borrower's, the Restricted Subsidiaries' or any other GCI Entities' agreements, (E) regarding the issuance and related opinions to the Senior Notes, (F) the corporate restructuring in order to effectuate this Agreement and the issuance of the Senior Notes, (G) regarding the equity issuance required by Section 4.01(j) hereof, and (H) to such other matters as are reasonably requested by Special Counsel, and (ii) such local counsel opinions relating to the Collateral and such other matters as are requested by the Administrative Agent and Special Counsel. Copies of all opinions delivered in connection with the equity issuance required by Section 4.01(j) hereof and the Senior Notes shall be delivered to the Administrative Agent together with a reliance letter thereon.

(h) Each Lender shall have received an opinion of inhouse counsel to the Borrower and to each other GCI Entity, dated as of the Closing Date, acceptable to the Lenders and otherwise in form and substance satisfactory to the Lenders and Special Counsel, with respect to this transaction, and final approval shall have been received from the FCC regarding any transfer of any FCC license.

(i) GCII shall have (i) issued the Senior Notes in an amount not less than \$180,000,000, on terms and conditions, and subject to documentation, satisfactory to the Administrative Agent and each Lender, and (ii) downstreamed the net proceeds of the debt issuance described in (i) above to the Borrower as equity.

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(j) GCI shall have raised not less than \$50,750,000 in equity on terms and conditions acceptable to the Administrative Agent and the Lenders and downstreamed the net proceeds of the equity issuance to the Borrower as equity, and the Borrower shall have received not less than \$47,133,000 as an equity

contribution from such proceeds, on terms and conditions acceptable to the Administrative Agent and each Lender.

(k) No management agreement with any Person shall be in existence at the Parents, the Borrower or any Restricted Subsidiaries, except the Prime Management Agreement.

(l) All proceedings of the Parents, the Borrower and the Subsidiaries of the Parents and the Borrower taken in connection with the transactions contemplated hereby, and all documents incidental thereto, shall be satisfactory in form and substance to each Lender. The Administrative Agent and each Lender shall have received copies of all documents or other evidence that it may reasonably request in connection with such transactions. No Material Adverse Change, as determined by the Lenders, shall have occurred and be continuing in the financial markets.

(m) All Obligations outstanding under the existing credit facilities of GCI Cable, Inc. and GCI Communication Corp. shall have been paid in full and released.

4.02 Conditions Precedent to All Advances and Letters of Credit. The obligation of each Lender to make each Advance, except for Refinancing Advances, which constitutes an increase (including the Initial Advance), and the obligation of the Administrative Agent to issue any Letter of Credit shall be subject to the further conditions precedent (a) that on the date of such Advance or such issuance of such Letter of Credit the following statements shall be true:

(i) The representations and warranties contained in Article V hereof are true and correct on such date, as though made on and as of such date (and the delivery of each Borrowing Notice under Section 2.02(a), each Application and each Conversion or Continuation Notice under Section 2.09(b), or the failure to deliver a Conversion or Continuation Notice under Section 2.09(b), shall constitute a representation that on the disbursement date or date of issuance of a Letter of Credit such representations are true (except as to representations and warranties which (i) refer to a specific date, (ii) have been modified by transactions permitted pursuant to this Agreement or any other Loan Paper or (iii) have been specifically waived in writing by Administrative Agent));

(ii) No event has occurred and is continuing, or would result from such Advance or such Letter of Credit (including the intended application of the proceeds of such Advance), that does or could constitute a Default or Event of Default;

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(iii) There shall have occurred no Material Adverse Change, and the making of such Advance or the issuance of such Letter of Credit, as applicable, shall not cause or result in a Material Adverse Change;

(iv) In the case of each Letter of Credit, the Borrower shall have delivered to the Administrative Agent a duly executed and complete Application acceptable to Administrative Agent;

(v) After giving effect to each such Advance, (A) the aggregate outstanding Advances under the Revolving Loan, plus (B) the sum of the aggregate face amount of all outstanding Letters of Credit plus, (C) without duplication, all reimbursement obligations related to any draw on any Letter of Credit, does not exceed the Revolving Commitment;

(vi) After giving effect to each such Advance, prior to the Conversion Date, the aggregate outstanding Advances under the Revolver/Term Loan does not exceed the Revolver/Term Commitment;

and (b) Administrative Agent shall have received, in form and substance acceptable to it, such other approvals, documents, certificates, opinions, and information as it may deem necessary or appropriate, including, without limitation, a certificate from an Authorized Officer, in form and substance satisfactory to the Administrative Agent, that the Advances are permitted to be incurred pursuant to the terms of the Indenture providing for the Senior Notes.

#### ARTICLE V. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that the following are true and correct:

5.01 Organization and Qualification. Each GCI Entity is a corporation or partnership duly organized, validly existing, and in good standing under the Laws of its state of incorporation or formation, as applicable. Each GCI Entity

is qualified to do business in all jurisdictions where the nature of its business or Properties require such qualification. Set forth on Schedule 5.01 attached hereto is a complete and accurate listing with respect to the Borrower and each other GCI Entity, showing (a) the jurisdiction of its organization and its mailing address, which is the principal place of business and executive offices of each unless otherwise indicated, (b) the classes of Capital Stock and shares of Capital Stock issued and outstanding in each GCI Entity, and the numbers or amounts of each GCI Entity's Capital Stock authorized and outstanding, (c) other than with respect to GCI, each record and beneficial owner of outstanding Capital Stock on the date hereof, indicating the ownership percentage, and (d) all outstanding options, rights, rights of conversion or purchase, repurchase, rights of first refusal, and similar rights relating to the Capital Stock of each GCI Entity. Except as set forth on Schedule 5.01

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hereto, neither the Borrower, nor any Restricted Subsidiary nor any other GCI Entity (other than GCI) has agreed to grant or issue any options, warrants or similar rights to any Person to acquire any Capital Stock of the Borrower, any Restricted Subsidiary or any other GCI Entity. All Capital Stock is validly issued and fully paid. The Borrower has no knowledge of any share of Capital Stock of any GCI Entity (other than GCI) being subject to any Lien, including any restrictions on hypothecation or transfer, except Liens described on Schedule 5.08a hereto and the Prior Stock Lien.

5.02 Due Authorization; Validity. The board of directors of the Borrower and each other GCI Entity, or of its partners, as applicable, have duly authorized the execution, delivery, and performance of the Loan Papers to be executed by the Borrower and each other GCI Entity, as appropriate. Each GCI Entity has full legal right, power, and authority to execute, deliver, and perform under the Loan Papers to be executed and delivered by it. The Loan Papers constitute the legal, valid, and binding obligations of the Borrower and each other GCI Entity, as appropriate, enforceable in accordance with their terms (subject as to enforcement of remedies to any applicable Debtor Relief Laws).

5.03 Conflicting Agreements and Other Matters. The execution or delivery of any Loan Papers, and performance thereunder, does not conflict with, or result in a breach of the terms, conditions, or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien (other than in favor of Administrative Agent) upon any Properties of the Borrower or any other GCI Entity under, or require any consent (other than consents described on Schedule 5.03 hereto and the Prior Stock Lien), approval, or other action by, notice to, or filing with any Tribunal or Person pursuant to any organizational document, bylaws, award of any arbitrator, or any agreement, instrument, or Law to which the Borrower or any other GCI Entity, or any of their Properties is subject.

5.04 Financial Statements. The audited financial statements of GCI and its Subsidiaries dated December 31, 1996 and delivered to Administrative Agent, fairly present its financial position and the results of operations as of the dates and for the periods shown, all in accordance with GAAP. Such financial statements reflect all material liabilities, direct and contingent, of GCI and its Subsidiaries that are required to be disclosed in accordance with GAAP. As of the date of such financial statements, there were no Contingent Liabilities, liabilities for Taxes, forward or long-term commitments, or unrealized or anticipated losses from any unfavorable commitments that are substantial in amount and that are not reflected on such financial statements or otherwise disclosed in writing to Administrative Agent. Since December 31, 1996, there has been no Material Adverse Change. The Borrower and each other GCI Entity is Solvent. The projections of the Borrower dated May 20, 1997 delivered to Administrative Agent were prepared in good faith and management believes them to be based on reasonable assumptions (each of which are stated in such statement) and to provide reasonable estimations of future performance as of the dates and for the periods shown for the Parents, the Borrower

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and their Subsidiaries, subject to the uncertainty and approximation inherent in any projections. The Borrower's fiscal year ends on December 31.

5.05 Litigation. Shown on Schedule 5.05 is all Litigation that is pending and, to the Borrower's best knowledge, threatened against the Borrower or any other GCI Entity, any of their Properties or assets on the date hereof. There is no pending or, to the Borrower's best knowledge, threatened Litigation against the Borrower, any other GCI Entity, any of their Properties that could cause a Material Adverse Change.

5.06 Compliance With Laws Regulating the Incurrence of Debt. No proceeds of any Advance will be used directly or indirectly to acquire any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934, as amended. The Borrower is not, nor is any other GCI Entity, engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued

by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. Following the Borrower's intended use of the proceeds of each Advance, not more than 25% of the value of the assets of the Borrower will be "margin stock" within the meaning of Regulation U. The Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Investment Company Act of 1940, the Interstate Commerce Act (as any of the preceding acts have been amended), or any other Law that the incurring of Debt by the Borrower would violate in any material respect, including without limitation Laws relating to common or contract carriers or the sale of electricity, gas, steam, water, or other public utility services. None of the Borrower and its Restricted Subsidiaries, nor any agent acting on their behalf, have taken or will knowingly take any action which might cause this Agreement or any Loan Papers to violate any regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934, in each case as in effect now or as the same may hereafter be in effect.

5.07 Licenses, Title to Properties, and Related Matters. Except as listed on Schedule 5.07a hereto, the Borrower and each other GCI Entity possess all material Authorizations necessary and appropriate to own, operate and construct the Systems or otherwise for the operation of their businesses and are not in violation thereof in any material respect. All such Authorizations are in full force and effect, are listed on Schedule 5.07a hereto, and no event has occurred that permits, or after notice or lapse of time could permit, the revocation, termination or material and adverse modification of any such Authorization, except those which in the aggregate could not reasonably be expected to cause a Material Adverse Change. Schedule 5.07a shows the expiration date and/or termination date for each Authorization (including, without limitation, FCC Licenses) in effect on the Closing Date. The Borrower is not, nor is any Subsidiary of the Borrower or the Parents, in violation of any material duty or obligation required by the Communications Act of 1934, as amended, or any FCC rule or regulation

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applicable to the operation of any portion of any of the Systems. There is not pending or, to the best knowledge of the Borrower, threatened, any action by the FCC to revoke, cancel, suspend or refuse to renew any FCC License relating to any System. There is not pending or, to the best knowledge of the Borrower, threatened, any action by the FCC to modify adversely, revoke, cancel, suspend or refuse to renew any other Authorization relating to any System. There is not issued or outstanding or, to the best knowledge of the Borrower, threatened, any notice of any hearing, violation or material complaint against the Borrower, the Parents or any of the Restricted Subsidiaries with respect to the operation of any portion of the Systems and the Borrower has no knowledge that any Person intends to contest renewal of any Authorization relating to any System. Each GCI Entity has requisite corporate or partnership power (as applicable) and legal right to own and operate its Property and to conduct its business. Each has good and indefeasible title (fee or leasehold, as applicable) to its Property, subject to no Lien of any kind, except Permitted Liens. All of the assets of the Borrower and each other GCI Entity are located within the municipalities and borough locations described on Schedule 5.07b. No GCI Entity is in violation of its respective articles of organization or incorporation (as applicable) or bylaws. None of the GCI Entities is in violation of any Law, or material agreement or instrument binding on or affecting it or any of its Properties, the effect of which could reasonably be expected to cause a Material Adverse Change. No business or Properties of the Parents, the Borrower or any Restricted Subsidiary is affected by any strike, lock-out or other labor dispute. No business or Properties of the Parents, the Borrower or any Restricted Subsidiary is affected by any drought, storm, earthquake, embargo, act of God or public enemy, or other casualty, the effect of which could reasonably be expected to cause a Material Adverse Change.

5.08 Outstanding Debt and Liens. The GCI Entities have no outstanding Debt, Contingent Liabilities or Liens, except Permitted Liens, except as shown on Schedule 5.08a hereto. No breach, default or event of default exists under any document, instrument or agreement evidencing or otherwise relating to any Funded Debt of any GCI Entity, which could reasonably be expected to cause a Material Adverse Change.

5.09 Taxes. The Parents, the Borrower and each Subsidiary of the Parents and the Borrower has filed all federal, state, and other Tax returns (or extensions related thereto) which are required to be filed, and has paid all Taxes as shown on said returns, as well as all other Taxes, to the extent due and payable, except to the extent payment is contested in good faith and for which adequate reserves have been established therefor in accordance with GAAP. All Tax liabilities of the Parents, the Borrower and each Subsidiary of the Parents and the Borrower are adequately provided for on its books, including interest and penalties, and adequate reserves have been established therefor in accordance with GAAP. No income Tax liability of a material nature has been asserted by taxing authorities for Taxes in excess of those already paid, and no taxing authority has notified the Parents, the Borrower or any Subsidiary of the Parents or the Borrower of any deficiency in any Tax return.

5.10 ERISA. Each Plan of the Parents, the Borrower and each Subsidiary of the Parents and the Borrower has satisfied the minimum funding standards under all Laws applicable thereto, and no Plan has an accumulated funding deficiency thereunder. The Borrower has not, and neither has the Parents, or any Subsidiary of the Borrower or the Parents incurred any material liability to the PBGC with respect to any Plan. No ERISA Event has occurred with respect to any Plan for which an Insufficiency in excess of \$100,000 exists on the date of such occurrence. None of the Parents, the Borrower, or any Subsidiary of the Parents or the Borrower has participated in any non-exempt Prohibited Transaction with respect to any Plan or trust created thereunder. None of the Borrower, the Parents or any Subsidiary of the Borrower and the Parents, nor any ERISA Affiliate, has incurred any Withdrawal Liability to any Multiemployer Plan that has not been satisfied. None of the Borrower, the Parents or any Subsidiary of the Parents or the Borrower, nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA.

5.11 Environmental Laws. The Borrower and each other GCI Entity has obtained all material environmental, health and safety permits, licenses and other material authorizations required under all Applicable Environmental Laws to carry on its business as being conducted. On the Closing Date, there are no environmental liabilities of the Borrower or any other GCI Entity (with respect to any fee owned or leased Properties), except as disclosed and described in detail on Schedule 5.11 hereto. Each of such permits, licenses and authorizations is in full force and effect and the Borrower and each other GCI Entity is in compliance with the terms and conditions thereof, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply with any thereof could not reasonably be expected to cause a Material Adverse Change. In addition, no written notice, notification, demand, request for information, citation, summons or order has been issued, no written complaint has been filed, no penalty has been assessed and no investigation or review is pending or, to the best knowledge of the Borrower or any other GCI Entity, threatened, by any Tribunal or other entity with respect to any alleged failure by the Borrower or any other GCI Entity to have any environmental, health or safety permit, license or other authorization required under any Applicable Environmental Law in connection with the conduct of the business of the Borrower or any other GCI Entity or with respect to any generation, treatment, storage, recycling, transportation, discharge, disposal or release of any Hazardous Materials by the Borrower or any other GCI Entity. To the best knowledge of the Borrower and each other GCI Entity, there are no material environmental liabilities of the Borrower or any other GCI Entity, except as previously disclosed in writing to the Lenders. To the best knowledge of the Borrower and each other GCI Entity, there are no environmental liabilities of the Borrower or any other GCI Entity which could reasonably be expected to cause a Material Adverse Change. The Borrower has delivered to the Administrative Agent copies of all environmental studies and reports conducted

or received by the Borrower or any other GCI Entity in connection with real Property. Such studies cover all real Property, if any, owned in fee by the Borrower and each other GCI Entity. No Hazardous Materials are generated or produced at or in connection with the Properties and operations of any of the Borrower or any of the other GCI Entities, nor have any Hazardous Materials been disposed of or otherwise released on or to any Property on which any operations of the Borrower or any other GCI Entities are conducted, except in compliance with Applicable Environmental Laws.

5.12 Disclosure. Neither the Borrower nor any other GCI Entity has made a material misstatement of fact, or failed to disclose any material fact necessary to make the facts disclosed not misleading, in light of the circumstances under which they were made, to Administrative Agent or any Lender during the course of application for and negotiation of any Loan Papers or otherwise in connection with any Advances. There is no fact known to the Borrower or any other GCI Entity that materially adversely affects any of the Borrower's or any of the other GCI Entity's Properties or business, or that could constitute a Material Adverse Change, and that has not been set forth in the Loan Papers or in other documents furnished to Administrative Agent or any Lender.

5.13 Investments; Restricted Subsidiaries. The GCI Entities have no Investments except as described on Schedule 5.13 hereto and as permitted by Section 7.10 hereof. Schedule 5.13 is a complete and accurate listing of each GCI Entity, showing (a) its complete name, (b) its jurisdiction of organization, (c) its capital structure, (d) its street and mailing address, which is its principal place of business and executive office and (e) all interests in such GCI Entity.

5.14 Certain Fees. No broker's, finder's, management fee or other fee or commission will be payable by the Borrower with respect to the making of the Revolving Commitment, or Advances hereunder (other than to Administrative Agent, NationsBanc Montgomery Securities, Inc., Credit Lyonnais and TD hereunder), except as set forth in Schedule 5.14 hereof. The Borrower and each other GCI Entity hereby agrees to indemnify and hold harmless Administrative Agent and each Lender from and against any claims, demand, liability, proceedings, costs or expenses asserted with respect to or arising in connection with any such fees or commissions.

5.15 Intellectual Property. The Borrower and each other GCI Entity has obtained all patents, trademarks, service-marks, trade names, copyrights, licenses and other rights, free from material restrictions, which are necessary for the operation of their respective businesses as presently conducted and as proposed to be conducted. Nothing has come to the attention of the Borrower or any other GCI Entity to the effect that (a) any process, method, part or other material presently contemplated to be employed by the Borrower or any other GCI Entity may or could reasonably be alleged to infringe any patent, trademark, service-mark, trade name, license or other right (except copyright) owned by any other Person, or (b) except as shown on Schedule 5.05 attached hereto, there is pending or threatened any claim or litigation against or

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affecting the Borrower or any other GCI Entity contesting its right to sell or use any such process, method, part or other material. Nothing has come to the attention of the Borrower or any other GCI Entity to the effect that any material presently contemplated to be employed by the Borrower or any other GCI Entity may or could reasonably be alleged to infringe any copyright owned by any other Person, except to the extent that any such infringement, when aggregated with all other copyright infringements, could not reasonably be expected to cause a Material Adverse Change.

5.16 Due Authorization; Validity of the AUSP Financing Agreements and the Project Agreements. On or before the AUSP Closing Date, the general partner of AUSP and each other Affiliate of AUSP which is party to the AUSP Financing Agreements or the Project Agreements will have duly authorized the execution, delivery, and performance of the AUSP Financing Agreements and the Project Agreements to be executed by AUSP or each such Affiliate, as appropriate. On or before the AUSP Closing Date, each of AUSP and its Affiliates will have full legal right, power, and authority to execute, deliver, and perform under the Project Agreements and the AUSP Financing Agreements to be executed and delivered by it. Each of the AUSP Financing Agreements and the Project Agreements, upon execution thereof on the AUSP Closing Date, will constitute the legal, valid, and binding obligations of AUSP and its Affiliates, as appropriate, enforceable in accordance with their terms (subject as to enforcement of remedies to any applicable Debtor Relief Laws). Each AUSP Financing Agreement and each Project Agreement to be delivered to the Administrative Agent on the AUSP Closing Date will be a true and complete copy of such agreement as executed by AUSP and its Affiliates.

5.17. Conflicting Agreements and Other Matters with the AUSP Financing Agreements and Project Agreement. The execution or delivery of any AUSP Financing Agreements and the Project Agreements and performance thereunder, upon the execution thereof on the AUSP Closing Date will not conflict with, or result in a breach of the terms, conditions, or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien (other than in favor of Administrative Agent) upon any Properties of the Borrower or any other GCI Entity, under, or require any consent (other than consents described on Schedule 5.03 hereto and those consents obtained on or before the AUSP Closing Date), approval, or other action by, notice to, or filing with any Tribunal or Person pursuant to, any organizational document, bylaws, award of any arbitrator, or any agreement, instrument, or Law to which the Borrower or any other GCI Entity, or any of their Properties is subject.

5.18 Survival of Representations and Warranties, etc. All representations and warranties made under this Agreement shall be deemed to be made at and as of the Closing Date and at and as of the date of each Advance, except for Refinancing Advances, and each shall be true and correct when made, except to the extent (a) previously fulfilled in accordance with the terms hereof, (b) subsequently inapplicable, or (c) previously waived in writing by Administrative Agent and Lenders with respect to any particular factual circumstance. The representations and warranties made under this Agreement shall be deemed applicable to each

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Restricted Subsidiary as of the formation or acquisition of such Restricted Subsidiary and at and as of each date the representations and warranties are remade pursuant to this provision. All representations and warranties made under this Agreement shall survive, and not be waived by, the execution hereof by the Administrative Agent and Lenders, any investigation or inquiry by the Administrative Agent or any Lender, or by the making of any Advance under this Agreement.

ARTICLE VI. AFFIRMATIVE COVENANTS

So long as the Revolving Commitment, any Advance, any Letter of Credit or any portion of the Obligations is outstanding, or the Borrower or any other GCI Entity owes any other amount hereunder or under any other Loan Paper:

6.01 Compliance with Laws and Payment of Debt. The Borrower shall, and shall cause each of the Parents and all Subsidiaries of the Borrower and the Parents to, comply with all Applicable Laws, including without limitation compliance with ERISA and all applicable federal and state securities Laws. The Borrower shall, and shall cause each other GCI Entity and Affiliates to, pay its (a) Funded Debt as and when due (or within any applicable grace period), unless payment thereof is being contested in good faith by appropriate proceedings and adequate reserves have been established therefor, and (b) trade debt in accordance with its past practices, and in any event, before any trade creditor takes any action or terminates any relationship, except those disputes diligently contested in good faith by the Borrower and/or such GCI Entity or Affiliate, and for which appropriate reserves have been established in accordance with GAAP.

6.02 Insurance. The Borrower shall, (a) and shall cause each of the Restricted Subsidiaries to, keep its offices and other insurable Properties adequately insured at all times by reputable insurers to such extent and against such risks, including fire and other risks insured against by extended coverage, as what is customary with companies similarly situated and in the same or similar businesses, (b) and shall cause each other GCI Entity to, maintain in full force and effect public liability (including liability insurance for all vehicles and other insurable Property) and worker's compensation insurance, in amounts customary for such similar companies to cover normal risks, by insurers satisfactory to the Administrative Agent, (c) and shall cause each Restricted Subsidiary to, maintain business interruption insurance for each System in amounts satisfactory to the Lenders, (d) and shall cause each other GCI Entity to, maintain other insurance as may be required by Law or reasonably requested by the Administrative Agent, provided that such insurance policies will show the Administrative Agent, on behalf of the Lenders, as additional insured or loss payee, as appropriate. The Borrower shall deliver evidence of renewal of each insurance policy on or before the date of its expiration, and from time to time shall deliver to the Administrative Agent, upon demand, evidence of the maintenance of such insurance.

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6.03 Inspection Rights. The Borrower shall, and shall cause each other GCI Entity to, permit the Administrative Agent or any Lender, upon one days notice or such lesser notice as is reasonable under the circumstances, to examine and make copies of and abstracts from their records and books of account, to visit and inspect their Properties and to discuss their affairs, finances, and accounts with any of their directors, officers, employees, accountants, attorneys and other representatives, all as the Administrative Agent or any Lender may reasonably request.

6.04 Records and Books of Account; Changes in GAAP. The Borrower shall, and shall cause the Parents and each Subsidiary of the Parents and the Borrower to, keep adequate records and books of account in conformity with GAAP. The Borrower shall not, nor shall the Borrower permit the Parents or any Restricted Subsidiary of the Borrower or the Parents to change its fiscal year, nor change its method of financial accounting except in accordance with GAAP. In connection with any such change after the date hereof, the Borrower and Lenders shall negotiate in good faith to make appropriate alterations to the covenants set forth in Section 7.01 hereof, reflecting such change.

6.05 Reporting Requirements. The Borrower shall furnish to each Lender and the Administrative Agent:

(a) As soon as available and in any event within 60 days after the end of the Borrower's fiscal quarters, (i) consolidated balance sheets of GCI and consolidating balance sheets of the Borrower and its Subsidiaries, as of the end of such quarter, and consolidated statements of income and statements of cash flows of GCI, and consolidating statements of income and statements of cash flows of the Borrower and its Subsidiaries, for the portion of the fiscal year ending with such quarter, setting forth, in comparative form, figures for the corresponding periods in the previous fiscal year, all in reasonable detail, and certified by an Authorized Officer as prepared in accordance with GAAP, and fairly presenting the financial position and results of operations of GCI, the Borrower and their Subsidiaries, (ii) for the Borrower and its Restricted Subsidiaries, comparisons and reconciliations of actual results to the budget delivered pursuant to Section 6.05(e) below for the fiscal quarter most recently ended, in reasonable detail and satisfactory to the Administrative Agent, and (iii) for the Parents, the Borrower and the Restricted Subsidiaries, all information set forth in (i) and (ii) above in a separate presentation;

(b) As soon as available and in any event within 120 days after the end of each fiscal year, (i) consolidated balance sheets of GCI, and consolidating

balance sheets of the Borrower and its Subsidiaries, as of the end of such fiscal year, and consolidated statements of income and cash flows of GCI, and consolidating statements of income and cash flows of the Borrower and its Subsidiaries, for such fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an unqualified opinion of the Auditor, which opinion shall state that such financial statements were prepared in accordance with GAAP, that the examination by the Auditor in connection with such financial statements was made in accordance with generally

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accepted auditing standards, and that such financial statements present fairly the financial position and results of operations of GCI, the Borrower and their Subsidiaries, and each other GCI Entity, and (ii) for GCI, the Borrower and the Restricted Subsidiaries, all information set forth in (i) above in a separate presentation;

(c) Promptly upon receipt thereof, (i) copies of all material reports or letters submitted to the Borrower, the Parents or any Subsidiary of the Borrower or the Parents by the Auditor or any other accountants in connection with any annual, interim, or special audit, including without limitation the comment letter submitted to management in connection with any such audit, (ii) each financial statement, report, notice or proxy statement sent by GCI, GCII, the Borrower or any Restricted Subsidiary in writing to stockholders generally, (iii) each regular or periodic report and any registration statement or prospectus (or material written communication in respect of any thereof) filed by the Parents, the Borrower or any Restricted Subsidiary with any securities exchange, with the Securities and Exchange Commission or any successor agency, and (iv) all press releases concerning material financial aspects of the Parents, the Borrower or any Restricted Subsidiary;

(d) Together with each set of financial statements delivered pursuant to subsections (a) and (b) above, a Compliance Certificate executed by an Authorized Officer, which such Compliance Certificate must (i) certify that there has occurred no Default or Event of Default, (ii) compute the Applicable Margin, and (iii) set forth the detailed calculations with respect to the financial covenants required by Section 7.01 hereof;

(e) As soon as available and in any event not later than 30 days after the beginning of each fiscal year of the Borrower, the annual operating and Capital Expenditure budgets of the Borrower and the Restricted Subsidiaries for such fiscal year;

(f) (i) Promptly upon knowledge by the Borrower or any other GCI Entity of the occurrence of any Default or Event of Default, a notice from an Authorized Officer, setting forth the details of such Default or Event of Default, and the action being taken or proposed to be taken with respect thereto; (ii) promptly upon knowledge by the Borrower or any other GCI Entity of the occurrence of any breach, default or event of default under any Project Agreement or any AUSP Financing Agreement, a notice from an Authorized Officer, setting forth the details of such breach, default or event of default, and the action being taken or proposed to be taken with respect thereto; and (iii) promptly upon knowledge by the Borrower or any other GCI Entity of the occurrence of any material adverse change regarding the financial condition, business, operations or prospects of AUSP or GCI Transport Co., Inc., a notice from an Authorized Officer, setting forth the details of such material adverse change and the action being taken or proposed to be taken with respect thereto;

(g) As soon as possible and in any event within five Business Days after knowledge thereof by the Borrower or any other GCI Entity, notice of any Litigation pending or threatened

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against the Borrower or any other GCI Entity which, if determined adversely, could reasonably be expected to result in a judgment, penalties, or damages in excess of \$1,000,000 together with a statement of an Authorized Officer describing the allegations of such Litigation, and the action being taken or proposed to be taken with respect thereto;

(h) Promptly following notice or knowledge thereof by the Borrower or any other GCI Entity, notice of any actual or threatened loss or termination of any material Authorization of the Borrower or any other GCI Entity or any Unrestricted Subsidiary, together with a statement of an Authorized Officer describing the circumstances surrounding the same, and the action being taken or proposed to be taken with respect thereto;

(i) Promptly after filing or receipt thereof, copies of all reports and notices that the Borrower or any other GCI Entity or Unrestricted Subsidiary (i) files or receives in respect of any Plan with or from the Internal Revenue Service, the PBGC, or the United States Department of Labor, or (ii) furnishes to or receives from any holders of any Debt or Contingent Liability, if in either case, any information or dispute referred to therein either causes a Default or Event of Default, or could reasonably be expected to cause or result in a Default or an Event of Default;

(j) Within 30 days after renewal or issuance of any hazard, public liability, business interruption, or other insurance policy maintained by the Borrower or any other GCI Entity, a copy of the binder or insurance certificate (showing Administrative Agent, on behalf of the Borrower or such GCI Entity, as loss payee or additional insured, as appropriate);

(k) As soon as possible and in any event within 10 days after the Borrower or any other GCI Entity knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by an Authorized Officer, describing said Reportable Event and the action which the such Person proposes to take with respect thereto;

(l) As soon as possible, and in any event within 10 days after receipt by the Borrower or any other GCI Entity, a copy of (a) any notice or claim to the effect that the Borrower or any other GCI Entity is or may be liable to any Person as a result of the release by the Borrower, any other GCI Entity or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Borrower or any other GCI Entity, which could reasonably be expected to, in either case, cause a Material Adverse Change;

(m) Promptly upon the filing thereof, copies of all material registration statements and all annual, quarterly, monthly or other regular reports which the Parents, the Borrower or any Subsidiary of the Parents or the Borrower or any other GCI Entity or Unrestricted Subsidiary files with the FCC or the Securities and Exchange Commission;

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(n) Promptly upon the sending or receiving thereof by any GCI Entity, AUSP, GCI Transport Co., Inc., GCI Fiber Co., Inc. or Fiber Hold Co., Inc., copies of all material notices, and other material information required by, or sent in connection with, any Project Agreement or any AUSP Financing Agreement, including, without limitation, notices of defaults or events of default, waivers, consents, amendments or other modifications to any of the Project Agreements or AUSP Financing Agreements, as well as requests therefor;

(o) Copies of all financial information provided to the lenders by AUSP in accordance with the terms of the Project Agreements and the AUSP Financing Agreements; and

(p) Promptly upon request, such other information concerning the condition or operations of the Borrower, any other GCI Entity, Unrestricted Subsidiary and any of their Affiliates, financial or otherwise, as the Administrative Agent or any Lender may from time to time reasonably request.

6.06 Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower shall use such proceeds) to (a) refinance existing Funded Debt of the Borrower and its Restricted Subsidiaries, (b) fund Capital Expenditures of the Borrower and the Restricted Subsidiaries permitted by the terms of this Agreement, (c) contribute \$50,000,000 to the capitalization of AUSA, and (d) use for general working capital purposes.

6.07 Maintenance of Existence and Assets. Except as provided by Section 7.07 of this Agreement, the Borrower shall maintain, and shall cause each other GCI Entity to maintain, its corporate existence, authority to do business in the jurisdictions in which it is necessary for the Borrower or such GCI Entity to do so, and all Authorizations necessary for the operation of any of their businesses. The Borrower shall maintain, and shall cause each other GCI Entity to maintain, the assets necessary for use in their respective businesses in good repair, working order and condition, and make all such repairs, renewals and replacements thereof as may be reasonably required.

6.08 Payment of Taxes. The Borrower will and will cause the Parents and all Subsidiaries of the Parents and the Borrower to, promptly pay and discharge all lawful Taxes imposed upon it or upon its income or profit or upon any Property belonging to it, unless such Tax shall not at the time be due and payable, or if the validity thereof shall currently be contested on a timely basis in good faith by appropriate proceedings (provided that the enforcement of any Liens arising out of any such nonpayment shall be stayed or bonded during the proceedings) and adequate reserves with respect to such Tax shall have been established in accordance with GAAP.

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6.09 Indemnity.

(a) The Borrower agrees to defend, protect, indemnify and hold harmless the Administrative Agent and each Lender, each of their respective Affiliates, and each of their respective (including such Affiliates') officers, directors,

employees, agents, attorneys, shareholders and consultants (including, without limitation, those retained in connection with the satisfaction or attempted satisfaction of any of the conditions set forth herein) of each of the foregoing (collectively, "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitees shall be designated a party thereto or such proceeding shall have actually been instituted), imposed on, incurred by, or asserted against such Indemnitees (whether direct, indirect or consequential and whether based on any federal, state, or local laws and regulations, under common law or at equitable cause, or on contract, tort or otherwise), arising from or connected with the past, present or future operations of the Parents, the Borrower, any Subsidiary of the Borrower or the Parents, any other GCI Entity, any Affiliate or any predecessors in interest, or the past, present or future environmental condition of property of the Parents, the Borrower, any Subsidiary of the Borrower or Parents, any other GCI Entity, any Affiliate or any predecessors in interest, in each case relating to or arising out of this Agreement, the Loan Papers, any Project Agreement, any AUSB Financing Agreement, anything relating to the AUSB Financing or any act, event or transaction or alleged act, event or transaction relating or attendant thereto and the management of the Advances by the Administrative Agent, including in connection with, or as a result, in whole or in part, of any negligence of Administrative Agent or any Lender (other than those matters involving a claim by a participant purchaser against any Lender and not the Borrower), or the use or intended use of the proceeds of the Advances hereunder, or in connection with any investigation of any potential matter covered hereby, but excluding any claim or liability that arises as the result of the gross negligence or willful misconduct of any Indemnitee, as finally judicially determined by a court of competent jurisdiction (collectively, "Indemnified Matters").

(b) In addition, the Borrower shall periodically, upon request, reimburse each Indemnitee for its reasonable legal and other actual reasonable expenses (including the cost of any investigation and preparation) incurred in connection with any Indemnified Matter. If for any reason the foregoing indemnification is unavailable to any Indemnitee or insufficient to hold any Indemnitee harmless with respect to Indemnified Matters, then the Borrower shall contribute to the amount paid or payable by such Indemnitee as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the Borrower and the holders of the Capital Stock of the Borrower on the one hand and such Indemnitee on the other hand but also the relative fault

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of the Borrower and such Indemnitee, as well as any other relevant equitable considerations. The reimbursement, indemnity and contribution obligations under this Section shall be in addition to any liability which the Borrower may otherwise have, shall extend upon the same terms and conditions to each Indemnitee, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Borrower, the Administrative Agent, the Lenders and all other Indemnitees. The obligations of the Borrower under this Section 6.09 shall survive (i) the execution of this Agreement and (ii) any termination of this Agreement and payment of the Obligations.

6.10 Interest Rate Hedging. By no later than 60 days after the Closing Date, the Borrower or GCII will enter into an Interest Hedge Agreement on terms acceptable to the Administrative Agent providing for interest rate protection for not less than three years for 50% of Total Debt on such date. If Borrower enters into an interest rate cap agreement, the interest rate related thereto shall not exceed 2% per annum in excess of the then current treasury rate for the applicable hedge period.

6.11 Management Fees Paid and Earned. The Borrower agrees that no Management Fees will be paid by the Borrower, or any Restricted Subsidiary to any Person at any time, except in accordance with the terms of the Prime Management Agreement.

6.12 Authorizations and Material Agreements. The Borrower shall, and shall cause the Parents and the Restricted Subsidiaries to, obtain and comply in all material respects with all FCC Licenses relating to any System. The Borrower shall, and shall cause the Parents and the Restricted Subsidiaries to, obtain and comply in all material respects with all Authorizations relating to the Systems, except to the extent failure to do so could not reasonably be expected to cause or result in a Material Adverse Change. The Borrower shall, and shall cause all other GCI Entities to, maintain and comply in all material respects with all agreements necessary or appropriate for any of them to own, maintain, or operate any of their businesses or Properties.

6.13 Further Assurances. The Borrower shall, and shall cause each other GCI Entity to, make, execute or endorse, and acknowledge and deliver or file or cause the same to be done, all such vouchers, invoices, notices, certifications

and additional agreements, undertakings, conveyances, deeds of trust, mortgages, security agreements, transfers, assignments, financing statements or other assurances, and take any and all such other action, as Administrative Agent may, from time to time, deem reasonably necessary or proper in connection with any GCI Entity's obligations under any of the Loan Papers and the obligations of the Borrower thereunder, or for better assuring and confirming unto Administrative Agent all or any part of the security for any of the Obligations.

6.14 AUSP Financing. No later than the AUSP Closing Date, the Borrower shall have delivered to the Administrative Agent in form and substance satisfactory to it (a) a certificate (in the form attached hereto as Exhibit H) dated the AUSP Closing Date certifying as to the fact

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that attached thereto is a copy of each AUSP Financing Agreement and each Project Agreement and stating that each AUSP Financing Agreement and Project Agreement attached thereto represents the true, accurate and complete agreement as in effect on the AUSP Closing Date, and as to the true, accurate and complete resolutions authorizing the incurrence and performance of the Project Agreements, and (b) an opinion of counsel to AUSP regarding the Intercompany Notes. In addition, no later than the AUSP Closing Date, (a) the AUSP Financing shall have been consummated on terms and conditions satisfactory to the Administrative Agent, (b) the AUSP Financing Agreements and Project Agreements shall be in form and substance acceptable to the Administrative Agent, and (c) the undersea fiber survey owned by the Borrower shall have been sold to AUSP for fair value (not less than \$1,000,000).

6.15 Subsidiaries and Other Obligors. The Borrower shall cause each of the Restricted Subsidiaries, other GCI Entities and Affiliates (as to Affiliates, with respect solely to those covenants set forth in Sections 6.01, 6.05, and 6.08 hereof) to comply with each provision of this Article VI.

6.16 CoBank Participation Certificates. The Borrower shall, at all times during which CoBank, ACB ("CoBank") is a Lender hereunder, acquire and maintain non-voting participation certificates in CoBank (the "Participation Certificates") in such amounts and at such times as CoBank may from time to time require in accordance with its bylaws and capital plan (as each may be amended from time to time); provided, however, that the maximum amount of Participation Certificates that the Borrower may be required to purchase may not exceed the lesser of the maximum amount permitted by CoBank's bylaws as in effect on the date hereof or \$1,000.00, which amount, if not previously purchased, shall be purchased on or before the date hereof. The rights and obligations of the parties with respect to the Participation Certificates and any other patronage or other distributions shall be governed by CoBank's bylaws.

#### ARTICLE VII. NEGATIVE COVENANTS

So long as the Revolving Commitment, any Advance, any Letter of Credit or any portion of the Obligations is outstanding, or the Borrower or any other GCI Entity owes any other amount hereunder or under any other Loan Paper:

7.01 Financial Covenants. The Borrower and the Restricted Subsidiaries shall comply with the following covenants:

<TABLE>

(a) Total Leverage Ratio. At all times during the term hereof, the Total Leverage Ratio shall not be greater during the following time periods than the ratio set forth opposite such time periods:

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<CAPTION>

Time Period -----	Maximum Ratio -----
<S>	<C>
From the Closing Date through March 31, 1998	7.00 to 1.00
April 1, 1998 through March 31, 1999	6.50 to 1.00
April 1, 1999 through December 31, 1999	6.00 to 1.00
January 1, 2000 and thereafter	5.50 to 1.00

</TABLE>

<TABLE>

(b) Senior Leverage Ratio. At all times during the term hereof, the Senior Leverage Ratio shall not be greater during the following time periods than the ratio set forth opposite such time periods:

<CAPTION>

Time Period -----	Maximum Ratio -----
<S>	<C>
From the Closing Date through March 31, 1999	3.50 to 1.00
April 1, 1999 through December 31, 1999	3.00 to 1.00
January 1, 2000 through December 31, 2000	2.50 to 1.00
January 1, 2001 and thereafter	2.00 to 1.00

</TABLE>

<TABLE>

(c) Interest Coverage Ratio. At all times during the term hereof, the Interest Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

Time Period	Maximum Ratio
From the Closing Date through December 31, 1998	1.50 to 1.00
January 1, 1999 and thereafter	2.00 to 1.00

(d) Pro Forma Debt Service Coverage Ratio. At all times during the term hereof, the Pro Forma Debt Service Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

Time Period	Maximum Ratio
From the Closing Date and thereafter	1.25 to 1.00

(e) Fixed Charges Coverage Ratio. Commencing January 1, 2000, and at all times thereafter during the term hereof, the Fixed Charges Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

Time Period	Maximum Ratio
From January 1, 2000 through March 31, 2003	1.00 to 1.00

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April 1, 2003 and thereafter 1.05 to 1.00

(f) Capital Expenditures. Capital Expenditures paid or incurred by the Borrower and the Restricted Subsidiaries shall not exceed, in the aggregate, the following amounts during the following years, provided that, any unused portion for any such year may be used during the following fiscal year only (but not thereafter):

Fiscal Year	Maximum Amount
Partial year - Closing Date through 1997	\$55,000,000
1998	\$90,000,000
1999	\$65,000,000
2000 and thereafter	N/A

7.02 Debt. The Borrower shall not, and shall not permit any of the other GCI Entities to, create, incur, assume, become or be liable in any manner in respect of, or suffer to exist, any Debt, except (a) Debt under the Loan Papers and the Revolver/Term Credit Agreement, (b) Debt under the Senior Notes and other Debt in existence on the date hereof as shown on Schedule 5.08a hereto, and renewals, extensions (but not increases), and refinancings thereof on terms substantially similar thereto and on terms no more restrictive, (c) trade payables incurred and paid in the ordinary course of business, (d) Debt permitted to be incurred as Contingent Liabilities pursuant to Section 7.03 hereof, (e) Debt between the Borrower and its Restricted Subsidiaries, (f) so long as there exists no Default or Event of Default in existence at the time incurred and none is caused thereby, (i) \$5,000,000 in Debt constituting Capital Leases outstanding in the aggregate at any one time, and (ii) unsecured subordinated Debt of the Borrower on terms and conditions acceptable to the Administrative Agent and each Lender, subordinated to the Facility pursuant to the subordination language set forth on Schedule 7.02 hereto, and (g) Debt under the Project Agreements.

7.03 Contingent Liabilities. The Borrower shall not, and shall not permit any of the other GCI Entities to, create, incur, assume, become or be liable in any manner in respect of, or suffer to exist, any Contingent Liabilities, except (a) Contingent Liabilities under or relating to the Loan Papers and the Revolver/Term Credit Agreement, (b) Contingent Liabilities in existence on the Closing Date, as shown on Schedule 5.08a hereto, (c) Contingent Liabilities resulting from the endorsement of negotiable instruments for collection in the ordinary course of business, (d) obligations under the Completion Guaranty, Keepwell Agreement, and Lease Guaranty, and (e) utility bonds and other similar bonds entered into in the ordinary course of business.

7.04 Liens. The Borrower shall not, and shall not permit any of the other GCI Entities to, create or suffer to exist any Lien upon any of its Properties, except Permitted Liens and Liens securing Debt permitted under Section 7.02(f)(i) hereof. It is specifically acknowledged

and agreed that the Borrower shall not, and shall not permit any of the other GCI Entities to, hereafter agree with any Person (other than Administrative Agent) not to grant a Lien on any of its assets, except as specifically provided in the Indenture on the Closing Date.

7.05 Dispositions of Assets. The Borrower shall not, and shall not permit any of the other GCI Entities to, sell, lease, assign, or otherwise dispose of any assets of the Borrower or any Restricted Subsidiary, or otherwise consummate any Asset Sale, except (a) Permitted Dispositions and sales or dispositions of assets in the ordinary course of business, including dispositions of obsolete or useless assets, and (b) so long as there exists no Default or Event of Default both before and after giving effect to such disposition, Asset Sales in an aggregate amount over the term of this Agreement not to exceed \$10,000,000 (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00), so long as any amounts received by the Borrower and the Restricted Subsidiaries in the aggregate over \$10,000,000 in any fiscal year of the Borrower and its Restricted Subsidiaries (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00) are immediately used to reduce the Revolving Commitment and the Revolver/Term Commitment, in accordance with Section 2.04 hereof, and repay the outstanding Obligations in accordance with the terms of Section 2.05 hereof, as applicable.

7.06 Distributions and Restricted Payments. The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, make any Restricted Payments, other than any Restricted Payment in the form of a Distribution made by any Restricted Subsidiary to any other Restricted Subsidiary or to the Borrower, and other than (a) so long as (i) there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Restricted Payment and (iii) the date of such Restricted Payment is after September 30, 2000, Restricted Payments made exclusively out of Excess Cash Flow up to a maximum amount of the difference between \$15,000,000 in the aggregate over the term of this Agreement, minus the aggregate amount of Investments made in accordance with the terms of Section 7.10(e) hereof over the term of this Agreement, (b) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower may make Restricted Payments in the form of Distributions to GCII in an amount not in excess of cash income Taxes attributable to income from the Borrower and its Restricted Subsidiaries (and GCII may make Restricted Payments in such amounts in the form of Distributions to GCI), and scheduled cash interest payments required to be paid by GCII under the Senior Notes, and GCII may make Restricted Payments in the form of (and not in excess of) scheduled cash interest payments required to be paid by GCII under the Senior Notes, provided that, the Lenders agree that in no event shall the opening phrase of this subsection (b) prohibit the payment of any such Distribution by the Borrower or payment of interest by GCII on the Senior Notes for more than 180 consecutive days in any consecutive 360-day period, unless there exists an Event of Default under Section 8.01(a) hereof (whether by acceleration or otherwise), (c) so long as there exists

no Default or Event of Default both before and after giving effect to the payment thereof, payment of Management Fees and amounts due under the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof, and (d) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower or any other GCI Entity (i) may make Restricted Payments on Funded Debt incurred in accordance with the terms of Sections 7.02(b) (but with respect to the Senior Notes, only payments of cash interest which accrues thereon), 7.02(d), 7.02(f) (i), and 7.02(g) hereof, and (ii) may make payments of income Taxes.

7.07 Merger; Consolidation. The Borrower shall not, and shall not permit any of the other GCI Entities to, merge into or consolidate with any Person except any Wholly-Owned Subsidiary other than the Borrower may merge or consolidate with another Wholly-Owned Subsidiary, provided that the Borrower or the Wholly-Owned Subsidiary is the surviving entity, as the case may be.

7.08 Business. The Borrower shall not, and shall not permit any of the other GCI Entities to, change the nature of its business as now conducted. The Borrower shall not conduct any business except the ownership and operation of its Systems.

7.09 Transactions with Affiliates. The Borrower shall not, and shall not permit any of the other GCI Entities to, enter into or be party to a transaction with any Affiliate, except on terms no less favorable than could be obtained on an arm's-length basis with a Person that is not an Affiliate. Notwithstanding the foregoing limitation, the Borrower and the other GCI Entities may enter into or suffer to exist the following: (i) any transaction pursuant to any contract in existence on the Closing Date on the terms of such contract as in effect on the Closing Date; (ii) any transaction or series of transactions between the Borrower and one or more of its Restricted Subsidiaries

or between two or more of its Restricted Subsidiaries; (iii) any Restricted Payment permitted to be made pursuant to Section 7.06; (iv) the payment of compensation by Parents, the Borrower or any of its Restricted Subsidiaries (including, amounts paid pursuant to employee benefit plans) in the ordinary course of business for the personal services of officers, directors and employees of Parents, the Borrower or any of its Restricted Subsidiaries, so long as the Board of Directors of Parents and the Borrower in good faith shall have approved the terms thereof and deemed the services theretofore or thereafter to be performed for such compensation or fees to be fair consideration therefor; (v) loans and advances by Parents, the Borrower or a Restricted Subsidiary to employees of Parents, the Borrower or a Restricted Subsidiary made in ordinary course of business and consistent with past practice of Parents, the Borrower or such Restricted Subsidiary, as the case may be, provided, that such loans and advances do not exceed in the aggregate \$4,000,000 at any one time outstanding; (vi) any transaction between the Borrower and its Restricted Subsidiaries pursuant to the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof; (vii) the assignment or other transfer to GCI Transport Co., Inc. or any of its Subsidiaries of the \$9,100,000 deposit made in connection with the Transponder Purchase Agreement for Galaxy

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X referred to in Section 7.18 hereof (provided the Borrower provides the Administrative Agent with a Pro Forma Compliance Certificate evidencing no Default or Event of Default both before and after the assignment); (viii) the Fiber Lease and the Lease Guaranty, provided that, notwithstanding anything to the contrary in any Project Agreement, AUSP Financing Agreement, in this Agreement, or in any other Loan Paper, in no event shall the aggregate amount of all lease payments made by the Borrower, its Restricted Subsidiaries, or GCI Communication Corp. pursuant to the Fiber Lease, the Lease Guaranty, or any other lease or Project Agreement with AUSP exceed \$28,000,000 in the aggregate over the term of this Agreement; (ix) the O&M Contract, provided that, notwithstanding anything to the contrary in any Project Agreement, AUSP Financing Agreement, in this Agreement or in any other Loan Paper, in no event shall the aggregate amount of all payments made by the Borrower or any of its Restricted Subsidiaries pursuant to any and all such operating and maintenance contracts exceed \$17,000,000 over the term of this Agreement; (x) the Completion Guaranty and the Keepwell Agreement, and provided that, notwithstanding anything to the contrary in any Project Agreement, AUSP Financing Agreement, in this Agreement or in any other Loan Paper, in no event shall the aggregate amount of all payments made pursuant to the Keepwell Agreement, the Completion Guaranty and any other Project Agreement by the Borrower or any of its Restricted Subsidiaries (except the Fiber Lease, the Lease Guaranty, and the O&M Contract) exceed \$73,000,000 over the term of this Agreement, (xi) loans and/or advances to AUSP as may be evidenced by the Intercompany Notes to the extent permitted by Section 7.10(g) hereof, (xii) the Subordination Agreement, and (xiii) Permitted Dispositions. Neither the Borrower nor any Restricted Subsidiary shall enter into any agreement with AUSP obligating the Borrower or any Restricted Subsidiary to purchase excess capacity pursuant to any Project Agreement or any other agreement exceeding the amounts set forth above with respect to the Fiber Lease and the Lease Guaranty. Nothing herein shall prevent the Borrower or any Restricted Subsidiary from entering into an agreement with AUSP pursuant to any Project Agreement whereby each may purchase excess capacity from time to time as needed in the ordinary course of business.

7.10 Loans and Investments. The Borrower shall not, and shall not permit any of the other GCI Entities to, make any loan, advance, extension of credit or capital contribution to, or make or have any Investment in, any Person, or make any commitment to make any such extension of credit or Investment, or make any acquisition, except (a) Investments on the Closing Date constituting a \$50,000,000 capital contribution to AUSP and other Investments existing on the date hereof and contemplated by the terms of this Agreement, each as shown on Schedule 5.13 hereto, (b) Investments in Cash Equivalents, (c) Investments in advances or loans in the ordinary course of business to officers and employees in an amount in the aggregate not to exceed \$4,000,000 outstanding at any one time, (d) Investments in accounts receivable arising in the ordinary course of business, (e) so long as (i) there exists no Default or Event of Default, both before and after giving effect to the making of such Investments, (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Investment and (iii) the date of such Investment is after September 30, 2000, Investments made exclusively out of Excess Cash Flow up to a maximum amount of the difference between \$15,000,000 in the

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aggregate over the term of this Agreement, minus the aggregate amount of Restricted Payments made in accordance with the terms of Section 7.06(a) hereof over the term of this Agreement, (f) loans, advances, extensions of credit or capital contributions to, or among, Wholly-Owned Subsidiaries and to GCI Transport Co., Inc. and its Subsidiaries in connection with the assignment or other transfer to GCI Transport Co., Inc. or its Subsidiaries of the \$9,100,000 deposit made in connection with the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof (provided the Borrower provides the Administrative Agent with a Pro Forma Compliance Certificate evidencing no Default or Event of Default both before and after the assignment), (g) so long

as there exists no Default or Event of Default both before and after giving effect to the making of each such Investment, Investments constituting loans and/or advances to AUSB in accordance with the terms of the Keepwell Agreement and the Completion Guaranty as may be evidenced by the Intercompany Notes (collaterally assigned to the Administrative Agent on a first Lien basis), which Investments in an aggregate amount over the term of this Agreement do not exceed \$73,000,000, and (h) investments in Participation Certificates of CoBank to the extent required pursuant to Section 6.16.

7.11 Fiscal Year and Accounting Method. The Borrower shall not, and shall not permit any of the other GCI Entities to, change its fiscal year or method of accounting, except as may be required by GAAP.

7.12 Issuance of Partnership Interest and Capital Stock; Amendment of Articles and By-Laws. Except in connection with the transactions consummated on or prior to the Closing Date, and except as permitted in Section 7.07 hereof, the Borrower shall not, and shall not permit any of the other GCI Entities (other than GCI) to, issue, sell or otherwise dispose of any Capital Stock in such Person, or any options or rights to acquire such partnership interest or capital stock not issued and outstanding on the Closing Date. The Borrower shall not amend its articles of organization or bylaws and the Borrower shall not permit any of the other GCI Entities to amend its articles of organization or bylaws or partnership agreement, as applicable, except, so long as there exists no Default or Event of Default both prior to and after giving effect to such amendment, and after written notice to the Administrative Agent, the Borrower or any of the other GCI Entities may make (i) changes to comply with applicable Law and (ii) changes immaterial in nature.

7.13 Change of Ownership. Except as permitted by Section 7.07 hereof, the Borrower shall not, and shall not permit any other GCI Entity (other than GCI) to, permit any change in the ownership of the Borrower and each Guarantor from the ownership thereof as of the date hereof as disclosed on Schedule 5.01 hereto.

7.14 Sale and Leaseback. The Borrower shall not, and shall not permit any of the other GCI Entities to, enter into any arrangement whereby it sells or transfers any of its assets, and thereafter rents or leases such assets.

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7.15 Compliance with ERISA. The Borrower shall not, and shall not permit the Parents or any Subsidiary of the Borrower and the Parents to, directly or indirectly, or permit any member of such Person's Controlled Group to directly or indirectly, (a) terminate any Plan so as to result in any material (in the opinion of Administrative Agent) liability to any of the Borrower, the Parents or any Subsidiary of the Borrower or the Parents, or any member of their Controlled Group, (b) permit to exist any ERISA Event, or any other event or condition, which presents the risk of any material (in the opinion of Administrative Agent) liability of any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower, or any member of their Controlled Group, (c) make a complete or partial withdrawal (within the meaning of Section 4201 of ERISA) from any Multiemployer Plan so as to result in any material (in the opinion of Administrative Agent) liability to any of the Borrower, the Parents, or any Subsidiary of the Parents or the Borrower, or any member of their Controlled Group, (d) enter into any new Plan or modify any existing Plan so as to increase its obligations thereunder (except in the ordinary course of business consistent with past practice) which could result in any material (in the opinion of Administrative Agent) liability to any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower, or any member of their Controlled Group, or (e) permit the present value of all benefit liabilities, as defined in Title IV of ERISA, under each Plan of each of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower, or any member of their Controlled Group (using the actuarial assumptions utilized by the PBGC upon termination of a Plan) to materially (in the opinion of Administrative Agent) exceed the fair market value of Plan assets allocable to such benefits all determined as of the most recent valuation date for each such Plan.

7.16 Rate Swap Exposure. The Borrower shall not enter into or become liable in respect of any Interest Hedge Agreement pursuant to which the aggregate amount exceeds the aggregate principal amount of all Advances and amounts outstanding under the Revolver/Term Credit Agreement.

7.17 Restricted Subsidiaries and Other Obligors. The Borrower shall not permit any of its Restricted Subsidiaries or any other GCI Entity to violate any provision of this Article VII.

7.18 Amendments to Material Agreements. The Borrower shall not, nor shall the Borrower permit any other GCI Entity to, amend or change any Project Agreement or any AUSB Financing Agreement in any manner that is material and adverse to the interests of the Lenders except with the prior written consent of Majority Lenders, or amend or change any Loan Paper other than with the prior written consent of the Lenders pursuant to Section 10.01 hereof, nor shall the Borrower or any other GCI Entity change or amend (or take any action or fail to

take any action the result of which is an effective amendment or change) or accept any waiver or consent with respect to (a) any Non-Compete Agreement, (b) that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among the Borrower and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, (c) that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp.

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and Hughes Communications Satellite Services, Inc., now held by PanAmSat Corp., as assignee, (d) the Senior Notes and all documentation and agreements relating to the Senior Notes, other than changes that result in a decrease in interest rate, extension of maturity, or deletion of covenants or obligations to repay, and changes anticipated by Section 9.01(1) of the Indenture, (e) the Prime Management Agreement, and (f) all documentation related to any Funded Debt of any GCI Entity.

7.19 Limitation on Restrictive Agreements. The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, other than in connection with the Senior Notes and the Revolver/Term Credit Agreement or the AUSP Financing Agreements or the Project Agreements, enter into any indenture, agreement, instrument, financing document or other arrangement which, directly or indirectly, prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon: (a) the incurrence of Debt, (b) the granting of Liens (except for provisions contained in Capital Leases of property that are permitted hereunder that limit Liens only on the specific property subject to the Capital Lease, except for Liens in favor of the Administrative Agent and the Lenders), (c) the making or granting of Guarantees, (d) the payment of dividends or Distributions, (e) the purchase, redemption or retirement of any Capital Stock, (f) the making of loans or advances, (g) transfers or sales of property or assets (including Capital Stock) by the Parents, the Borrower or any of the Restricted Subsidiaries, (h) the making of Investments or acquisitions, or (i) any change of control or management.

#### ARTICLE VIII. EVENTS OF DEFAULT

8.01 Events of Default. Any one or more of the following shall be an "Event of Default" hereunder, if the same shall occur for any reason whatsoever, whether voluntary or involuntary, by operation of Law, or otherwise:

(a) The Borrower shall fail to pay (i) any principal on any Note when due; or (ii) any interest on any Note within three days after the same becomes due; or (iii) any Commitment Fees, other fees, or other amounts payable under any Loan Paper within five days after the same becomes due;

(b) Any representation or warranty made or deemed made by the Borrower or any other GCI Entity (or any of its officers or representatives) under or in connection with any Loan Papers shall prove to have been incorrect or misleading in any material respect when made or deemed made;

(c) The Borrower or any other GCI Entity shall fail to perform or observe any term or condition contained in Article VI hereof (except Section 6.05(f) hereof) which is not remedied within thirty days after the earlier of (i) actual knowledge of such breach by the Parents, the

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Borrower or any of the Restricted Subsidiaries of such breach and (ii) written notice from the Administrative Agent or any Lender of such breach;

(d) The Borrower or any other GCI Entity shall fail to perform or observe any term or covenant contained in Article VII hereof or in Section 6.05(f) hereof;

(e) Any GCI Entity shall fail to perform or observe any other term or covenant contained in any Loan Paper, other than those described in Sections 8.01(a), (b), (c) and (d) hereof which is not remedied within thirty days after the earlier of (i) actual knowledge of such breach by the Parents, the Borrower or any of the Restricted Subsidiaries of such breach and (ii) written notice from the Administrative Agent or any Lender of such breach;

(f) Any Loan Paper or material provision thereof shall, for any reason, not be valid and binding on the GCI Entity signatory thereto, or not be in full force and effect, or shall be declared to be null and void; the validity or enforceability of any Loan Paper shall be contested by any GCI Entity; any GCI Entity shall deny that it has any or further liability or obligation under its respective Loan Papers; or any default or breach under any provision of any Loan Papers shall continue after the applicable grace period, if any, specified in such Loan Paper;

(g) Any of the following shall occur: (i) any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc. and Fiber Hold Co., Inc.) shall make an assignment for the benefit of

creditors or be unable to pay its debts generally as they become due; (ii) any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) shall petition or apply to any Tribunal for the appointment of a trustee, receiver, or liquidator of it, or of any substantial part of its assets, or shall commence any proceedings relating to any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) under any Debtor Relief Law, whether now or hereafter in effect; (iii) any such petition or application shall be filed, or any such proceedings shall be commenced, against any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.), or an order, judgment or decree shall be entered appointing any such trustee, receiver, or liquidator, or approving the petition in any such proceedings and such petition, application or proceedings shall continue undismissed for 30 days or such order, judgment or decree shall continue unstayed and in effect for 30 days; (iv) any final order, judgment, or decree shall be entered in any proceedings against any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) decreeing its dissolution; (v) any final order, judgment, or decree shall be entered in any proceedings against any of the Parents, the

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Borrower, or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) decreeing its split-up which requires the divestiture of a substantial part of its assets; or (vi) any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) shall petition or apply to any Tribunal for the appointment of a trustee, receiver, or liquidator of it, or of any substantial part of its assets, or shall commence any proceedings relating to any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) under any Debtor Relief Law, whether now or hereafter in effect;

(h) Any GCI Entity shall fail to pay any Debt or Contingent Liability of \$1,000,000 or more when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt or Contingent Liability; or any GCI Entity shall fail to perform or observe any term or covenant contained in any agreement or instrument relating to any such Debt or Contingent Liability, when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument, and can result in acceleration of the maturity of such Debt or Contingent Liability; or any such Debt or Contingent Liability shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof;

(i) Any GCI Entity shall have any judgment(s) outstanding against it for the payment of \$1,000,000 or more, and such judgment(s) shall remain unstayed, in effect, uncontested and unpaid for a period of 30 days;

(j) (i) Any Authorization necessary for the ownership or essential for the operation of any of the interstate or intrastate telecommunications systems or networks operated by the Parents, the Borrower or any Restricted Subsidiary or any other System, shall expire, and on or prior to such expiration, the same shall not have been renewed or replaced by another Authorization authorizing substantially the same operations of such System; or (ii) any Authorization necessary for the ownership or essential for the operation of any of System shall be canceled, revoked, terminated, rescinded, annulled, suspended or modified in a materially adverse respect, or shall no longer be in full force and effect, or the grant or the effectiveness thereof shall have been stayed, vacated, reversed or set aside, and such action shall be no longer subject to further administrative or judicial review; or (iii) the FCC shall have issued, on its own initiative and not upon the complaint of or at the request of a third party, any hearing designation order in any non-comparative license renewal proceeding or any license revocation proceeding involving any License or Authorization necessary for the ownership or essential for the operation of any System; or (iv) in any non-comparative license renewal proceeding or

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license revocation proceeding initiated by the FCC upon the complaint of or at the request of a third party or any comparative (i.e., multiple applicant) license renewal proceeding, in each case involving any License or Authorization necessary for the ownership or essential for the operation of any System; any administrative law judge of the FCC (or successor to the functions of an administrative law judge of the FCC) shall have issued an initial decision to

the effect that the Parents, the Borrower or any Restricted Subsidiary lacks the basic qualifications to own or operate any System or is not deserving of a renewal expectancy, and such initial decision shall not have been timely appealed or shall otherwise have become an order that is final and no longer subject to further administrative or judicial review (provided, however, that none of the foregoing events described in clauses (i), (ii), (iii) or (iv) of this Section 8.01(j) shall constitute an Event of Default if such expiration, cancellation, revocation or other loss would not materially adversely affect the value of any of the Collateral or the ability of the Parents, the Borrower or any Restricted Subsidiary to perform its obligations under the Loan Papers to which it is a party);

(k) Any of the Parents, the Borrower, or any Subsidiary of the Parents or the Borrower, or any ERISA Affiliate, shall have committed a failure described in Section 302(f)(1) of ERISA, and the amount determined under Section 302(f)(3) of ERISA is equal to or greater than \$1,000,000;

(l) The Parents, the Borrower, any Subsidiary of the Parents or the Borrower, or any ERISA Affiliate, shall have been notified by the sponsor of a Multiemployer Plan that such Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result thereof the aggregate annual contributions to all Multiemployer Plans in reorganization or being terminated is increased over the amounts contributed to such Plans for the preceding Plan year by an amount exceeding \$1,000,000;

(m) The Borrower or any GCI Entity shall be required under any Environmental Law (i) to implement any remedial, neutralization, or stabilization process or program, the cost of which could constitute a Material Adverse Change, or (ii) to pay any penalty, fine, or damages in an aggregate amount of \$1,000,000 or more;

(n) Any Property (whether leased or owned) of any GCI Entity, or the operations conducted thereon by any of them or any current or prior owner or operator thereof (in the case of real Property), shall violate or have violated any applicable Environmental Law, if such violation could constitute a Material Adverse Change; or any GCI Entity shall not obtain or maintain any License required to be obtained or filed under any Environmental Law in connection with the use of such Property and assets, including without limitation past or present treatment, storage, disposal, or release of Hazardous Materials into the environment, if the failure to obtain or maintain the same could constitute a Material Adverse Change;

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(o) Any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority Lien in the Collateral (subject to Permitted Liens) (except for the Lien on the stock of GCI Leasing Co., Inc. which shall be a second Lien behind the Prior Stock Lien) purported to be covered thereby and the value of such Collateral, singly or in the aggregate, equals or exceeds \$1,000,000;

(p) The occurrence of any Change of Control; or (i) two or more of the following three senior executive managers of the Borrower shall not be employees of the Borrower for 60 consecutive days: John Lowber, Ron Duncan or Wilson Hughes and (ii) the Borrower shall have not replaced such senior executive managers with new employees acceptable to the Majority Lenders, such consent not to be unreasonably withheld;

(q) At any time, less than 100% of the Capital Stock of the Borrower, the Restricted Subsidiaries and the Guarantors (except the Capital Stock of GCI does not have to be pledged) shall be pledged to the Lenders to secure the Obligations pursuant to a first and prior perfected Lien (subject to inchoate tax liens), except with respect to the Lien on the stock of GCI Leasing Co., Inc.; at any time, less than 100% of the Capital Stock of GCI Leasing Co., Inc. shall be pledged to the Lenders to secure the Obligations pursuant to a second perfected Lien (behind the Prior Tax Lien and subject to inchoate tax Liens); or all or any portion of the Collateral constituting any System or systems which service 5% or more of the customers of the Borrower and the Restricted Subsidiaries ("Significant Segment"), or all or any portion of the Pledged Interests or the Pledge Agreements shall be the subject of any proceeding instituted by any Person, or there shall exist any litigation or overtly threatened litigation with respect to all or any portion of the Collateral constituting Significant Segment or all or any portion of the Pledged Interests or the Pledge Agreement; or all or any portion of the Collateral constituting a Significant Segment shall be the subject of any legal proceeding instituted by any Person other than a Lender or Administrative Agent (except in connection with any Lender's exercise of any remedies under the Loan Papers); or any document or instrument creating or granting a security interest or Lien in any Collateral shall for any reason fail to create a valid first priority security interest (subject to Permitted Liens and the Prior Stock Lien) in any collateral purported to be covered thereby; or any material portion of the Collateral shall not be subject to a prior perfected security interest (subject to Permitted Liens), or be subject to attachment, levy or replenishment, unless such attachment, levy or replenishment shall be stayed, or bonded in an amount

substantially equal to the fair market value of such Property and only for so long as such stay or bond exists;

(r) (i) A petition or complaint is filed before or by the Federal Trade Commission, the United States Justice Department, or any other Tribunal, seeking to cause the Borrower or any other GCI Entity to divest a significant portion of its assets or the Capital Stock of any GCI Entity or the Borrower, pursuant to any antitrust, restraint of trade, unfair competition or similar Laws, and such petition or complaint is not dismissed or discharged within 60 days of the filing thereof, which such divestiture could reasonably be expected to cause a Material Adverse

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Change or (ii) A warrant of attachment or execution or similar process shall be issued or levied against Property of the Borrower or any other GCI Entity which, together with all other such Property of the Borrower and the other GCI Entities subject to other such process, exceeds in value \$1,000,000 in the aggregate, and if such judgment or award is not insured or, within 60 days after the entry, issue or levy thereof, such judgment, warrant or process shall not have been paid or discharged, bonded or stayed pending appeal, or if, after the expiration of any such stay, such judgment, warrant or process shall not have been paid or discharged;

(s) Any civil action, suit or proceeding shall be commenced against any GCI Entity under any federal or state racketeering statute (including, without limitation, the Racketeer Influenced and Corrupt Organization Act of 1970) ("RICO") and such suit shall be adversely determined by a court of applicable jurisdiction resulting in a judgment against such GCI Entity in excess of \$1,000,000; or any criminal action or proceeding shall be commenced against any GCI Entity under any federal or state racketeering statute (including, without limitation, RICO);

(t) There shall exist any breach or default under any Project Agreement, in each case after giving effect to any applicable period of grace in connection therewith;

(u) There shall exist any breach or default under any intercompany promissory note or related agreement executed by AUSP or any other Unrestricted Subsidiary in favor of the Borrower or any Restricted Subsidiary, including without limitation, the Intercompany Notes;

(v) There shall exist any Event of Default relating to the Senior Notes or under the Indenture; or

(w) There shall exist any Event of Default under the Revolver/Term Credit Agreement.

8.02 Remedies Upon Default. If an Event of Default described in Section 8.01(g) hereof shall occur with respect to the Parents, the Borrower or any Subsidiary of the Parents or the Borrower, the Revolving Commitment shall be immediately terminated and the aggregate unpaid principal balance of and accrued interest on all Advances shall, to the extent permitted by applicable Law, thereupon become due and payable concurrently therewith, without any action by Administrative Agent or any Lender, and without diligence, presentment, demand, protest, notice of protest or intent to accelerate, or notice of any other kind, all of which are hereby expressly waived. Subject to the foregoing sentence, if any Event of Default shall occur and be continuing, then no LIBOR Advances shall be available to the Borrower and Administrative Agent may at its election, and shall at the direction of Majority Lenders, do any one or more of the following:

(a) Declare the entire unpaid balance of all Advances immediately due and payable, whereupon it shall be due and payable without diligence, presentment, demand, protest, notice

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of protest or intent to accelerate, or notice of any other kind (except notices specifically provided for under Section 8.01), all of which are hereby expressly waived (except to the extent waiver of the foregoing is not permitted by applicable Law);

(b) Terminate the Revolving Commitment and/or the Letter of Credit Commitment;

(c) Reduce any claim of Administrative Agent and Lenders to judgment;

(d) Demand (and the Borrower shall pay to Administrative Agent) immediately upon demand and in immediately available funds, the amount equal to the aggregate amount of the Letters of Credit then outstanding, irrespective of whether such Letters of Credit have been drawn upon, all as set forth and in accordance with the terms of provisions of Article III hereof. The Administrative Agent shall promptly advise the Borrower of any such declaration or demand but failure to do so shall not impair the effect of such declaration or demand; or

(e) Exercise any Rights afforded under any Loan Papers, by Law, including but not limited to the UCC, at equity, or otherwise.

8.03 Cumulative Rights. All Rights available to Administrative Agent and Lenders under the Loan Papers shall be cumulative of and in addition to all other Rights granted thereto at Law or in equity, whether or not amounts owing thereunder shall be due and payable, and whether or not Administrative Agent or any Lender shall have instituted any suit for collection or other action in connection with the Loan Papers.

8.04 Waivers. The acceptance by Administrative Agent or any Lender at any time and from time to time of partial payment of any amount owing under any Loan Papers shall not be deemed to be a waiver of any Default or Event of Default then existing. No waiver by Administrative Agent or any Lender of any Default or Event of Default shall be deemed to be a waiver of any Default or Event of Default other than such Default or Event of Default. No delay or omission by Administrative Agent or any Lender in exercising any Right under the Loan Papers shall impair such Right or be construed as a waiver thereof or an acquiescence therein, nor shall any single or partial exercise of any such Right preclude other or further exercise thereof, or the exercise of any other Right under the Loan Papers or otherwise.

8.05 Performance by Administrative Agent or any Lender. Should any covenant of any GCI Entity fail to be performed in accordance with the terms of the Loan Papers, Administrative Agent may, at its option, perform or attempt to perform such covenant on behalf of such GCI Entity. Notwithstanding the foregoing, it is expressly understood that neither Administrative Agent nor any Lender assumes, and shall not ever have, except by express written consent of Administrative Agent or such Lender, any liability or responsibility for the performance of any duties or covenants of any GCI Entity.

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8.06 Expenditures. The Borrower shall reimburse Administrative Agent and each Lender for any sums spent by it in connection with the exercise of any Right provided herein. Such sums shall bear interest at the lesser of (a) the Base Rate in effect from time to time, plus 2.0% and (b) the Highest Lawful Rate, from the date spent until the date of repayment by the Borrower.

8.07 Control. None of the covenants or other provisions contained in this Agreement shall, or shall be deemed to, give Administrative Agent or any Lender any Rights to exercise control over the affairs and/or management of any GCI Entity, the power of Administrative Agent and each Lender being limited to the Rights to exercise the remedies provided in this Article; provided, however, that if Administrative Agent or any Lender becomes the owner of any partnership, stock or other equity interest in any Person, whether through foreclosure or otherwise, it shall be entitled to exercise such legal Rights as it may have by being an owner of such stock or other equity interest in such Person.

#### ARTICLE IX. THE ADMINISTRATIVE AGENT

9.01 Authorization and Action. Each Lender hereby appoints and authorizes Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under this Agreement and the other Loan Papers as are delegated to the Administrative Agent by the terms of the Loan Papers, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement and the other Loan Papers (including without limitation enforcement or collection of the Notes), Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of Majority Lenders (or all Lenders, if required under Section 10.01), and such instructions shall be binding upon all Lenders; provided, however, that Administrative Agent shall not be required to take any action which exposes Administrative Agent to personal liability or which is contrary to any Loan Papers or applicable Law. Administrative Agent agrees to give to each Lender notice of each notice given to it by the Borrower pursuant to the terms of this Agreement, and to distribute to each applicable Lender in like funds all amounts delivered to Administrative Agent by the Borrower for the Ratable or individual account of any Lender.

9.02 Administrative Agent's Reliance, Etc. Neither Administrative Agent, nor any of its directors, officers, agents, employees, or representatives shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or any other Loan Paper, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, Administrative Agent (a) may treat the payee of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to Administrative Agent;

(b) may consult with legal counsel (including counsel for the Borrower or any of the Restricted Subsidiaries), independent public accountants, and other experts selected by it, and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties, or representations made in or in connection with this Agreement or any other Loan Papers; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or any other Loan Papers on the part of any GCI Entity or the Restricted Subsidiaries or to inspect the Property (including the books and records) of any GCI Entity or the Restricted Subsidiaries; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, any other Loan Papers, or any other instrument or document furnished pursuant hereto; and (f) shall incur no liability under or in respect of this Agreement or any other Loan Papers by acting upon any notice, consent, certificate, or other instrument or writing believed by it to be genuine and signed or sent by the proper party or parties.

9.03 NationsBank of Texas, National Association and Affiliates. With respect to its Revolving Commitment, its Advances, and any Loan Papers, NationsBank of Texas, National Association has the same Rights under this Agreement as any other Lender and may exercise the same as though it were not Administrative Agent. NationsBank of Texas, National Association and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with, any GCI Entity, any Affiliate thereof, and any Person who may do business therewith, all as if NationsBank of Texas, National Association were not Administrative Agent and without any duty to account therefor to any Lender.

9.04 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon Administrative Agent or any other Lender, and based on the financial statements referred to in Section 5.04 hereof and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Papers.

9.05 Indemnification by Lenders. Lenders shall indemnify Administrative Agent, pro rata, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Administrative Agent in any way relating to or arising out of any Loan Papers or any action taken or omitted by Administrative Agent thereunder, including any negligence of Administrative Agent; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements resulting from Administrative

Agent's gross negligence or willful misconduct. Without limitation of the foregoing, Lenders shall reimburse Administrative Agent, pro rata, promptly upon demand for any out-of-pocket expenses (including reasonable attorneys' fees) incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiation, legal proceedings or otherwise) of, or legal and other advice in respect of rights or responsibilities under, the Loan Papers. The indemnity provided in this Section 9.05 shall survive the termination of this Agreement.

9.06 Successor Administrative Agent. Administrative Agent may resign at any time by giving written notice thereof to Lenders and the Borrower, and may be removed at any time with or without cause by the action of all Lenders (other than Administrative Agent, if it is a Lender). Upon any such resignation, Majority Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed and shall have accepted such appointment within thirty days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the Laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the Rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Loan Papers, provided that if the retiring or removed Administrative Agent is unable to appoint a successor Administrative Agent, Administrative Agent shall, after the expiration of a sixty day period from the

date of notice, be relieved of all obligations as Administrative Agent hereunder. Notwithstanding any Administrative Agent's resignation or removal hereunder, the provisions of this Article shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

#### ARTICLE X. MISCELLANEOUS

10.01 Amendments and Waivers. No amendment or waiver of any provision of this Agreement, the Revolver/Term Credit Agreement, or any other Loan Papers, nor consent to any departure by the Borrower or any other GCI Entity therefrom, shall be effective unless the same shall be in writing and signed by Administrative Agent with the consent of Majority Lenders, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver, or consent shall (and the result of action or failure to take action shall not) unless in writing and signed by all of Lenders and Administrative Agent, (a) increase the Revolving Commitment (except in accordance with the provisions of Section 2.16 hereof), increase the Revolver/Term Commitment or the Letter of Credit Commitment, (b) reduce any principal (including without limitation, any

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scheduled reduction of the Revolving Commitment), interest, fees, or other amounts payable hereunder, or waive or result in the waiver of any Event of Default under Section 8.01(a) hereof or of the Revolver/Term Credit Agreement, (c) postpone any date fixed for any payment of principal (including without limitation, any scheduled reduction of the Revolving Commitment), interest, fees, or other amounts payable hereunder or under the Revolver/Term Credit Agreement, or change the pro rata sharing of payments, (d) release any Collateral or Guaranties securing any GCI Entity's obligations hereunder, other than releases specifically contemplated hereby and by the Loan Papers, including without limitation, releases of assets that have been sold or transferred as specifically permitted hereby or by the Loan Papers, or (e) change the meaning of Specified Percentage or the number of Lenders required to take any action hereunder. No amendment, waiver, or consent shall affect the Rights or duties of Administrative Agent under any Loan Papers, unless it is in writing and signed by Administrative Agent in addition to the requisite number of Lenders.

#### 10.02 Notices.

(a) Manner of Delivery. All notices communications and other materials to be given or delivered under the Loan Papers shall, except in those cases where giving notice by telephone is expressly permitted, be given or delivered in writing. All written notices, communications and materials shall be sent by registered or certified mail, postage prepaid, return receipt requested, by telecopier, or delivered by hand. In the event of a discrepancy between any telephonic notice and any written confirmation thereof, such written confirmation shall be deemed the effective notice except to the extent Administrative Agent, any Lender or the Borrower has acted in reliance on such telephonic notice.

(b) Addresses. All notices, communications and materials to be given or delivered pursuant to this Agreement shall be given or delivered at the following respective addresses and telecopier and telephone numbers and to the attention of the following individuals or departments:

If to the Borrower:

GCI Holdings, Inc.  
2550 Denali Street, Suite 1000  
Anchorage, Alaska 99503-2781

Attention: Mr. John M. Lowber  
Telephone No.: (907) 265-5628  
Facsimile No.: (907) 265-5676

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With a Copy to:

Hartig, Rhodes, Norman, Mahoney & Edwards, P.C.  
717 K Street  
Anchorage, Alaska 99501

Attention: Bonnie J. Paskvan  
Telephone No.: (907) 276-1592  
Facsimile No.: (907) 277-4352

If to Administrative Agent:

NationsBank of Texas, N.A.

901 Main Street, 64th Floor  
Dallas, Texas 75202

Attention: Whitney L. Busse  
Vice President  
Telephone No.: (214) 508-0950  
Facsimile No.: (214) 508-9390

With a Copy to:

Donohoe, Jameson & Carroll, P.C.  
3400 Renaissance Tower  
1201 Elm Street  
Dallas, Texas 75270

Attention: Melissa Ruman Stewart  
Telephone No.: (214) 698-3814  
Facsimile No.: (214) 744-0231

(c) If to any Lender, to its address set forth below opposite its signature or on any Assignment and Acceptance or amendment to this Agreement.

or at such other address or, telecopier or telephone number or to the attention of such other individual or department as the party to which such information pertains may hereafter specify for the purpose in a notice to the other specifically captioned "Notice of Change of Address".

(d) Effectiveness. Each notice, communication and any material to be given or delivered to any party pursuant to this Agreement shall be effective or deemed delivered or furnished (i) if sent by mail, on the fifth Business Day after such notice, communication or

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material is deposited in the mail, addressed as above provided, (ii) if sent by telecopier, when such notice, communication or material is transmitted to the appropriate number determined as above provided in this Section 10.02 and the appropriate receipt is received or otherwise acknowledged, (iii) if sent by hand delivery or overnight courier, when left at the address of the addressee addressed as above provided, and (iv) if given by telephone, when communicated to the individual or any member of the department specified as the individual or department to whose attention notices, communications and materials are to be given or delivered except that notices of a change of address, telecopier or telephone number or individual or department to whose attention notices, communications and materials are to be given or delivered shall not be effective until received; provided, however, that notices to Administrative Agent pursuant to Article II shall be effective when received. The Borrower agrees that Administrative Agent shall have no duty or obligation to verify or otherwise confirm telephonic notices given pursuant to Article II, and agrees to indemnify and hold harmless Administrative Agent and Lenders for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, and expenses resulting, directly or indirectly, from acting upon any such notice.

10.03 Parties in Interest. All covenants and agreements contained in this Agreement and all other Loan Papers shall bind and inure to the benefit of the respective successors and assigns of the parties hereto. Each Lender may from time to time assign or transfer its interests hereunder pursuant to Section 10.04 hereof. No GCI Entity may assign or transfer its Rights or obligations under any Loan Paper without the prior written consent of Administrative Agent.

10.04 Assignments and Participations.

(a) Subject to the following sentence, each Lender (an "Assignor") may assign its Rights and obligations as a Lender under the Loan Papers to one or more Eligible Assignees pursuant to an Assignment and Acceptance, so long as (i) each assignment shall be of a constant, and not a varying percentage of all Rights and obligations thereunder, (ii) each Assignor shall obtain in each case the prior written consent of Administrative Agent, which consent shall not be unreasonably withheld, (iii) each Assignor shall in each case pay a \$3,000 processing fee to Administrative Agent, (iv) no such assignment is for an amount less than \$5,000,000, and (v) no assignment shall be made unless an assignment is also made of the Rights and obligations on a pro rata basis as a Lender under the Revolver/Term Credit Agreement. Assignments and other transfers (except participations) with respect to each Lender's participation in a given Letter of Credit may only be made with the prior written consent of the Administrative Agent. Within five Business Days after Administrative Agent receives notice of any such assignment, the Borrower shall execute and deliver to Administrative Agent, in exchange for the Notes issued to Assignor, new Notes to the order of such Assignor and its assignee in amounts equal to their respective Specified Percentages of the Revolving Commitment. Such new Notes shall be dated the effective date of the assignment. It is specifically acknowledged and agreed that on and after the effective date of each assignment, the assignee shall be a party hereto and shall have the Rights and obligations of a Lender under the Loan Papers.

(b) Each Lender may sell participations to one or more Persons in all or any of its Rights and obligations under the Loan Papers; provided, however, that (i) such Lender's obligations under the Loan Papers shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of its Notes for all purposes of the Loan Papers, (iv) the participant shall be granted the Right to vote on or consent to only those matters described in Sections 10.01(a), (b), (c) and (d), (v) each GCI Entity, Administrative Agent, and other Lenders shall continue to deal solely and directly with such Lender in connection with its Rights and obligations under the Loan Papers and (vi) no such participation is for an amount less than \$5,000,000.

(c) Any Lender may, in connection with any assignment or participation, or proposed assignment or participation, disclose to the assignee or participant, or proposed assignee or participant, any information relating to any GCI Entity furnished to such Lender by or on behalf of any GCI Entity.

(d) Notwithstanding any other provision set forth in this Agreement, each Lender may at any time create a security interest in all or any portion of its Rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

10.05 Sharing of Payments. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any Right of set-off, or otherwise) on account of its Advances in excess of its pro rata share of payments made by the Borrower, such Lender shall forthwith purchase participations in Advances made by the other Lenders as shall be necessary to share the excess payment pro rata with each of them; provided, however, that if any of such excess payment is thereafter recovered from the purchasing Lender, its purchase from each Lender shall be rescinded and each Lender shall repay the purchase price to the extent of such recovery together with a pro rata share of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 10.05 may, to the fullest extent permitted by Law, exercise all its Rights of payment (including the Right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

10.06 Right of Set-off. Upon the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by Law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the other Loan Papers, whether or not Administrative Agent or any Lender shall have made any demand under this

Agreement or the other Loan Papers, and even if such obligations are unmatured. Each Lender shall promptly notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The Rights of each Lender under this Section 10.06 are in addition to other Rights (including, without limitation, other Rights of set-off) which such Lender may have.

#### 10.07 Costs, Expenses, and Taxes.

(a) The Borrower agrees to pay on demand (i) all costs and expenses of Administrative Agent in connection with the preparation and negotiation of all Loan Papers, including without limitation the reasonable fees and out-of-pocket expenses of Special Counsel and (ii) all costs and expenses (including reasonable attorneys' fees and expenses) of Administrative Agent and each Lender in connection with administration, interpretation, modification, amendment, waiver, or release of any Loan Papers and any restructuring, work-out, or collection of any portion of the Obligations or the enforcement of any Loan Papers.

(b) In addition, the Borrower shall pay any and all stamp, debt, and other Taxes payable or determined to be payable in connection with any payment hereunder (other than Taxes on the overall net income of Administrative Agent or any Lender or franchise Taxes or Taxes on capital or capital receipts of Administrative Agent or any Lender), or the execution, delivery, or recordation of any Loan Papers, and agrees to save Administrative Agent and each Lender harmless from and against any and all liabilities with respect to, or resulting from any delay in paying or omission to pay any Taxes in accordance with this Section 10.07, including any penalty, interest, and expenses relating thereto.

All payments by the Borrower or any Restricted Subsidiary under any Loan Papers shall be made free and clear of and without deduction for any present or future Taxes (other than Taxes on the overall net income of Administrative Agent or any Lender of any nature now or hereafter existing, levied, or withheld, or franchise Taxes or Taxes on capital or capital receipts of Administrative Agent or any Lender), including all interest, penalties, or similar liabilities relating thereto. If the Borrower shall be required by Law to deduct or to withhold any Taxes from or in respect of any amount payable hereunder, (i) the amount so payable shall be increased to the extent necessary so that, after making all required deductions and withholdings (including Taxes on amounts payable to Administrative Agent or any Lender pursuant to this sentence), Administrative Agent or any Lender receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) the Borrower shall make such deductions or withholdings, and (iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority in accordance with applicable Law. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 10.07 shall survive the execution of this Agreement, termination of the Revolving Commitment, the Letter of Credit Commitment, the repayment of the Obligations, satisfaction of each agreement securing or assuring the Obligations and termination of this Agreement and each other Loan Paper.

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10.08 Indemnification by the Borrower. The Borrower shall indemnify, defend, and hold harmless Administrative Agent, each Lender and their respective Affiliates, directors, officers, agents, employees, and representatives, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses, and disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against any of them in any way relating to or arising out of any Loan Papers (including in connection with or as a result, in whole or in part, of the negligence of any of them), any transaction related hereto or thereto, or any act, omission, or transaction of the Borrower, any other GCI Entity and their respective Affiliates, or any of their directors, partners, officers, agents, employees, or representatives; provided, however, that neither Administrative Agent nor any Lender shall be indemnified, defended, and held harmless pursuant to this Section 10.08 to the extent of any losses or damages which the Borrower proves were caused by the indemnified party's willful misconduct or gross negligence.

10.09 Rate Provision. It is not the intention of any party to any Loan Papers to make an agreement violative of the Laws of any applicable jurisdiction relating to usury. In no event shall the Borrower or any other Person be obligated to pay any amount in excess of the Maximum Amount. If Administrative Agent or any Lender ever receives, collects or applies, as interest, any such excess, such amount which would be excessive interest shall be deemed a partial repayment of principal and treated hereunder as such; and if principal is paid in full, any remaining excess shall be paid to the Borrower or the other Person entitled thereto. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Maximum Amount, each GCI Entity, Administrative Agent and each Lender shall, to the maximum extent permitted under Applicable Law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effect thereof, and (c) amortize, prorate, allocate and spread in equal parts, the total amount of interest throughout the entire contemplated term of the Obligations so that the interest rate is uniform throughout the entire term of the Obligations; provided that if the Obligations are paid and performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence thereof exceeds the Maximum Amount, Administrative Agent or Lenders, as appropriate, shall refund to the Borrower the amount of such excess or credit the amount of such excess against the total principal amount owing, and, in such event, neither Administrative Agent nor any Lender shall be subject to any penalties provided by any Laws for contracting for, charging or receiving interest in excess of the Maximum Amount. This Section 10.09 shall control every other provision of all agreements among the parties to the Loan Papers pertaining to the transactions contemplated by or contained in the Loan Papers.

10.10 Severability. If any provision of any Loan Papers is held to be illegal, invalid, or unenforceable under present or future Laws during the term thereof, such provision shall be fully severable, the appropriate Loan Paper shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part thereof, and the remaining

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provisions thereof shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance therefrom. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as a part of such Loan Paper a legal, valid, and enforceable provision as similar in terms to the illegal, invalid, or unenforceable provision as may be possible.

10.11 Exceptions to Covenants. No GCI Entity shall be deemed to be permitted to take any action or to fail to take any action that is permitted as an exception to any covenant in any Loan Papers, or that is within the permissible limits of any covenant, if such action or omission would result in a violation of any other covenant in any Loan Papers.

10.12 Counterparts. This Agreement and the other Loan Papers may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof of any such agreement, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

10.13 GOVERNING LAW; WAIVER OF JURY TRIAL.

(a) THIS AGREEMENT AND ALL OTHER LOAN PAPERS SHALL BE DEEMED TO BE CONTRACTS MADE IN DALLAS, TEXAS, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (WITHOUT GIVING EFFECT TO CONFLICT OF LAWS) AND THE UNITED STATES OF AMERICA. WITHOUT EXCLUDING ANY OTHER JURISDICTION AND NOT AS A LIMITATION OF SECTION 10.14 HEREOF, THE BORROWER AGREES THAT THE STATE AND FEDERAL COURTS OF TEXAS LOCATED IN DALLAS, TEXAS, WILL HAVE JURISDICTION OVER PROCEEDINGS IN CONNECTION HEREWITH. TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE BORROWER HEREBY WAIVES ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE (WHETHER A CLAIM IN TORT, CONTRACT, EQUITY, OR OTHERWISE) ARISING UNDER OR RELATING TO THIS AGREEMENT, THE OTHER LOAN PAPERS, OR ANY RELATED MATTERS, AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

(b) THE BORROWER HEREBY WAIVES PERSONAL SERVICE OF ANY LEGAL PROCESS UPON IT. THE BORROWER AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT BY REGISTERED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO THE BORROWER AT ITS ADDRESS DESIGNATED FOR NOTICE UNDER THIS AGREEMENT AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE BUSINESS DAYS AFTER DEPOSIT IN THE UNITED STATES MAIL. NOTHING IN THIS SECTION 10.13 SHALL AFFECT THE

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RIGHT OF ADMINISTRATIVE AGENT OR ANY LENDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

10.14. ENTIRE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

10.15 Amendment and Restatement. This Agreement is a renewal, extension, amendment, and restatement of the Original Credit Agreement, and, as such, except for the "Obligations" as defined in the Original Credit Agreement (which shall survive, be renewed, extended, and restated by the terms of this Agreement), all other terms and provisions supersede in their entirety the Original Credit Agreement; provided, however, this Agreement shall not extinguish the obligations under the Original Credit Agreement or be construed as a substitution or novation of the "Obligations" as defined in the Original Credit Agreement, except as modified hereby or the other Loan Papers executed concurrently herewith. All subordination agreements, security agreements, pledge agreements, mortgages, and deeds of trust executed and delivered in connection with this Agreement shall supersede the subordination agreements, security agreements, pledge agreements, mortgages, and deeds of trust executed and delivered in connection with the Original Credit Agreement (the "Original Security Documents"), except for the Liens created under the Original Security Documents which shall remain valid, binding and enforceable Liens against the Borrower and the Subsidiaries and each of the other Persons which granted such Liens.

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IN WITNESS WHEREOF, this Credit Agreement is executed as of the date first set forth above.

THE BORROWER: GCI HOLDINGS, INC.

By: /s/ John M. Lowber  
Its: Senior Vice President and Chief  
Financial Officer

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ADMINISTRATIVE AGENT:

NATIONSBANK OF TEXAS, N.A., as Administrative Agent

By: /s/ Whitney L. Busse  
Its: Vice President

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DOCUMENTATION AGENT:

CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent

By: /s/ Mark D. Thorsheim  
Its: Vice President

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SYNDICATION AGENT:

TD SECURITIES (USA), INC., as Syndication Agent

By: /s/ A.L. Miller  
Its: M.D.

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LENDERS:

Specified Percentage: NATIONSBANK OF TEXAS, N.A., Individually,  
as a Lender  
10.0000%

Address:  
901 Main, 64th Floor  
Dallas, Texas 75202

By: /s/ Whitney L. Busse  
Its: Vice President

Attention: Whitney L. Busse  
Telephone: (214) 508-0950  
Facsimile: (214) 508-9390

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Specified Percentage: TORONTO DOMINION (TEXAS), INC., Individually as  
a Lender  
10.0000%

Address:  
909 Fannin, Suite 1700  
Houston, Texas 77010

By: /s/ Neva Nesbitt  
Its: Vice President

Attention: David Parker  
Telephone: (713) 653-8248  
Facsimile: (713) 951-9921

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Specified Percentage: CREDIT LYONNAIS NEW YORK BRANCH,  
Individually as a Lender  
10.0000%

Address:

1301 Avenue of the Americas  
New York, New York 10019

By: /s/ Mark D. Thorsheim  
Its: Vice President

Attention: Mark Thorsheim  
Telephone: (212) 261-7852  
Facsimile: (212) 261-3288

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Specified Percentage: COBANK, ACB, Individually as a Lender

8.0000%

Address:  
5500 South Quebec Street  
Englewood, Colorado 80111

By: /s/ John McFarlane  
Its: Vice President

Attention: John McFarlane  
Telephone: (303) 740-4332  
Facsimile: (303) 740-6496

By:  
Its:

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Specified Percentage: BANQUE PARIBAS, Individually as a Lender

6.0000%

Address:  
2029 Century Park East, Suite 3900  
Los Angeles, California 90067

By: /s/ Thomas Brandt  
Its: Director

Attention: Todd Rodgers  
Telephone: (310) 551-7394  
Facsimile: (310) 556-3762

By: /s/ Darlynn Ernst  
Its: Assistant Vice President

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Specified Percentage: GENERAL ELECTRIC CAPITAL CORPORATION,  
Individually as a Lender

6.0000%

Address:  
120 Long Ridge Road  
Stamford, Connecticut 06927

By: /s/ Molly S. Fergusson  
Its: Manager - Operations

Attention: Manager - Operations  
Telephone: (203) 961-2275  
Facsimile: (203) 961-2017

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Specified Percentage: THE LONG-TERM CREDIT BANK OF JAPAN, LTD.,  
LOS ANGELES AGENCY, Individually as a Lender

6.0000%

Address:  
350 South Grand Avenue, Suite 3000  
Los Angeles, California 90071

By: /s/ T. Morgan Edwards II  
Its: Deputy General Manager

Attention: Hiro Negi  
Telephone: (213) 689-6344  
Facsimile: (213) 689-6294

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Specified Percentage: UNION BANK OF CALIFORNIA, N.A.,  
Individually as a Lender

6.0000%

Address:  
445 S. Figueroa Street, 15th Floor  
Los Angeles, California 90071

By: /s/ Christine P. Ball  
Its: Vice President

Attention: Sonia Isaacs  
Telephone: (213) 236-7834  
Facsimile: (213) 236-5747

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Specified Percentage: BANK OF HAWAII, Individually as a Lender  
4.2500%

Address:  
1850 N. Central Avenue, Suite 400  
Phoenix, Arizona 85004

By: /s/ Elizabeth O. MacLean  
Its: Vice President

Attention: Elizabeth O. MacLean  
Telephone: (602) 257-2437  
Facsimile: (602) 257-2235

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Specified Percentage: THE BANK OF NEW YORK, Individually as  
a Lender  
4.2500%

Address:  
1 Wall Street  
New York, New York 10286

By: /s/ Edward F. Ryan, Jr.  
Its: Senior Vice President

Attention: Ted Ryan  
Telephone: (212) 635-8608  
Facsimile: (212) 635-8593

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Specified Percentage: BANQUE NATIONALE DE PARIS, Individually as  
a Lender  
4.2500%

Address:  
499 Park Avenue  
New York, New York 10022

By: /s/ Serge Desrayaud  
Its: Vice President

Attention: Marcus C. Jones  
Telephone: (212) 415-4632  
Facsimile: (212) 418-8269

By: /s/ Marcus C. Jones  
Its: Vice President

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Specified Percentage: CITY NATIONAL BANK, Individually as a Lender  
4.2500%

Address:  
400 N. Roxbury Drive, 3rd Floor  
Beverly Hills, California 90210

By: /s/ David C. Burdge  
Its: Senior Vice President

Attention: Rod Bollins  
Telephone: (310) 888-6149  
Facsimile: (310) 888-6152

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Specified Percentage: FIRST NATIONAL BANK OF MARYLAND, Individually as  
a Lender  
4.2500%

Address:  
25 South Charles Street  
18th Floor, Mail Stop 101-511  
Baltimore, Maryland 21201

By: /s/ Christopher L. Smith  
Its: Vice President  
Attention: Christopher Smith  
Telephone: (410) 244-4798  
Facsimile: (410) 244-4920

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Specified Percentage: FLEET NATIONAL BANK, Individually as a Lender

4.2500%

Address:  
One Federal Street  
MAOFD03D  
Boston, Massachusetts 02110

By: /s/ Chris Swindell  
Its: VP

Attention: Christopher Swindell  
Telephone: (617) 346-5579  
Facsimile: (617) 346-4345

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Specified Percentage: THE FUJI BANK, LIMITED, LOS ANGELES AGENCY,  
Individually as a Lender

4.2500%

Address:  
333 South Hope Street, 39th Floor  
Los Angeles, California 90071

By: /s/ Masahito Fukuda  
Its: Joint General Manager

Attention: Fred Caparoso  
Telephone: (213) 253-4148  
Facsimile: (213) 253-4178

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Specified Percentage: THE SUMITOMO BANK, LIMITED, Individually as a  
Lender

4.2500%

Address:  
1201 Third Avenue, Suite 5320  
Seattle, Washington 98101

By: /s/ Goro Hirai  
Its: Joint General Manager

Attention: Bob Granfelt  
Telephone: (206) 223-4050  
Facsimile: (206) 623-8551

Original to:

777 S. Figueroa Street  
Suite 2600  
Los Angeles, California 90017

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Specified Percentage: NATIONAL BANK OF ALASKA, Individually as a Lender

4.0000%

Address:  
301 W. Northern Lights Blvd.  
Commercial Loan Department  
Anchorage, Alaska 99503

By: /s/ Patricia Jelley Benz  
Its: Vice President

Attention: Pita Jelley Benz  
Telephone: (907) 265-2916  
Facsimile: (907) 265-2141

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SCHEDULE 7.02

SUBORDINATED DEBT PROVISIONS

- A. Definition of Subordinated Debt and Senior Debt - all inclusive, i.e. Subordinated Debt defined as all debt, principal, interest (including postbankruptcy interest), indemnitees, liabilities, fees, costs, and expenses now or hereafter existing, etc. subordinated to all Senior Debt defined as all debt, principal, interest (including postbankruptcy interest), indemnitees, liabilities, fees, costs, and expenses now or hereafter existing, as renewed, extended, increased, etc. (and all other "Obligations" as defined in the Credit Agreement)
- B. Payment Terms Prebankruptcy
1. no payment of interest, except payment in kind; no amortization or defeasance or mandatory redemption of principal (other than change of control provisions subject to the subordination provisions)
  2. fixed maturity date no sooner than one year after the fully extended maturity date of the Senior Debt; the maturity of Senior Debt may be extended from time to time without the consent of the Subordinated Debt Holders
- C. Covenants
1. limitation on covenants to limitation of debt incurrence (other than Senior Debt and guarantees thereof) and other affirmative type covenants; no financial covenants
  2. Any change of control provision which triggers a redemption of the Subordinated Debt must be subject to payment of Senior Debt in full
  3. No dividend restrictions or other restrictive covenants
- D. Defaults; Remedies Upon Default
1. only defaults in Subordinated Debt documents are payment defaults, affirmative covenant defaults, bankruptcy defaults, and cross acceleration to Senior Debt
  2. may have right to sue and to accelerate, subject to standstill provisions, on the direction of the trustee by 51% of the Subordinated Debt holders
- E. Terms Post Bankruptcy - assignment of claims and power of attorney given Senior Debt holders
- F. Standstill Provisions - typical industry standstill provisions, including, without limitation:
1. if a payment default occurs under the Senior Debt documents, an absolute standstill by the Subordinated Debt holders is required regardless of whether the Senior Debt holders have accelerated
  2. 360 day standstill required for all defaults under the Subordinated Debt documents, subject to the absolute standstill if a payment default has occurred under the Senior Debt documents as described above
- G. UNSECURED - no liens permitted to secure the Subordinated Debt
- H. Senior Debt may be increased, and all Senior Debt documents may be amended without the consent of the Subordinated Debt holders

90658



GCI HOLDINGS, INC.

By:  
Its:

SCHEDULE OF ADVANCES AND PAYMENTS OF PRINCIPAL TO  
NOTE OF  
GCI HOLDINGS, INC  
DATED

Date	Principal Amount of Advance	Maturity of Interest Period	Principal Amount Paid	Unpaid Balance
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EXHIBIT B

ASSIGNMENT AND ACCEPTANCE

Dated

Reference is made to the Amended and Resated Credit Agreement dated as of November , 1997, (as amended, restated, or otherwise modified from time to time, the "Credit Agreement") among GCI Holdings, Inc., an Alaskan corporation (the "Borrower"), NationsBank of Texas, N.A., as Administrative Agent (the "Administrative Agent"), and the Lenders parties thereto. Terms defined in the Credit Agreement are used herein with the same meaning.

("Assignor") and ("Assignee") agree as follows:

1. Assignor hereby sells and assigns to Assignee without recourse or warranty, and Assignee hereby purchases and assumes from Assignor, a % interest in and to all of Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below), with respect to such percentage interest in Assignor's portion of the Revolving Commitment [Revolver/Term Commitment] as in effect on the Effective Date, the principal amount of Advances owing to Assignor on the Effective Date, and the Notes held by Assignor, subject to the terms and conditions of this Assignment and Acceptance.

2. Assignor (a) represents and warrants that (i) as of the date hereof the aggregate amount of its portion of the Revolving Commitment [Revolver/Term Commitment] (without giving effect to assignments thereof which have not yet become effective) is \$ and, as of the date hereof, the outstanding principal amount of the Advances owing to it (without giving effect to assignments thereof which have not yet become effective) is \$ , and (ii) it is the legal and beneficial owner of the interest being assigned by it hereunder; (b) makes no representation or warranty and assumes no responsibility with respect to (i) any statements, warranties, or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency, or value of the Credit Agreement, the Loan Papers, or any other instrument or document furnished pursuant thereto or (ii) the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement, the Loan Papers, or any other instrument or document furnished pursuant thereto; and (c) attaches the Note referred to in Paragraph 1 above to exchange such Notes for new Note as follows:

3. Assignee (a) confirms that it has received a copy of the Credit Agreement and the other Loan Papers, together with copies of the financial statements referred to in Section 6.05 of the Credit Agreement and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (b) agrees that it will, independently and without reliance upon the Administrative Agent, Assignor, or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement and the other Loan Papers; (c) appoints and authorizes the Administrative Agent to

take such action as agent on its behalf and to exercise such powers under the Credit Agreement, the other Loan Papers, and this Assignment and Acceptance as are delegated to the Administrative Agent by the terms thereof and hereof, together with such powers as are reasonably incidental thereto and hereto; (d) agrees that it will perform in accordance with its terms all of the obligations which by the terms of the Credit Agreement, the other Loan Papers, and this Assignment and Acceptance are required to be performed by it as a Lender; (e) specifies the addresses set forth in Schedule I attached hereto as its address for the receipt of notices; and (f) if it is not a United States Person, attaches the forms prescribed by the Internal Revenue Service certifying as to Assignee's status for purposes of determining exception from United States withholding taxes with respect to all payments to be made to Assignee under the Credit Agreement, the other Loan Papers, and this Assignment and Acceptance or such other documents as are necessary to indicate that all such payments are subject to such taxes at a rate reduced by an applicable tax treaty.

4. The effective date for this Assignment and Acceptance shall be (the "Effective Date").

5. Upon remittance of the \$3,500 processing fee to the Administrative Agent on behalf of the Administrative Agent and the Effective Date, (a) Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (b) Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of Texas and the United States of America. Without excluding any other jurisdiction, Assignee agrees that the courts of Texas will have jurisdiction over proceedings in connection herewith.

7. Assignee's Specified Percentage ("Specified Percentage") shall be %.

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8. This Assignment and Acceptance may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument.

[ASSIGNOR]

By:  
Name:  
Title:

[ASSIGNEE]

By:  
Name:  
Title:

-3-

Accepted this        day of

NATIONSBANK OF TEXAS, N.A.,  
as Administrative Agent

By:  
Name:  
Title:

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Schedule I

ASSIGNEE'S ADDRESS

1. Address for the Loans and Receipt of Notices

2. Initial Eurodollar Lending Office

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EXHIBIT C

AMENDED AND RESTATED PLEDGE AND SECURITY AGREEMENT

This Pledge and Security Agreement (as amended, restated, or otherwise modified from time to time, this "Security Agreement") is executed as of November , 1997, by and between the undersigned Company ("Company") and NationsBank of Texas, N.A., as Administrative Agent ("Administrative Agent") for the lenders referred to below.

BACKGROUND

GCI Holdings, Inc. has entered into a \$200,000,000 Amended and Restated Credit Agreement dated as of November , 1997 and a \$50,000,000 Amended and Restated Credit Agreement dated as of November , 1997 (as amended, restated or otherwise modified and in effect from time to time, collectively, the "Credit Agreement"), which Credit Agreement is a restatement of those certain \$200,000,000 and \$50,000,000 Credit Agreements, each dated as of August 1, 1997 among GCI Holdings, Inc., Administrative Agent and the lenders named therein (collectively, the "Original Credit Agreement"). In connection with the Original Credit Agreement, the Company has also entered into that certain Pledge and Security Agreement, dated as of August 1, 1997, for the benefit of Administrative Agent and the lenders named therein. The Credit Agreement requires that the Obligations (as defined in the Credit Agreement) be secured by the Collateral (as hereinafter defined) and Company desires to enter into this Security Agreement to satisfy such terms. The board of directors of the Company has determined that the Company will benefit, directly or indirectly, from the Advances (as defined in the Credit Agreement) made under the Credit Agreement.

AGREEMENT

The parties hereto agree as follows:

1. DEFINITIONS.

As used in this Security Agreement:

"Accounts" means rights to payment for goods sold or leased or for services rendered, whether or not earned by performance, together with all security interests securing such rights to payment.

"Collateral" means all of the following property, wherever located, in which Company now has or hereafter acquires any right or interest, and any and all proceeds, insurance proceeds and products thereof, together with all cash, bank accounts, special collateral accounts, books, records, customer lists, credit files, computer files, programs, printouts and other computer records related thereto:

- |                         |                   |
|-------------------------|-------------------|
| (a) Accounts            | (e) Pledged Stock |
| (b) Equipment           | (f) Stock Rights  |
| (c) Fixtures            | (g) Inventory     |
| (d) General Intangibles |                   |

"Default" means an event described in Section 5 whether or not any requirement in connection with such event for the giving of notice, lapse of time, or happening of any further condition has been satisfied.

"Event of Default" means an event described in Section 5.

"Equipment" means all equipment, machinery, furniture and goods used or usable by Company in its business and all other tangible personal property (other than Inventory and motor vehicles), and all accessions and additions thereto, including, without limitation, the Fixtures.

"FCC" means the Federal Communications Commission or any other regulatory body which succeeds to the functions of the Federal Communications Commission.

"FCC License" means any community antenna relay service, broadcast auxiliary license, earth station, business radio, microwave or special safety radio service license issued by the FCC pursuant to the Communications Act of 1934, as amended.

"Fixtures" means all goods of Company, which have been attached to real property in such a manner that their removal would cause damage to the realty and which have therefore taken on the character of real property, including, without limitation, all trade fixtures.

"General Intangibles" means all intangible personal property including, without limitation, all contract rights, rights to receive payments of money, choses in action, judgments, tax refunds and tax refund claims, patents, trademarks, trade names, copyrights, licenses (including, without limitation, all FCC Licenses except to the extent that it is unlawful to grant a security interest therein and that the grant of any such security interest therein would result in a default thereunder or forfeiture thereof), franchises, partnership interests, joint venture interests, leasehold interests in real or personal property, rights to receive rentals of real or personal property and guarantee claims.

"Government Claim" means any Receivable which constitutes a claim against the federal government, any state government or any instrumentality or agency of any of the foregoing.

"Inventory" means all inventory, raw materials, work in process, finished goods, returned or repossessed goods, goods held for sale or lease, goods furnished or to be furnished under contracts of service.

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"Lien" means any security interest, mortgage, pledge, hypothecation, lien, claim, charge, encumbrance, title retention agreement or lessor's interest in, of or on the Collateral or any portion thereof.

"Person" means any corporation, natural person, firm, joint venture, partnership, trust, unincorporated organization, enterprise, government or any department or agency of any government.

"Pledged Stock" means all of the outstanding shares of capital stock of each Person currently or hereafter owned by Company, other than, in the case of GCI Holdings, Inc., GCI Transport Company.

"Receivables" means the Accounts and General Intangibles.

"Section" means a numbered section of this Security Agreement, unless another document is specifically referenced.

"Security Agreement" means this Pledge and Security Agreement, as it may be amended or modified and in effect from time to time.

"Stock Rights" means any securities, dividends or other distributions and any other right or property which Company shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any or all of the Pledged Stock and any other property substituted or exchanged therefor and any stock, any right to receive stock and any right to receive earnings, in which Company now has or hereafter acquires any right, issued by an issuer of the Pledged Stock.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

## 2. GRANT OF SECURITY INTEREST.

Company hereby pledges, assigns and grants to Administrative Agent for the benefit of the Lenders, equally and ratably in proportion to the total Obligations owing at any time to the Lenders, a continuing Lien and security interest in and right of setoff against the Collateral to secure the full and complete payment and performance of the Obligations.

## 3. REPRESENTATIONS AND WARRANTIES.

Company represents and warrants to Administrative Agent that:

3.1. Existence and Standing. Company is duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

3.2. Authorization, Validity and Enforceability. The execution and delivery by Company of this Security Agreement has been duly authorized by proper corporate proceedings and this Security Agreement constitutes a legal, valid and binding obligation of Company and creates a security interest which is enforceable against Company in all now owned and hereafter acquired Collateral, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

3.3. Conflicting Laws and Contracts. Neither the execution and delivery by Company of this Security Agreement, nor the creation and perfection of the security interest in the Collateral granted hereunder, nor compliance with the terms and provisions hereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on Company or Company's articles or certificate of incorporation or by-laws, the provisions of any indenture, instrument or agreement to which Company is a party or is subject, or by which it or its property is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, which has not heretofore been obtained or made, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of this Security Agreement other than the filing, within the period established by applicable law, of this Security Agreement with the FCC.

3.4. Principal Location. Company's mailing address for notices hereunder, the location of its chief executive office and principal place of business and of its books and records relating to the Receivables are all disclosed in Exhibit A. Company has no other places of business except those set forth in Exhibits A and B.

3.5. Property Locations. The Equipment and Fixtures are located solely at the locations described in Exhibit B. All of said locations are owned by Company except those listed in Part B of Exhibit B.

3.6. No Other Names. Company has not conducted business under any name except the name in which it has executed this Security Agreement and the trade names listed in Exhibit A.

3.7. No Default. No Default or Event of Default exists.

3.8. Receivables. The names of the obligors, amounts owing, due dates and other information with respect to the Receivables are correctly stated in all material respects in all

records of Company relating thereto and in all invoices and reports with respect thereto furnished to Administrative Agent by Company from time to time.

3.9. Filing Requirements. None of the Collateral is of a type where security interests or liens may be filed under any federal statute, except for patents and copyrights held by Company described in Exhibit C. The legal description and street address of the property on which any Fixtures are located is set forth in Exhibit B, together with the names and addresses of the record owner of each such property.

3.10. No Financing Statements. No financing statement describing all or any portion of the Collateral which has not lapsed or been terminated naming Company as debtor has been filed in any jurisdiction except (a) financing statements naming Administrative Agent as secured party and (b) financing statements described in Exhibit D.

3.11. Ownership of Pledged Stock. Company is the holder of record and the sole beneficial owner of each share of the Pledged Stock and the Pledged Stock constitutes 100% of the issued and outstanding stock of each Subsidiary owned by the Company. Exhibit E sets forth a complete and accurate list of the Pledged Stock and Stock Rights. No Person other than Company is the holder of record or the beneficial owner of any Stock Rights. All of the shares of Pledged Stock have been duly and validly issued, are fully paid and non-assessable and are owned by Company free and clear of any Liens, except Permitted Liens, options, warrants, puts, calls or other rights of third persons, and restrictions, other than (a) the security interest granted to Administrative Agent hereunder and (b) restrictions on transferability imposed by applicable state and Federal Securities laws or which may arise as a result of Company being subject to the Communications Act of 1934, as amended, and the rules and regulations of the FCC thereunder.

4. COVENANTS.

From the date of this Security Agreement, and thereafter until this Security Agreement is terminated:

4.1. General.

(a) Applications, Approvals and Consents. Company will, at its expense, promptly execute and deliver, or cause the execution and delivery of, all applications, certificates, instruments, registration statements, and all other documents and papers Administrative Agent may reasonably request in connection with the obtaining of any consent, approval, registration, qualification, or authorization of the FCC or of any other Person necessary or appropriate for the effective exercise of any rights under this Security Agreement. Without limiting the generality of the foregoing, Company agrees that in the event Administrative Agent shall exercise its right to sell, transfer, or otherwise dispose of or take any other action in connection with any of the Pledged Stock or other Collateral pursuant to this Security Agreement, Company shall execute and deliver all applications, certificates, and other documents Administrative Agent may

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reasonably request and shall otherwise promptly, fully, and diligently cooperate with Administrative Agent, the Lenders and any other necessary Persons, in making any application for the prior consent or approval of the FCC or any other Person to the exercise by Administrative Agent or the Lenders of any of such rights relating to all or any part of the Pledged Stock or other Collateral. Furthermore, because Company agrees that Administrative Agent's and the Lenders' remedy at law for failure of Company to comply with the provisions of this Section 4.1(a) would be inadequate and that such failure would not be adequately compensable in damages, Company agrees that the covenants of this Section 4.1(a) may be specifically enforced.

(b) Inspection. Company will permit Administrative Agent, by its representatives and agents, to inspect the Collateral, to examine and make copies of the records of Company relating thereto, and to discuss the Collateral, and the records of Company with respect thereto with, and to be advised as to the same by, Company's officers and employees and, in the case of any Receivable, with any Person which is or may be obligated thereon, all at such reasonable times and intervals as Administrative Agent may determine, all at Company's expense.

(c) Taxes. Company will pay when due all taxes, assessments and governmental charges and levies upon the Collateral, except those which are being contested in good faith by appropriate proceedings.

(d) Records and Reports. Company will maintain complete and accurate books and records with respect to the Collateral, and furnish to Administrative Agent such reports relating to the Collateral as Administrative Agent may from time to time request.

(e) Notice of Default. Company will give prompt notice in writing to Administrative Agent of the occurrence of any Default or Event of Default and of any other development, financial or otherwise, which might materially adversely affect the Collateral or the ability of Company to perform the Obligations hereunder and under the other Loan Papers to which it is a party.

(f) Financing Statements and Other Actions. Company will execute and deliver to Administrative Agent all financing statements and other documents from time to time requested by Administrative Agent in order to maintain a first perfected security interest in the Collateral.

(g) Further Assurances. Company agrees to warrant and defend title to and ownership of the Pledged Stock and Stock Rights and the lien created by this Security Agreement against the claims of all Persons and maintain and preserve such lien at all times during the term of this Security Agreement. Company, at its expense, shall from time to time execute and deliver to Administrative Agent all such other assignments, certificates, supplemental documents, and financing statements, and shall do all other acts

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or things as Administrative Agent may reasonably request in order to more fully create, evidence, perfect, continue, and preserve the priority of the lien herein created. Without limiting the generality of the foregoing, (i) Company shall, upon the request of Administrative

Agent or Majority Lenders at such time as (A) a Default or Event of Default shall have occurred and be continuing or (B) the total aggregate amount of all Government Claims shall exceed 7% of all Receivables owing to Company, execute and deliver to Administrative Agent, at Company's expense, such assignments of claims or similar documents as shall be necessary or appropriate to continue or perfect the priority of the lien herein created in such Government Claims.

(h) Disposition of Collateral. Company will not lease, sell or otherwise dispose of the Collateral except as permitted by the terms of the Credit Agreement.

(i) Liens. Company will not create, incur, or suffer to exist any Lien except (i) the Lien created by this Security Agreement and (ii) those Liens permitted by the terms of the Credit Agreement.

(j) Change in Location or Name. Without giving Administrative Agent at least 30 days' prior written notice, Company will not (i) have any Equipment or Fixtures or proceeds or products thereof (other than Equipment, Fixtures or proceeds thereof disposed of as permitted by Section 4.1(h)) at a location other than a location specified in Exhibit B, (ii) maintain records relating to the Receivables at a location other than at the location specified on Exhibit A, (iii) maintain a place of business at a location other than a location specified on Exhibits A and B, or (iv) change its name or its mailing address or adopt a trade or assumed name.

(k) Other Financing Statements. Company will not sign or authorize the signing on its behalf of any financing statement naming it as debtor covering all or any portion of the Collateral, except financing statements in respect of the Liens permitted by Section 4.1(i).

#### 4.2. Receivables.

(a) Certain Agreements on Receivables. Company will not make or agree to make any discount, credit, rebate or other reduction in the original amount owing on a Receivable or accept in satisfaction of a Receivable less than the original amount thereof, except that, prior to the occurrence of an Event of Default, Company may reduce the amount of Accounts in accordance with its present policies and in the ordinary course of business.

(b) Collection of Receivables. Subject to the rights of Administrative Agent under this Security Agreement and as a secured party under applicable law, Company will collect and enforce, at Company's sole expense, all amounts due or hereafter due to Company under the Receivables.

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(c) Delivery of Invoices. Upon the request of Administrative Agent after the occurrence and during the continuance of an Event of Default, Company will deliver to Administrative Agent duplicate invoices with respect to each Account bearing such language of assignment as Administrative Agent shall specify.

(d) Disclosure of Counterclaims on Receivables. If any discount, credit, agreement to make a rebate or to otherwise reduce (collectively, a "Reduction") the amount owing on a Receivable exists or if, to the knowledge of Company, any dispute, setoff, claim, counterclaim or defense (collectively, a "Claim") exists or has been asserted or threatened with respect to a Receivable, which Reduction or Claim may, singly or in the aggregate, materially adversely affect the value of the Collateral or the ability of Company to fulfill its obligations under the Loan Papers, Company will disclose such fact to Administrative Agent in writing in connection with the inspection by Administrative Agent of any record of Company relating to such Receivable and in connection with any invoice or report furnished by Company to Administrative Agent relating to such Receivable.

#### 4.3. Equipment and Fixtures.

(a) Maintenance of Goods. Company will do all things necessary to maintain, preserve, protect and keep the Equipment and Fixtures in good repair and working condition.

(b) Insurance. Company will (i) maintain fire and extended coverage insurance on the Equipment and Fixtures containing a lender's loss payable and breach of warranty clause in favor of Administrative Agent and providing that said insurance will not be terminated except after at least 30 days' written notice from the insurance company to Administrative Agent, (ii) maintain such other insurance on the

Equipment and Fixtures for the benefit of Administrative Agent as Administrative Agent shall from time to time reasonably request, and (iii) furnish to Administrative Agent upon the request of Administrative Agent from time to time the originals of all policies of insurance on the Equipment and Fixtures and certificates with respect to such insurance.

#### 4.4. Pledged Stock.

(a) Delivery of Pledged Stock. Company will deliver to Administrative Agent concurrently with the execution of this Security Agreement the certificates representing the Pledged Stock which constitutes certificated securities, endorsed in blank or accompanied by appropriate instruments of transfer or assignments executed in blank. If Company shall at any time acquire any additional shares of the capital stock of any class of the Pledged Stock or any instrument evidencing Stock Rights, whether such acquisition shall be by purchase, exchange, reclassification, dividend, or otherwise, Company shall forthwith (and without the necessity for any request or demand by Administrative Agent or any Lender) deliver the certificates representing such shares which constitutes

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certificated securities and such instrument or writing to Administrative Agent, in the same manner as described in the immediately preceding sentence.

(b) Changes in Capital Structure of Issuers. Company will not permit or suffer the issuer of any of the Pledged Stock or Stock Rights to dissolve, liquidate, retire any of its capital stock, authorize or issue any stock or rights to acquire stock not outstanding in the name of Company on the date hereof, reduce its capital or merge or consolidate with any other Person other than Company or another Wholly-Owned Subsidiary, and Company will not in any event vote any of the Pledged Stock or any Stock Rights in favor of any of the foregoing.

(c) Stock Rights. Company will deliver to Administrative Agent, promptly upon receipt, all Stock Rights (other than, unless and until a Default shall have occurred and be continuing, ordinary cash dividends received with respect to the Pledged Stock) and agrees that such Stock Rights shall be held in trust by Company for Administrative Agent until delivery thereof to Administrative Agent.

(d) Voting Rights. Upon the occurrence and during the continuance of an Event of Default, Administrative Agent may, upon prior written notice to the Company of the Administrative Agent's intention to do so, exercise all voting rights and all other ownership or consensual rights of or with respect to the Pledged Stock, but under no circumstances is Administrative Agent obligated to exercise such rights. Until the occurrence and during the continuance of an Event of Default and the giving of the aforesaid notice by Administrative Agent, the Company shall retain all voting rights to the Pledged Stock.

4.5. Government Claims. Company will, promptly upon a request therefor, notify Administrative Agent of any Government Claim.

#### 5. DEFAULT.

5.1. The occurrence of any one or more of the following events shall constitute an Event of Default:

(a) Any material representation or warranty made by or on behalf of Company to Administrative Agent or any Lender under or in connection with this Security Agreement shall be materially false on the date as of which made.

(b) The breach by Company of any of the terms or provisions of Sections 4.1(a), (e), (f), (g), (h), (j) and (k), 4.4 or 7; or the breach by Company of any of the terms or provisions of Sections 4.1(b) and (i) of this Security Agreement which is not remedied within 10 days after the giving of written notice by Administrative Agent.

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(c) The breach by Company (other than a breach which constitutes a Default under Section 5.1(a) or (b)) of any of the terms or provisions of this Security Agreement which is not remedied within 30 days after the giving of written notice by Administrative Agent.

(d) Any material portion of the Collateral shall be transferred or otherwise disposed of in any manner not permitted by Section 4.1(h) or shall be lost, damaged or destroyed and not covered by insurance naming Administrative Agent as loss payee (subject to reasonable deductibles).

(e) The occurrence of any "Event of Default" under, and as defined in, the Credit Agreement.

5.2. Acceleration and Remedies. If any Event of Default occurs, then upon the election of Majority Lenders (or, automatically in the case of the occurrence of a Default under Section 8.01(g) of the Credit Agreement) the Obligations shall automatically become immediately due and payable without notice or demand of any kind. If any other Event of Default occurs, then, upon the election of Majority Lenders, the Obligations shall immediately become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, and Administrative Agent may exercise any or all of the rights and remedies provided (i) in this Security Agreement, including, without limitation, Sections 5.2(a) and 5.2(b), (ii) to secured parties under the Uniform Commercial Code as enacted in the State of Texas or other applicable jurisdiction, as amended and (iii) any other rights afforded at law in equity or otherwise.

(a) Exercise of Rights in Pledged Stock and Stock Rights. Upon the occurrence and continuation of an Event of Default, subject to compliance with applicable law, Administrative Agent, on behalf of Lenders, shall have, subject to Section 8, the right (i) to consent in advance to any vote proposed to be cast by Company with respect to any merger, consolidation, liquidation or reorganization of any Subsidiary and, in connection therewith, to join in and become a party to any plan of recapitalization, reorganization, or readjustment (whether voluntary or involuntary) as shall seem desirable to Administrative Agent, on behalf of Lenders, to protect or further their interests in respect of the Pledged Stock and Stock Rights, (ii) to deposit the Pledged Stock and Stock Rights under any such plan, and (iii) to make any exchange, substitution, cancellation, or surrender of the Pledged Stock and Stock Rights required by any such plan and to take such action with respect to the Pledged Stock and Stock Rights as may be required by any such plan or for the accomplishment thereof and no such disposition, exchange, substitution, cancellation, or surrender shall be deemed to constitute a release of the Pledged Stock and Stock Rights from the lien pursuant to this Security Agreement.

(b) Right of Sale of Pledged Stock and Stock Rights after Default. Upon the occurrence and during the continuance of an Event of Default, subject to compliance with

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applicable law, Administrative Agent, on behalf of Lenders, may, subject to Section 8, sell, without recourse to judicial proceedings, with the right to bid for and buy the Pledged Stock and Stock Rights or any part thereof, upon ten days' notice (which notice is agreed to be reasonable notice for the purposes hereof) to Company of the time and place of sale, for cash, upon credit or for future delivery, at Administrative Agent's option and in Administrative Agent's complete discretion:

(i) At public sale, including a sale at any broker's board or exchange;

(ii) At private sale in any commercially reasonable manner which will not require the Pledged Stock and Stock Rights, or any part thereof, to be registered in accordance with the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder, or any other law or regulation. Administrative Agent and Lenders are also hereby authorized, but not obligated, to take such actions, give such notices, obtain such consents, and do such other things as they may deem required or appropriate in the event of sale or disposition of any of the Pledged Stock and Stock Rights. Company understands that Administrative Agent, on behalf of Lenders, may in its discretion approach a restricted number of potential purchasers and that a sale under such circumstances may yield a lower price for the Pledged Stock and Stock Rights, or any portion thereof, than would otherwise be obtainable if the same were registered and sold in the open market. Company agrees that in the event Administrative Agent shall so sell the Pledged Stock and Stock Rights, or any portion thereof, at such private sale or sales, Administrative Agent and Lenders shall have the right to rely upon the advice and opinion of any Person who regularly deals in or evaluates stock of the type constituting the Pledged Stock and Stock Rights as to the price obtainable in a commercially reasonable

manner upon such a private sale thereof.

In the case of any sale by Administrative Agent on behalf of Lenders of the Pledged Stock and Stock Rights on credit or for future delivery, the Pledged Stock and Stock Rights sold may be retained by Administrative Agent until the selling price is paid by the purchaser, but neither Administrative Agent nor any Lender shall incur liability in case of failure of the purchaser to take up and pay for the Pledged Stock and Stock Rights so sold.

In connection with the sale of any of the Pledged Stock and Stock Rights, Administrative Agent and Lenders are authorized, but not obligated, to limit prospective purchasers to the extent deemed necessary or desirable by Administrative Agent and Lenders to render such sale exempt from the registration requirements of the Securities Act of 1933, as amended, and any applicable state securities laws. In the event that, in the opinion of Administrative Agent and Lenders, it is necessary or advisable to have such securities registered under the provisions of such Act, or any similar law relating to the registration of securities, Company agrees, at its own expense, to (i) execute and deliver all such instruments and documents, and to do or cause to be done such other acts and things, as may be necessary or, in the opinion of Administrative Agent,

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advisable to register such securities under the provisions of such Act or any applicable similar law relating to the registration of securities, and Company will use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for such period as Administrative Agent shall reasonably request, and to make all amendments thereof and/or to the related prospectus which, in the opinion of Administrative Agent, are necessary or desirable, all in conformity with the requirements of such Act and the rules and regulations of the Securities and Exchange Commission applicable thereto; (ii) use its best efforts to qualify such securities under state "blue sky" or securities laws, all as reasonably requested by the Administrative Agent; and (iii) at the request of the Administrative Agent, indemnify and hold harmless Lenders, the Administrative Agent, any underwriters and accountants (and their respective employees, officers, agents, attorneys) (collectively, the "Indemnified Parties") from and against any loss, liability, claim, damage, and expense (including, without limitation, reasonable fees of counsel incurred in connection therewith) under such Act or otherwise, insofar as such loss, liability, claim, damage, or expense arises out of or is based upon any untrue statement or alleged untrue statement of any material fact furnished by Company contained in any registration statement under which such securities were registered under such Act or other securities laws, any preliminary prospectus or final prospectus contained therein, or arise out of or are based upon any omission or alleged omission by Company to state therein a material fact required to be stated or necessary to make the statements therein not misleading, such indemnification to remain operative regardless of any investigation made by or on behalf of any Indemnified Party; provided, however, that Company shall not be liable in any case to the extent that any such loss, liability, claim, damage, or expense arises out of or is based upon an untrue statement or an omission made in reliance upon and in conformity with written information furnished to Company by an Indemnified Party specifically for use in such registration statement or preliminary or final prospectus and the providing of such untrue statement or such omission resulted from the gross negligence or willful misconduct of an Indemnified Party.

5.3. Company's Obligations Upon Default. Upon the request of the Administrative Agent after the occurrence of an Event of Default and during the continuance thereof, Company will:

(a) Assembly of Collateral. Assemble and make available to the Administrative Agent the Collateral and all records relating thereto at any place or places specified by the Administrative Agent.

(b) The Administrative Agent Access. Permit the Administrative Agent, by the Administrative Agent's representatives and agents, to enter any premises where all or any part of the Collateral, or the books and records relating thereto, or both, are located, to take possession of all or any part of the Collateral and to remove all or any part of the Collateral.

5.4. Governance. All rights and remedies available to Lenders with respect to the grant, foreclosure and enforcement of the security interest and lien granted hereby and with respect to any action permitted hereunder may be exercised solely by the Administrative Agent acting with the concurrence of the Majority Lenders provided, however, that no release of all

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or any portion of the Collateral from the lien created hereby shall be effective without the consent of all Lenders.

6. WAIVERS, AMENDMENTS AND REMEDIES.

No delay or omission of the Administrative Agent to exercise any right or remedy granted under this Security Agreement or under applicable law shall impair such right or remedy or be construed to be a waiver of any Default or Event of Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude other or further exercise thereof or the exercise of any other right or remedy, and no waiver, amendment or other variation of the terms, conditions or provisions of this Security Agreement whatsoever shall be valid unless in writing signed by the Administrative Agent, and then only to the extent in such writing specifically set forth. All rights and remedies contained in this Security Agreement or by law afforded shall be cumulative and all shall be available to the Administrative Agent until the Obligations have been finally paid in full.

7. PROCEEDS; COLLECTION OF RECEIVABLES.

7.1. Collection of Receivables. The Administrative Agent may at any time after the occurrence and during the continuance of an Event of Default, by giving Company written notice, elect to require that the Receivables be paid directly to the Administrative Agent. In such event Company shall, and shall permit the Administrative Agent to, promptly notify the account debtors or obligors under the Receivables of the Administrative Agent's interest therein and direct such account debtors or obligors to make payment of all amounts then or thereafter due under the Receivables directly to the Administrative Agent. Upon receipt of any such notice from Administrative Agent, Company shall thereafter hold in trust for Administrative Agent all amounts and proceeds received by it with respect to the Receivables and other Collateral and immediately and at all times thereafter deliver to Administrative Agent all such amounts and proceeds in the same form as so received, whether by cash, check, draft or otherwise, with any necessary endorsements. Administrative Agent shall hold and apply funds so received as provided by the terms of Sections 7.3 and 7.4.

7.2. Lockboxes. Upon request of Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, Company shall execute and deliver to Administrative Agent Administrative Agent's standard form of irrevocable lockbox agreement and notify the obligors on the Receivables to make payments thereon to such lockbox.

7.3. Special Collateral Account. At any time after the occurrence and during the continuance of an Event of Default, Administrative Agent may require all cash proceeds of the Collateral (whether collected through a lockbox pursuant to Section 7.2 or otherwise) to be deposited in a special non-interest bearing cash collateral account with Administrative Agent and held there as security for the Obligations. Company hereby authorizes Administrative Agent in Administrative Agent's sole discretion to establish such a cash collateral account and acknowledges that Company shall have no control whatsoever over said account. Administrative

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Agent may, at its option, and will (to the extent permitted by applicable law), at Company's written request, apply the collected balances in said cash collateral account to the payment of the Obligations whether or not the Obligations shall then be due, or hold the balances in said cash collateral account as Collateral hereunder.

7.4. Application of Proceeds. Administrative Agent shall apply the proceeds of the Collateral, including the proceeds of any sales or other disposition of the Collateral, or any part thereof, under this Section 7 or Section 5.2(b), in the following order unless a court of competent jurisdiction shall otherwise direct:

(a) First, to payment of all reasonable costs and expenses of Administrative Agent incurred in connection with the collection and enforcement of the Obligations or of the security interest granted to Administrative Agent for the benefit of Lenders pursuant to this Security Agreement;

(b) Second, to payment of that portion of the Obligations constituting accrued and unpaid interest and fees, pro rata amongst Lenders in accordance with the proportion which the accrued interest and fees constituting Obligations owing to each such Lender bears to the aggregate amount of accrued interest and fees constituting Obligations owing to all of Lenders;

(c) Third, to payment of the principal of the Obligations and net termination amounts payable in respect of the Obligations under Interest Hedge Agreements owing to Lenders or any Lender, pro rata among Lenders in accordance with the proportion which the principal amount of Obligations and net termination amounts payable in respect of the Obligations under Interest Hedge Agreements owing to each such Lender bears to the aggregate principal amount of Obligations and net termination amounts payable in respect of Obligations under Interest

Hedge Agreements owing to all of Lenders; and

(d) Fourth, the balance, if any, after all of the Obligations have been satisfied, shall be remitted to Company.

8. CONTROL; LIMITATION OF RIGHTS.

8.1. License. Notwithstanding anything herein to the contrary, this Security Agreement, the other Loan Papers and the transactions contemplated hereby and thereby (i) do not and will not constitute, create, or have the effect of constituting or creating, directly or indirectly, actual or practical ownership of any Subsidiary by Administrative Agent or Lenders, or control, affirmative or negative, direct or indirect, by Administrative Agent or Lenders over the management or any other aspect of the operation of any Subsidiary, which ownership and control remain exclusively and at all times in such Subsidiary and Company, and (ii) do not and will not constitute the transfer, assignment, or disposition in any manner, voluntarily or involuntarily, directly or indirectly, of any license at any time issued by the FCC to any

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Subsidiary ("License"), or the transfer of control of any such Subsidiary within the meaning of Section 310(d) of the Communications Act of 1934, as amended.

8.2. Communications Act. Notwithstanding any other provision of this Security Agreement, any foreclosure on, sale, transfer or other disposition of, or the exercise of any right to vote or consent with respect to, any of the Collateral as provided herein or any other action taken or proposed to be taken by Administrative Agent and Lenders hereunder which would affect the operational, voting, or other control of any Subsidiary, shall be pursuant to Section 310(d) of the Communications Act of 1934, as amended, to any applicable state laws and to the applicable rules and regulations thereunder and, if and to the extent required thereby, subject to the prior approval of the FCC.

8.3. Assignment. Subject to Section 8.5, if an Event of Default shall have occurred and be continuing, Company shall take any action which Administrative Agent, on behalf of Lenders, may reasonably request in order to transfer and assign to Administrative Agent, or to such one or more third parties as Administrative Agent may designate, or to a combination of the foregoing, each License. To enforce the provisions of this Section 8, Administrative Agent is empowered to request the appointment of a receiver from any court of competent jurisdiction. Such receiver shall be instructed to seek from the FCC an involuntary transfer of control of each such License for the purpose of seeking a bona fide purchaser to whom control will ultimately be transferred. Company hereby agrees to authorize such an involuntary transfer of control upon the request of the receiver so appointed and, if Company shall refuse to authorize the transfer, its approval may be required by the court. Upon the occurrence and continuance of an Event of Default, Company shall further use its best efforts to assist in obtaining approval of the FCC, if required, for any action or transactions contemplated by this Security Agreement including, without limitation, the preparation, execution and filing with the FCC of the assignor's or transferor's portion of any application or applications for consent to the assignment of any License or transfer of control necessary or appropriate under the FCC's rules and regulations for approval of the transfer or assignment of any portion of the Collateral, together with any License.

8.4. Specific Enforcement. Company acknowledges that the assignment or transfer of each License is integral to Administrative Agent's and Lenders' realization of the value of the Collateral, that there is no adequate remedy at law for failure by Company to comply with the provisions of this Section 8 and that such failure would not be adequately compensable in damages, and therefore agrees that the agreements contained in this Section 8 may be specifically enforced.

8.5. Prior Approval. Notwithstanding anything to the contrary contained in this Security Agreement or in any other Loan Paper, neither Administrative Agent nor any Lender shall, without first obtaining the approval of the FCC, take any action pursuant to this Security Agreement which would constitute or result in any assignment of a License or any change of control of any Subsidiary if such assignment or change in control would require, under then

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existing law (including the written rules and regulations promulgated by the FCC), the prior approval of the FCC.

9. GENERAL PROVISIONS.

9.1. Notice of Disposition of Collateral. Company hereby waives notice of the time and place of any public sale or the time after which any private sale or other disposition of all or any part of the Collateral. To the extent such notice may not be waived under applicable law, any notice made shall be

deemed reasonable if sent to Company, addressed as set forth in Section 11, at least ten days prior to any such public sale or the time after which any such private sale or other disposition may be made.

9.2. Compromises and Collection of Collateral. Company and Administrative Agent recognize that setoffs, counterclaims, defenses and other claims may be asserted by obligors with respect to certain of the Receivables, that certain of the Receivables may be or become uncollectible in whole or in part and that the expense and probability of success in litigating a disputed Receivable may exceed the amount that reasonably may be expected to be recovered with respect to a Receivable. In view of the foregoing, Company agrees that Administrative Agent may at any time and from time to time, if an Event of Default has occurred and is continuing, compromise with the obligor on any Receivable, accept in full payment of any Receivable such amount as Administrative Agent in its sole discretion shall determine or abandon any Receivable, and any such action by Administrative Agent shall be commercially reasonable so long as Administrative Agent acts in good faith based on information known to it at the time it takes any such action.

9.3. Administrative Agent Performance of Company Obligations. Without having any obligation to do so, Administrative Agent may perform or pay any obligation in this Security Agreement which Company has agreed to perform or pay but which it has failed to so perform or pay in a timely manner after a request therefor from Administrative Agent and Company shall reimburse Administrative Agent for any amounts paid by Administrative Agent pursuant to this Section 9.3. Company's obligation to reimburse Administrative Agent pursuant to the preceding sentence shall be part of the Obligation and is payable on demand.

9.4. Authorization for Administrative Agent to Take Certain Action. Company irrevocably authorizes Administrative Agent at any time and from time to time in the sole discretion of Administrative Agent and appoints Administrative Agent as its attorney in fact to act on behalf of Company (a) to execute on behalf of Company as debtor and to file financing statements necessary or desirable in Administrative Agent's sole discretion to perfect and to maintain the perfection and priority of Administrative Agent's security interest in the Collateral, (b) in accordance with the terms of this Security Agreement, to indorse and collect any cash proceeds of the Collateral, (c) to file a carbon, photographic or other reproduction of this Security Agreement or any financing statement with respect to the Collateral as a financing statement in such offices as Administrative Agent in its sole discretion deems necessary or

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desirable to perfect and to maintain the perfection and priority of Administrative Agent's security interest in the Collateral, (d) after the occurrence of an Event of Default and during the continuance thereof, to enforce payment of the Receivables in the name of Administrative Agent or Company, and (e) to apply the proceeds of any Collateral received by Administrative Agent to the Obligations as provided in Section 7. The power of attorney provided in this Section 9.4, and each other appointment by Company of Administrative Agent or any Lender as Company's attorney-in-fact, is coupled with an interest and is irrevocable prior to final payment in full of the Obligation.

9.5. Specific Performance of Certain Covenants. Company acknowledges and agrees that a breach of any of the covenants contained herein will cause irreparable injury to Administrative Agent, that Administrative Agent has no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of Administrative Agent to seek and obtain specific performance of other obligations of Company contained in this Security Agreement, that the covenants of Company contained in the Sections referred to in this Section 9.5 shall be specifically enforceable against Company.

9.6. Use and Possession of Certain Premises. Upon the occurrence of an Event of Default and during the continuance thereof, Administrative Agent shall be entitled to occupy and use any premises owned or leased by Company where any of the Collateral or any records relating to the Collateral are located until the Obligations are paid or the Collateral is removed therefrom, whichever first occurs, without any obligation to pay Company for such use and occupancy.

9.7. Dispositions Not Authorized. Company is not authorized to sell or otherwise dispose of the Collateral except as set forth in Section 4.1(h) and notwithstanding any course of dealing between Company and Administrative Agent or other conduct of Administrative Agent, no authorization to sell or otherwise dispose of the Collateral (except as set forth in Section 4.1(h)) shall be binding upon Administrative Agent unless such authorization is in writing signed by Administrative Agent.

9.8. Care of Collateral. Administrative Agent shall not have any duty to assure that all certificates representing the Pledged Stock have been delivered to it or any obligation whatsoever with respect to the care, custody or protection of any certificates which may be delivered to it except only to exercise the same care in physically safekeeping such certificates as it would exercise in the ordinary course of its own business. Neither Administrative

Agent nor any Lender shall be obligated to preserve or protect any rights with respect to the Pledged Stock or to receive or give any notice with respect thereto whether or not Administrative Agent or any Lender is deemed to have knowledge of such matters.

9.9. Definition of Certain Terms. Terms defined in the Article 9 of Texas Business and Commerce Code which are not otherwise defined in this Security Agreement are used in this Security Agreement as defined in the Article 9 of Texas Business and Commerce Code as in effect on the date hereof.

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9.10. Benefit of Agreement. The terms and provisions of this Security Agreement shall be binding upon and inure to the benefit of Company, Administrative Agent and Lenders and their respective successors and assigns, except that Company shall not have the right to assign its rights or obligations under this Security Agreement or any interest herein, without the prior written consent of Administrative Agent.

9.11. Survival of Representations. All representations and warranties of Company contained in this Security Agreement shall survive the execution and delivery of this Security Agreement.

9.12. Taxes and Expenses. Any taxes (including income taxes) payable or ruled payable by federal or state authority in respect of this Security Agreement shall be paid by Company, together with interest and penalties, if any. Company shall reimburse Administrative Agent for any and all out-of-pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of Administrative Agent) paid or incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this Security Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). The obligations of Company under this Section 9.12 shall survive termination of this Security Agreement.

9.13. Headings. The title of and section headings in this Security Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Security Agreement.

9.14. Term. This Security Agreement and the Lien arising hereunder (a) shall become effective as of the date hereof upon the execution hereof, and (b) shall continue in force (and shall be reinstated if at any time all or any portion of any amounts in respect of Obligations received by Administrative Agent or any Lender are required to be returned or paid over to any Person) for so long as any Obligations, or commitment to extend any Obligations, remain outstanding.

9.15. PRIOR AGREEMENTS. THIS AGREEMENT AND THE OTHER LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9.16. CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL. THIS SECURITY AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT APPLYING THE LAW OF

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CONFLICTS OF TEXAS OR ANY OTHER JURISDICTION. COMPANY HEREBY CONSENTS TO THE JURISDICTION OF ANY LOCAL, STATE, OR FEDERAL COURT LOCATED WITHIN DALLAS COUNTY, TEXAS AND WAIVES ANY OBJECTION WHICH COMPANY MAY HAVE BASED ON IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING IN ANY SUCH COURT AND CONSENTS THAT ALL SERVICE OF PROCESS MAY BE MADE BY MAIL OR MESSENGER DIRECTED TO IT AT THE ADDRESS SET FORTH IN EXHIBIT A. AT THE OPTION OF Administrative Agent, COMPANY WAIVES, TO THE EXTENT PERMITTED BY LAW, TRIAL BY JURY, AND WAIVES ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF ADMINISTRATIVE AGENT. NOTHING CONTAINED IN THIS SECTION 9.16 SHALL AFFECT THE RIGHT OF ADMINISTRATIVE AGENT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF ADMINISTRATIVE AGENT OR LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST COMPANY OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

9.17. Distribution of Reports. Company authorizes Administrative Agent, as Administrative Agent may elect in its sole discretion, to discuss with and furnish to any other Person or entity having an interest in the Obligations (whether as a guarantor, pledgor of collateral, participant, purchaser or otherwise) all financial statements, audit reports and other information pertaining to Company and the Subsidiaries if any, whether such information was

provided by Company or prepared or obtained by Administrative Agent.

9.18. Indemnity. Company hereby agrees to assume liability for, and does hereby agree to indemnify and keep harmless Administrative Agent and each Lender, and their respective successors, assigns, agents and employees, from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature, imposed on, incurred by or asserted against Administrative Agent and each Lender, or their respective successors, assigns, agents and employees, in any way relating to or arising out of this Security Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by Administrative Agent, any Lender or Company, and any claim for patent, trademark or copyright infringement and any acts or omissions which result from such Person's negligence).

9.19. Releases. Any cash dividends received by Company in accordance with the terms of Section 4.4(c) shall be deemed released from the lien of this Security Agreement and shall be held by Company (or any transferee of Company) free and clear of the lien created by this Security Agreement. Upon the sale, lease or other disposition of assets permitted by the terms of Section 4.1(h), Administrative Agent and Lenders shall, at Company's request and expense execute such partial releases as Company may reasonably request, in form and upon terms acceptable to Administrative Agent and Lenders in all respects. Upon termination of this Security Agreement in accordance with the provisions of Section 9.14, Administrative Agent and Lenders

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shall, at Company's request and expense and subject to the foregoing sentence, execute such releases as Company may reasonably request, in form and upon terms acceptable to Administrative Agent and Lenders in all respects, and shall deliver all certificates representing the Pledged Stock and other property held in respect thereof hereunder which is in Administrative Agent's possession, together with all stock powers or other instruments of transfer reasonably required to effect delivery to Company.

9.20. Waivers. Except to the extent expressly otherwise provided herein or in any Loan Paper, Company waives, to the extent permitted by applicable law, (a) any right to require either Administrative Agent or any Lender to proceed against any other Person, to exhaust their rights in any other collateral, or to pursue any other right which either Administrative Agent or any Lender may have, (b) with respect to the Obligations, presentment and demand for payment, protest, notice of protest and non-payment, and notice of the intention to accelerate, and (c) all rights of marshalling in respect of any and all of the Collateral.

9.21. Counterparts. This Security Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Security Agreement by signing any such counterpart. This Security Agreement shall be effective when it has been executed by Company and Administrative Agent.

10. Administrative Agent.

NationsBank of Texas, N.A. has been appointed Administrative Agent of Lenders hereunder pursuant to Article IX of the Credit Agreement, and Administrative Agent has agreed to act (and any successor Administrative Agent shall act) as such hereunder only on the express conditions contained in such Article IX. Any successor Administrative Agent appointed pursuant to Article IX of the Credit Agreement shall be entitled to all the rights, interests and benefits of Administrative Agent hereunder.

11. NOTICES.

11.1. Sending Notices. Any notice required or permitted to be given under this Security Agreement may be, and shall be deemed, given and sent as provided in the Credit Agreement.

11.2. Change in Address for Notices. Each of Company and Administrative Agent or any Lender may change the address for service of notice upon it by a notice in writing to the other.

12. SETOFF.

In addition to, and without limitation of, any rights of Administrative Agent and Lenders under applicable law, if Company becomes insolvent, however evidenced, or any Event of Default occurs and is continuing, any indebtedness from Administrative Agent or Lenders to Company (including, without limitation, funds of Company on deposit with Administrative Agent

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or Lenders which have not yet been collected or which are not yet available in accordance with Administrative Agent's or Lenders' availability schedules from time to time in effect) may be offset and applied toward the payment of the Obligations, for the ratable benefit of Lenders whether or not the Obligations, or any part hereof, shall then be due.

This Security Agreement is an amendment and restatement of that certain Pledge and Security Agreement dated as of August 1, 1997 executed by the Company for the benefit of Administrative Agent and the lenders named therein (the "Original Security Agreement"), and as such, except for the Lien created thereby, amends and supersedes the Original Security Agreement in its entirety.

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IN WITNESS WHEREOF, the undersigned have executed this Security Agreement as of the date first above written.

By:  
Its:

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EXHIBIT D

COMPLIANCE CERTIFICATE

To: The Lenders parties to the  
Credit Agreement Described Below

This Compliance Certificate is furnished pursuant to that certain Credit Agreement (as amended, restated, or otherwise modified from time to time, the "Agreement") dated as of November , 1997, among GCI Holdings, Inc. (the "Borrower"), the banks party thereto and NationsBank of Texas, N.A. as Administrative Agent for the Lenders. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected of the Borrower;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Parent, the Borrower and the Restricted Subsidiaries during the accounting period covered by the attached financial statements, dated as of ;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. Schedule I attached hereto sets forth financial data and computations evidencing the Borrower's compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

Listed below are the exceptions, if any, to paragraph 3 describing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth



<CAPTION>

	<S>	<C>
D.	Permitted ratio	From Closing Date-3/31/98 1.00 to 1.00
		4/1/98 - 3/31/99 6.50 to 1.00
		4/1/99 - 12/31/99 6.00 to 1.00
		1/1/00 and thereafter 5.50 to 1.00

</TABLE>

2. Section 7.01(b) - Senior Leverage Ratio  
 A. Senior Debt (for the fiscal quarter ended  
 , 19 ) of the Borrower and  
 Restricted Subsidiaries

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4

(i)	Debt for Borrowed Money	\$	
(ii)	Debt having a final maturity of more than one year	\$	
(iii)	Capitalized Lease obligations	\$	
(iv)	reimbursement obligations relating to Letters of Credit (without duplication)	\$	
(v)	Contingent Liabilities (without duplication)	\$	
(vi)	Withdrawal Liabilities	\$	
(vii)	Debt, if any, associated with Interest Hedge Agreements	\$	
(viii)	payments due under Non-Complete Agreements	\$	
(ix)	payments due for the deferred purchase price of property and services that are less than 90 days old	\$	
(x)	Senior Debt (i) plus (ii) plus (iii) plus (iv) plus (v) plus (vi) plus (vii) plus (viii) plus (ix)	\$	
B.	Annualized Operating Cash Flow (for the two fiscal quarters ended , 19 ) of the Borrower and the Restricted Subsidiaries (see 1.B. viii above)	\$	
C.	The ratio of A to B		:1.00

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<TABLE>

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	<S>	<C>
D.	Permitted ratio	Closing Date - 3/31/99 3.50 to 1.00
		4/1/99 - 12/31/99 3.00 to 1.00
		1/1/00 - 12/31/00 2.50 to 1.00
		1/1/01 and thereafter 2.00 to 1.00

</TABLE>

3. Section 7.01(c) - Interest Coverage Ratio (1)  
 A. Annualized Operating Cash Flow (for  
 quarters ended , 19 ) of the  
 Borrower and the Restricted Subsidiaries  
 (see 1.B. viii above) \$

B. Total Interest Expense (for the four  
 fiscal quarters ended , 19 ) of  
 GCII, the Borrower, and the Restricted  
 Subsidiaries

(i)	consolidated interest expense	\$
(ii)	amortization of Debt discounts	\$
(iii)	commitment fees	\$
(iv)	agency fees related to Funded Debt (excluding one-time facility fees)	\$

- (v) fees or expenses with respect to letters of credit \$
- (vi) fees, if any, associated with interest hedge agreements \$
- (vii) preferred stock distributions for GCII, the Borrower and Restricted Subsidiaries \$

-----  
 1 For the first three fiscal quarters after the Closing Date only, Annualized Operating Cash Flow and Total Interest Expense shall be determined by annualizing the relevant financial information of GCII, the Borrower and Restricted Subsidiaries from the Closing Date to the date of determination

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- (viii) capitalized interest \$
- (ix) Total Interest Expense (i) plus (ii) plus (iii) plus (iv) plus (v) plus (vi) plus (vii) plus (viii) \$

C. The ratio of A to B :1.00

<TABLE>  
<CAPTION>

D. Permitted ratio: <S> <C>  
 Closing Date-12/31/98 1.50 to 1.00  
 1/1/99 and thereafter 2.00 to 1.00

</TABLE>

4. Section 7.01(d) Pro Forma Debt Service Coverage Ratio

- A. Annualized Operating Cash Flow (see 1.B. viii above) \$
- B. Pro Forma Debt Service for GCII, the Borrower and its Restricted Subsidiaries \$
  - (i) Cash Total Interest Expense for the immediately succeeding four full quarters \$
  - (ii) Scheduled repayments of principal of Total Debt for the immediately succeeding four full quarters \$

C. The ratio of A to B :1.00

D. Permitted ratio 1.25 to 1.00

5. Section 7.01(e) Fixed Charges Coverage Ratio

- A. Annualized Operating Cash Flow (see 1.B. viii above) \$

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- B. Fixed Charges for the most recently completed four fiscal quarters
  - (i) cash Total Interest Expense \$
  - (ii) scheduled repayments of principal of Total Debt \$
  - (iii) cash Taxes paid by GCII, the Borrower and Restricted Subsidiaries \$
  - (iv) cash capital contributions loans or advances to Unrestricted Subsidiaries \$
  - (v) Capital Expenditures \$
  - (iv) Fixed Charges (i) plus (ii) plus (iii) plus (iv) plus (v) \$

C.	The ratio of A to B	:1.00	
<TABLE>			
<CAPTION>			
D.	Permitted ratio	1/1/00 - 3/31/03 4/1/93 and thereafter	1.00 to 1.00 1.05 to 1.00
</TABLE>			

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6. Section 7.01(f) Capital Expenditures incurred by the Borrower and the Restricted Subsidiaries

A.	Actual	\$	
<TABLE>			
<CAPTION>			
B.	Permitted Maximum	<C> Closing through 1997 1998 1999 2000 and thereafter	\$55,000,000 \$90,000,000 \$65,000,000 N/A
</TABLE>			

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EXHIBIT E

CONVERSION OR CONTINUANCE NOTICE

[Date]

NationsBank of Texas, National Association,  
Administrative Agent  
NationsBank Plaza  
901 Main Street  
64th Floor  
Dallas, Texas 75202

Re: GCI Holdings, Inc.

Ladies and Gentlemen:

The undersigned refers to the Amended and Restated Credit Agreement dated as of November , 1997 (the "Credit Agreement", the terms defined therein being used herein as therein defined) between GCI Holdings, Inc. and NationsBank of Texas, National Association, as Administrative Agent for NationsBank of Texas, National Association and each lender, and each Lender, and hereby gives you notice pursuant to Section 2.09(b) of the Credit Agreement that the undersigned hereby requests Advance[s] under the Credit Agreement, and in that connection sets forth below the information relating to [each] such Advance (a "Proposed Borrowing") as required by Section 2.09(b) of the Credit Agreement:

Proposed Borrowing:

- (i) The principal amount of existing LIBOR Advance to be [converted] [continued] is \$ .
- (ii) The Business Day of such Proposed Borrowing is , 199 .
- (iii) The Type of Advance[s] comprising such Proposed Borrowing is [are] LIBOR Advance [to the extent of an aggregate amount of \$ ].
- [(iv) The initial Interest Period for each LIBOR Advance made as part of such Proposed Borrowing is months.]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(A) the conditions precedent specified in Sections 4.01 and

4.02 of the Credit Agreement have been satisfied with respect to the Proposed Borrowing and will remain satisfied on the date of such Proposed Borrowing;

(B) the representations and warranties specified in Article V of the Credit Agreement are true and correct in all material respects as though made on and as of such date; and

(C) no event has occurred and is continuing or would result from such Proposed Borrowing, which constitutes a Default or Event of Default.

Very truly yours,

GCI HOLDINGS, INC.

By:

, President

50443  
0100.0269

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EXHIBIT F

BORROWING NOTICE

[Date]

NationsBank of Texas, N.A.,  
Administrative Agent  
NationsBank Plaza  
901 Main Street  
64th Floor  
Dallas, Texas 75202

Re: GCI Holdings, Inc.

Ladies and Gentlemen:

The undersigned refers to the Amended and Restated Credit Agreement dated as of November , 1997 (the "Credit Agreement", the terms defined therein being used herein as therein defined) among GCI Holdings, Inc. and NationsBank of Texas, N.A., as Administrative Agent for NationsBank of Texas, N.A. and each lender, and each Lender, and hereby gives you notice pursuant to Section 2.02(a) of the Credit Agreement that the undersigned hereby requests Borrowing[s] under the Credit Agreement, and in that connection sets forth below the information relating to [each] such Advance (a "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

Proposed Borrowing:

- (i) The Business Day of such Proposed Borrowing is , 19 .
- (ii) The Type of Advance[s] comprising such Proposed Borrowing is [are] [Base Advance [to the extent of an aggregate amount of \$ ]] [LIBOR Advance [to the extent of an aggregate amount of \$ ]].
- (iii) The aggregate amount of such Proposed Borrowing is \$ .
- (iv) The initial Interest Period for each LIBOR Advance made as part of such Proposed Borrowing is .

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(A) the conditions precedent specified in Sections 4.01 and 4.02 of the Credit Agreement have been satisfied with respect to the Proposed Borrowing and will remain satisfied on the date of such Proposed Borrowing;

(B) the representations and warranties specified in Article V of the Credit Agreement are true and correct in all material respects as though made on and as of such date; and

(C) the Advances are permitted to be incurred pursuant to the terms of the Indenture providing for the Senior Notes; and

(D) no event has occurred and is continuing or would result from such Proposed Borrowing, which constitutes a Default or Event of Default.

Very truly yours,

GCI HOLDINGS, INC.

By: \_\_\_\_\_, President

50448  
0100.0269

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EXHIBIT G

THE INDEBTEDNESS EVIDENCED OR SECURED BY THIS INSTRUMENT IS SUBORDINATED TO OTHER INDEBTEDNESS PURSUANT TO, AND TO THE EXTENT PROVIDED IN, AND IS OTHERWISE SUBJECT TO THE TERMS OF THE SUBORDINATION AGREEMENT DATED AS OF \_\_\_\_\_, 1997 AMONG ALASKA UNITED FIBER SYSTEM PARTNERSHIP, GCI HOLDINGS, INC., GCI TRANSPORT CO., INC., AND CREDIT LYONNAIS NEW YORK BRANCH AS ADMINISTRATIVE AGENT

INTERCOMPANY PROMISSORY NOTE

FOR VALUE RECEIVED, ALASKA UNITED FIBER SYSTEM PARTNERSHIP, an Alaskan general partnership (hereinafter called "Maker"), promises to pay on [demand (if this Note is executed after the Final Maturity Date)\the Final Maturity Date (if this Note is executed before the Final Maturity Date)] (as that term is defined in the Credit and Security Agreement dated as of November 14, 1997 between Maker, Credit Lyonnais New York Branch, as Administrative Agent, NationsBank of Texas, N.A., as Syndication Agent, and TD Securities (USA), Inc., as Documentation Agent (as amended, restated, or otherwise modified from time to time, the "AUSP Credit Agreement")) or such earlier date as all of the Obligations (as defined in the AUSP Credit Agreement) become due and payable (whether by acceleration, prepayment in full, scheduled reduction or otherwise) (the "Maturity Date"), to the order of GCI HOLDINGS, INC., an Alaskan corporation ("Payee"), at its principal offices at Anchorage, Alaska in lawful money of the United States of America, the principal sum of DOLLARS AND NO/100 (\$ \_\_\_\_\_) or such lesser sum as shall be due and payable from time to time hereunder. The unpaid principal balance of this Note, from time to time outstanding, shall bear interest from the date hereof until payment in full at the per annum rate equal to the per annum interest rate then in effect with respect to Payee under its credit facilities with NationsBank of Texas, N.A., as Administrative Agent, Credit Lyonnais New York Branch, as Documentation Agent, and TD Securities (USA), Inc., as Syndication Agent, and other lenders party to the Amended and Restated Credit Agreements, dated as of November 14, 1997 (as amended, restated or otherwise modified from time to time, the "Holdings Credit Agreement"), but shall never exceed the maximum rate of interest permitted from time to time by applicable law, including Tex. Civ. Stat. Ann. Article 5069--1.04 (and as the same may be incorporated by reference in other Texas statutes) (hereinafter designated "Maximum Rate"). Accrued interest hereunder shall be due and payable together with the outstanding principal amount of this Note on the Maturity Date.

All past due principal shall bear interest at the Maximum Rate until paid. Interest paid or agreed to be paid shall not exceed the Maximum Rate, and in any contingency whatsoever, if Payee shall receive anything of value paid or agreed to be paid to exceed the Maximum Rate, the excessive interest shall be applied to the reduction of the unpaid principal balance of this Note or refunded to Maker. Maker acknowledges that Payee has no intent to charge usurious rates of interest and that any such charge is accidental and a bona fide error.

Each Maker, surety, endorser and guarantor of this Note hereby (i) waives all notices, presentment, protest and diligence in collection, including but not limited to demand and presentation for payment, notice of nonpayment and notice of acceleration of maturity, protest and motion of protest, and the diligence of bringing suit against any party hereto; (ii) consents without further notice to any renewals, extensions, deferrals or partial payments, either before or after maturity; and (iii) agrees to pay jointly and severally to the holder of this Note reasonable attorney's fees and collection fees, plus interest on such amount at the rate then and as it thereafter may be applicable to the principal of this Note, if this Note is placed in the hands of an attorney for collection, or if it is collected through bankruptcy or other judicial proceedings.

Upon the occurrence of the following events, Payee or a holder of this Note may declare the entirety of this Note, principal and interest, immediately due and payable without demand, notice of default, notice of acceleration or notice of intent to accelerate the maturity hereof:

(a) Failure of Maker to pay principal or interest when due under this Note; or

(b) The occurrence of an Event of Default (as defined in the AUSP Credit Agreement); or

(c) The creation or incurrence by Maker of any Debt or Liens (other than Permitted Liens (as defined in the AUSP Credit Agreement)) other than pursuant to the Project Agreements and AUSP Financing Agreements (as those terms are defined in the Holdings Credit Agreement) and secured purchase money indebtedness in an aggregate amount outstanding at any one time of \$2,000,000; or

(d) the making by Maker of any Investment, Restricted Payment (as those terms are defined in the AUSP Credit Agreement) or other investment, loan, advance, distribution or dividend, other than (i) payments of interest, principal and fees of the Debt incurred under the Project Agreements in accordance with the terms of the Project Agreements, (ii) payments on \$2,000,000 of purchase money indebtedness permitted by (c) above, (iii) up to \$10,000,000 distributed over the term of the Project Agreements to Maker in accordance with the terms of the Project Agreements and (iv) distributions from 50% of excess cash flow in accordance with the terms of the Project Agreements.

Payee's failure to declare the entirety of the Note due, pursuant to this paragraph, shall not constitute a waiver of Payee's right to do so at any other time.

This Note shall be construed under and governed by the laws of the State of Texas and any applicable federal law.

Maker agrees that during the full term hereof the maximum lawful interest rate for this Note determined under Texas law shall be the indicated rate ceiling as specified in Article 5069-1.04 of V.A.T.S. Further, to the extent that any other lawful rate ceiling exceeds the rate

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ceiling so determined, then the higher rate ceiling shall apply. Chapter 15 of the Texas Credit Code does not apply to this Note.

THIS NOTE REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

Dated this        day of        ,        .

ALASKA UNITED FIBER SYSTEM  
PARTNERSHIP  
By: GCI Fiber Co., Inc., a  
General Partner

By:  
Its:

Pay to the order of NationsBank of Texas, N.A., as Administrative Agent.

GCI HOLDINGS, INC.

By:  
Its:

98800  
0100.0269

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EXHIBIT H

GCI HOLDINGS, INC.

Officer's Certificate

The undersigned hereby certifies that he is the duly appointed of GCI Holdings, Inc., an Alaskan corporation ("Company"), and that he is authorized to execute this Certificate on behalf of the Company in connection with the \$200,000,000 and \$50,000,000 Amended and Restated Credit Agreements of even date herewith, between the Company, NationsBank of Texas, N.A., individually and as Administrative Agent, and the lenders named therein (collectively, the "Credit Agreement"). Terms are used herein as defined in the Credit Agreement. The undersigned further certifies as follows:

1. Attached hereto as Exhibit A are true, accurate and complete copies of the resolutions duly adopted by the Company's Board of Directors approving and authorizing that certain credit facility among Alaska United Fiber System Partnership, Credit Lyonnais New York Branch as Administrative Agent, NationsBank of Texas, N.A. as Syndication Agent and TD Securities (USA), Inc. as Syndication Agent, dated , 1997 (the "AUSP Financing").

2. Attached hereto as Exhibit B are true, accurate and complete copies of the agreements set forth below in effect as of the closing date of the AUSP Financing:

- a. Credit and Security Agreement dated as of , 1997, among Alaska United Fiber System Partnership as Borrower, and the Lenders referred to therein, and Credit Lyonnais New York Branch as Administrative Agent, NationsBank of Texas, N.A. as Syndication Agent and TD Securities (USA) Inc. as Documentation Agent.
- b. Completion Guaranty dated as of , 1997, by GCI Holdings, Inc., as Guarantor in favor of Credit Lyonnais New York Branch as Administrative Agent for the Lenders referred to therein.
- c. Subordination Agreement dated as of , 1997, among Alaska United Fiber System Partnership, GCI Holdings, Inc., GCI Transport Co., Inc., and Credit Lyonnais New York Branch as Administrative Agent for the Lenders referred to therein.
- d. Operation and Maintenance Contract dated as of , 1997, between Alaska United Fiber System Partnership and GCI Communication Corp.
- e. Depositary Agreement dated as of , 1997, between Alaska United Fiber System Partnership and Credit Lyonnais New York Branch as Administrative Agent for the Lenders referred to therein.
- f. Form of Intercompany Notes by Alaska United Fiber System Partnership to the GCI Holdings, Inc.
- g. Lease Agreement dated as of , 1997, between GCI Communication Corp. as Lessee, and Alaska United Fiber System Partnership as Lessor.
- h. Lease Guaranty Agreement dated as of , 1997, among GCI Holdings, Inc., Alaska United Fiber System Partnership and Credit Lyonnais New York Branch as Administrative Agent.
- i. Operating Keep Well Agreement dated as of , 1997, among GCI Holdings, Inc., Alaska United Fiber System Partnership, and Credit Lyonnais New York Branch as Administrative Agent.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of

the day of , 1997.

GCI HOLDINGS, INC.

By:  
Name:  
Title:

99542  
100.269

\$50,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of November 14, 1997

BETWEEN

GCI HOLDINGS, INC.

and

NATIONSBANK OF TEXAS, N.A.  
As Administrative Agent

CREDIT LYONNAIS NEW YORK BRANCH  
As Documentation Agent

TD SECURITIES (USA), INC.  
As Syndication Agent

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GCI HOLDINGS, INC.

\$50,000,000

AMENDED AND RESTATED CREDIT AGREEMENT

THIS AMENDED AND RESTATED CREDIT AGREEMENT is dated as of November 14, 1997 and is between GCI HOLDINGS, INC., an Alaska corporation, (the "Borrower"), the Lenders from time to time party hereto or to an Assignment and Acceptance, and NATIONS BANK OF TEXAS, N.A., a national banking association ("NationsBank"), as a Lender and Administrative Agent (the "Administrative Agent"), CREDIT LYONNAIS NEW YORK BRANCH ("Credit Lyonnais") as Documentation Agent and TD SECURITIES (USA), INC. ("TD"), as Syndication Agent, (NationsBank, Credit Lyonnais and TD being collectively referred to herein as the "Managing Agents").

BACKGROUND

1. The Borrower, the Administrative Agent and the Lenders entered into a Credit Agreement dated as of August 1, 1997 (the "Original Credit Agreement") which provides for a 364 day revolving credit facility up to a maximum amount of \$50,000,000, which converts to a term loan on the 364th day after closing.

2. The Borrower, the Administrative Agent and the Lenders party hereto agree to amend and restate the Original Credit Agreement as follows:

AGREEMENT

NOW, THEREFORE, for valuable consideration hereby acknowledged, the parties hereto agree as follows:

ARTICLE I. DEFINITIONS

1.01. Definitions. As used in this Agreement, the following terms have the respective meanings indicated below (such meanings to be applicable equally to both the singular and plural forms of such terms):

"Administrative Agent" means NationsBank of Texas, National Association, in its capacity as Administrative Agent hereunder, or any successor Administrative Agent appointed pursuant to Section 9.06 hereof.

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"Advance" means an advance made by a Lender to the Borrower pursuant to Section 2.01 hereof.

"Affiliate" means a Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled By or is Under Common Control with another Person, and with respect to the Borrower, "Affiliate" means a Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled By or is Under Common Control with GCI, the Borrower or any Subsidiary of the Borrower or GCI.

"Agreement" means this Credit Agreement, as hereafter amended, modified, or supplemented in accordance with its terms.

"Annualized Operating Cash Flow" means, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters; provided that notwithstanding the preceding and any other provision in this Agreement or in the Loan Papers, Annualized Operating Cash Flow for any period prior to the Closing Date shall be determined by using the relevant financial information of the Restricted Subsidiaries.

"Applicable Law" means (a) in respect of any Person, all provisions of Laws applicable to such Person, and all orders and decrees of all courts and arbitrators in proceedings or actions to which the Person in question is a party and (b) in respect of contracts made or performed in the State of Texas, "Applicable Law" shall also mean the laws of the United States of America, including, without limiting the foregoing, 12 USC Sections 85 and 86, as amended to the date hereof and as the same may be amended at any time and from time to time hereafter, and any other statute of the United States of America now or at any time hereafter prescribing the maximum rates of interest on loans and extensions of credit, and the laws of the State of Texas, including, without limitations, Articles 5069-1H, Title 79, Revised Civil Statutes of Texas, 1925, as amended ("Art. 1H"), if applicable, and if Art. 1H is not applicable, Article 5069-1D, Title 79, Revised Civil Statutes of Texas, 1925 ("Art. 1D"), as amended, and any other statute of the State of Texas now or at any time hereafter prescribing maximum rates of interest on loans and extensions of credit, provided however, that pursuant to Article 5069-15.10(b), Title 79, Revised Civil Statutes of Texas, 1925, as amended, the Borrower agrees that the provisions of Chapter 15, Title 79, Revised Civil Statutes of Texas, 1925, as amended, shall not apply to the Advances hereunder.

"Applicable Margin" means (i) with respect to the Base Rate Advances under the Facility, 1.125% per annum and (ii) with respect to LIBOR Advances under the Facility, 2.250% per annum. Notwithstanding the foregoing, effective three Business Days after receipt by the Administrative Agent from the Borrower of a Compliance Certificate delivered to the Lenders for any reason and demonstrating a change in the Total Leverage Ratio to an amount so that another Applicable Margin should be applied pursuant to the table set forth below, the Applicable Margin for each type of Advance shall mean the respective amount set forth below opposite such relevant Total Leverage Ratio in Columns A and B below, in each case until the first succeeding Quarterly Date which is at least three Business Days after receipt by the

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Administrative Agent from the Borrower of a Compliance Certificate, demonstrating a change in the Total Leverage Ratio to an amount so that another Applicable Margin shall be applied; provided that, if there exists a Default or if the Total Leverage Ratio shall at any time be greater than or equal to 6.50 to 1.00, the Applicable Margin shall again be the respective amounts first set forth in this definition; provided further, that the Applicable Margin in effect on the Closing Date shall be determined pursuant to a Compliance Certificate delivered on the Closing Date, provided, further, that if the Borrower fails to deliver any financial statements to the Administrative Agent within the required time periods set forth in Sections 6.05(a) and Section 6.05(b) hereof, the Applicable Margin shall again be the respective amounts first set forth in this definition until the date which is three Business Days after the Administrative Agent receives financial statements from the Borrower which demonstrate that another Applicable Margin should be applied pursuant to the table set forth below; and provided further, that the Applicable Margin shall never be a

negative number.

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	Column A	Column B
Total Leverage Ratio	Base Rate	LIBOR
- - - - -	- - - - -	- - - - -
<S>	<C>	<C>
Greater than or equal to 6.50 to 1.00	1.125%	2.250%
Greater than or equal to 6.00 to 1.00 but less than 6.50 to 1.00	0.750%	1.875%
Greater than or equal to 5.50 to 1.00 but less than 6.00 to 1.00	0.500%	1.625%
Greater than or equal to 5.00 to 1.00 but less than 5.50 to 1.00	0.250%	1.375%
Greater than or equal to 4.50 to 1.00 but less than 5.00 to 1.00	0.000%	1.125%
Greater than or equal to 4.00 to 1.00 but less than 4.50 to 1.00	0.000%	1.000%
Less than 4.00 to 1.00	0.000%	0.750%

</TABLE>

"Art. 1H" has the meaning specified in the definition herein of "Applicable Law".

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"Art. 1D" has the meaning specified in the definition herein of "Applicable Law".

"Asset Sale" means any sale, disposition, liquidation, conveyance or transfer by the Borrower or any Restricted Subsidiary of any Property (or portion thereof) or an interest (other than Permitted Dispositions and Permitted Liens or a Lien granted to the Administrative Agent on behalf of the Lenders) therein, other than in the ordinary course of business.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an Eligible Assignee, and accepted by Administrative Agent, in the form of Exhibit B hereto, as each such agreement may be amended, modified, extended, restated, renewed, substituted or replaced from time to time.

"Auditor" means KPMG Peat Marwick, L.L.P., or other independent certified public accountants selected by the Borrower and acceptable to Administrative Agent.

"AUSP" means Alaska United Fiber System Partnership, an Alaska general partnership and Unrestricted Subsidiary, which is a wholly owned indirect Subsidiary of the Borrower.

"AUSP Closing Date" means the closing date for the AUSP Financing, but in no event later than March 31, 1998.

"AUSP Credit Agreement" means the Credit and Security Agreement among AUSP, the lenders referred to therein, Credit Lyonnais as administrative agent, NationsBank as syndication agent, and TD as documentation agent, substantially similar in all material respects in form and substance to the draft thereof dated November 5, 1997, as amended, restated or otherwise modified from time to time (it being understood that nothing herein shall be deemed to permit amendments contrary to Section 7.18 hereof).

"AUSP Financing" means that certain credit facility for AUSP, in the maximum amount of \$75,000,000 pursuant to the AUSP Credit Agreement.

"AUSP Financing Agreements" means those certain credit, collateral and other agreements described on Schedule 1.01B hereto evidencing and related to the AUSP Financing, and such other agreements as may hereafter be entered into from time to time which materially and adversely affect the obligations of the Borrower or the Restricted Subsidiaries in connection with the AUSP Financing; such AUSP Financing Agreements to be substantially similar in all material respects in form and substance to drafts thereof dated November 4, 1997, and

which may be amended, restated or otherwise modified from time to time.

"Authorizations" means all filings, recordings and registrations with, and all validations or exemptions, approvals, orders, authorizations, consents, Licenses, certificates and permits from, the FCC, applicable public utilities and other federal, state and local regulatory or governmental bodies and authorities or any subdivision thereof, including, without limitation, FCC Licenses.

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"Authorized Officer" means any of the President, Senior Vice President-Chief Financial Officer, Vice President-Chief Accounting Officer, Vice President-Finance, Secretary-Treasurer, or any other officer authorized by the Borrower from time to time of which the Administrative Agent has been notified in writing.

"Bank Affiliate" means the holding company of any Lender, or any wholly owned direct or indirect subsidiary of such holding company or of such Lender.

"Base Rate Advance" means an Advance bearing interest at the Base Rate.

"Base Rate" means a fluctuating rate per annum as shall be in effect from time to time equal to the lesser of (a) the Highest Lawful Rate and (b) the sum of the Applicable Margin plus the greater of (i) the sum of Federal Funds Rate in effect from time to time plus .50% and (ii) the rate of interest as then in effect announced publicly by NationsBank of Texas, N.A. in Dallas, Texas from time to time as its U.S. dollar prime commercial lending rate (such rate may or may not be the lowest rate of interest charged by NationsBank from time to time). The Base Rate shall be adjusted automatically as of the opening of business on the effective date of each change in the prime rate to account for such change.

"Borrower" means GCI Holdings, Inc., an Alaska corporation.

"Borrowing" means a borrowing under the Facility of the same Type made on the same day.

"Borrowing Notice" has the meaning set forth in Section 2.02(a) hereof.

"Business Day" means a day of the year on which banks are not required or authorized to close in Dallas, Texas and, if the applicable day relates to any notice, payment or calculation related to a LIBOR Advance, London, England.

"Capital Expenditures" means the aggregate amount of all purchases or acquisitions of items considered to be capital items under GAAP, and in any event shall include the aggregate amount of items leased or acquired under Capital Leases at the cost of the item, and the acquisition of realty, tools, equipment, and fixed assets, and any deferred costs associated with any of the foregoing.

"Capital Leases" means capital leases and subleases, as defined in accordance with GAAP.

"Capital Stock" means, as to any Person, the equity interests in such Person, including, without limitation, the shares of each class of capital stock of any Person that is a corporation and each class of partnership interests (including without limitation, general, limited and preference units) in any Person that is a partnership.

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"Cash Equivalents" means investments (directly or through a money market fund) in (a) certificates of deposit and other interest bearing deposits or accounts with United States commercial banks having a combined capital and surplus of at least \$250,000,000, which certificates, deposits, and accounts mature within one year from the date of investment and are fully insured as to principal by the FDIC, (b) obligations issued or unconditionally guaranteed by the United States government, or issued by an agency thereof and backed by the full faith and credit of the United States government, which obligations mature within one year from the date of investment, (c) direct obligations issued by any state or political subdivision of the United States, which mature within one year from the date of investment and have the highest rating obtainable from Standard & Poor's Ratings Group or Moody's Investors Services, Inc. on the date of investment, and (d) commercial paper which has one of the three highest ratings obtainable from Standard & Poor's Ratings Group or Moody's Investors Services, Inc.

"Change of Control" means the occurrence of one or more of the following events: (a) any change in the ownership of the Borrower or any Restricted Subsidiary (except any change due to any merger or consolidation among the Wholly-Owned Subsidiaries) or (b) any change in the ownership of GCI resulting in MCI or any of its wholly-owned Subsidiaries, owning less than 18%

of the total combined voting power of GCI, or (c) MCI shall at any time have less than two representatives sitting on the GCI's Board of Directors.

"Closing Date" means August 1, 1997.

"Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations issued thereunder, as from time to time in effect.

"Collateral" means all "collateral" referred to in any Loan Paper and all other property which is or may be subject to a Lien in favor or for the benefit of Administrative Agent on behalf of Lenders or any Lender to secure the Obligations, including, without limitation, "Collateral" as defined in Section 2.15(a) hereof.

"Commitment Fees" means each of the fees described in Sections 2.10(a) and 2.10(b) hereof.

"Completion Guaranty" means that certain completion guaranty from the Borrower that is a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such guaranty may be amended, restated or otherwise modified from time to time.

"Compliance Certificate" means a certificate of an Authorized Officer of the Borrower acceptable to Administrative Agent, in the form of Exhibit D hereto, (a) certifying that such individual has no knowledge that a Default or Event of Default has occurred and is continuing, or if a Default or Event of Default has occurred and is continuing, a statement as to the nature thereof and the action being taken or proposed to be taken with respect thereto, and (b) setting forth detailed calculations with respect to each of the covenants described in Section 7.01 hereof.

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"Consequential Loss," with respect to (a) the Borrower's payment of all or any portion of the then-outstanding principal amount of a LIBOR Advance on a day other than the last day of the related Interest Period, including, without limitation, payments made as a result of the acceleration of the maturity of a Note, (b) (subject to Administrative Agents' prior consent), a LIBOR Advance made on a date other than the date on which the Advance is to be made according to Section 2.02(a) or Section 2.09 hereof, or (c) any of the circumstances specified in Section 2.04, Section 2.05 and Section 2.06 hereof on which a Consequential Loss may be incurred, means any loss, cost or expense incurred by any Lender as a result of the timing of the payment or Advance or in liquidating, repositing, redeploying or reinvesting the principal amount so paid or affected by the timing of the Advance or the circumstances described in Section 2.04, Section 2.05, and Section 2.06 hereof, which amount shall be the sum of (i) the interest that, but for the payment or timing of Advance, such Lender would have earned in respect of that principal amount, reduced, if such Lender is able to reposit, redeploy, or reinvest the principal amount, by the interest earned by such Lender as a result of repositing, redeploying or reinvesting the principal amount plus (ii) any expense or penalty incurred by such Lender by reason of liquidating, repositing, redeploying or reinvesting the principal amount. Each determination by each Lender of any Consequential Loss is, in the absence of manifest error, conclusive and binding.

"Contingent Liability" means, as to any Person, any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other Person in any manner, whether directly or indirectly, including without limitation any obligation of such Person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or to purchase (or to advance or supply funds for the purchase of) any security for the payment of such Debt, (b) to purchase Property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Continue," "Continuation" and "Continued" each refer to the continuation pursuant to Section 2.09 hereof of a LIBOR Advance from one Interest Period to the next Interest Period.

"Control" or "Controlled By" or "Under Common Control" mean possession, direct or indirect, of power to direct or cause the direction of management or policies (whether through ownership of voting securities, by contract or otherwise); provided that, in any event (a) it shall include any director (or Person holding the equivalent position) or executive officer (or Person holding the equivalent position) of such Person or of any Affiliate of such Person, (b) any Person which beneficially owns 5% or more (in number of votes) of the securities having ordinary voting power for the election of directors of a corporation shall be conclusively presumed to control such corporation, (c) any

general partner of any partnership shall be conclusively presumed to control such partnership, (d) any other Person who is a member of the

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immediate family (including parents, spouse, siblings and children) of any general partner of a partnership, and any trust whose principal beneficiary is such individual or one or more members of such immediate family and any Person who is controlled by any such member or trust, or is the executor, administrator or other personal representative of such Person, shall be conclusively presumed to control such Person, and (e) no Person shall be deemed to be an Affiliate of a corporation solely by reason of his being an officer or director of such corporation.

"Controlled Group" means, as to any Person, all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) which are under common control with such Person and which, together with such Person, are treated as a single employer under Section 414(b), (c), (m) or (o) of the Code.

"Conversion Date" means the date that is 364 days after the Closing Date.

"Conversion or Continuance Notice" has the meaning set forth in Section 2.09(b) hereof.

"Debt" means all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capital Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any Property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" means, as to any Person, at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business and (d) all obligations of such Person secured by a Lien on any assets or property of any Person.

"Debtor Relief Laws" means applicable bankruptcy, reorganization, moratorium, or similar Laws, or principles of equity affecting the enforcement of creditors' rights generally.

"Default" means any event specified in Section 8.01 hereof, whether or not any requirement in connection with such event for the giving of notice, lapse of time, or happening of any further condition has been satisfied.

"Distribution" means, as to any Person, (a) any declaration or payment of any distribution or dividend (other than a stock dividend) on, or the making of any pro rata distribution, loan, advance, or investment to or in any holder (in its capacity as a partner, shareholder or other equity holder) of, any partnership interest or shares of capital stock or other equity interest of such Person, or (b) any purchase, redemption, or other acquisition or retirement for value of any shares of partnership interest or capital stock or other equity interest of such Person.

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"Eligible Assignee" means (a) any Bank Affiliate, (b) a commercial bank organized under the laws of the United States, or any state thereof, and having total assets in excess of \$500,000,000; (c) a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and having total assets in excess of \$500,000,000, provided that such bank is acting through a branch or agency located in the country in which it is organized or another country which is described in this clause; and (d) the central bank of any country which is a member of the Organization for Economic Cooperation and Development.

"Environmental Laws" means the Comprehensive Environmental Response, Compensation, and Liability Act (42 U.S.C. ss.9601 et seq.) ("CERCLA"), the Hazardous Material Transportation Act (49 U.S.C. ss.1801 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. ss.6901 et seq.), the Federal Water Pollution Control Act (33 U.S.C. ss.1251 et seq.), the Clean Air Act (42 U.S.C. ss.7401 et seq.), the Toxic Substances Control Act (15 U.S.C. ss.2601 et seq.), and the Occupational Safety and Health Act (29 U.S.C. ss.651 et seq.) ("OSHA"), as such laws have been or hereafter may be amended or supplemented, and any and all analogous future federal, or present or future state or local, Laws.

"ERISA" means the Employee Retirement Income Security Act of 1974, as

amended, and the rulings and regulations issued thereunder, as from time to time in effect.

"ERISA Affiliate" means any Person that for purposes of Title IV of ERISA is a member of the controlled group of GCI, the Borrower or any Subsidiary of GCI or the Borrower, or is under common control with GCI, the Borrower or any Subsidiary of GCI or the Borrower, within the meaning of Section 414(c) of the Code.

"ERISA Event" means (a) a reportable event, within the meaning of Section 4043 of ERISA, unless the 30-day notice requirement with respect thereto has been waived by the PBGC, (b) the issuance by the administrator of any Plan of a notice of intent to terminate such Plan in a distress situation, pursuant to Section 4041(a)(2) and 4041(c) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA), (c) the cessation of operations at a facility in the circumstances described in Section 4062(e) of ERISA, (d) the withdrawal by the Borrower, any Subsidiary of the Borrower or GCI, or an ERISA Affiliate from a Multiple Employer Plan during a Plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA, (e) the failure by the Borrower, any Subsidiary of the Borrower or either Parent, or any ERISA Affiliate to make a payment to a Plan required under Section 302 of ERISA, (f) the adoption of an amendment to a Plan requiring the provision of security to such Plan, pursuant to Section 307 of ERISA, or (g) the institution by the PBGC of proceedings to terminate a Plan, pursuant to Section 4042 of ERISA, or the occurrence of any event or condition that constitutes grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, a Plan.

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"Event of Default" means any of the events specified in Section 8.01 hereof, provided there has been satisfied any requirement in connection therewith for the giving of notice, lapse of time, or happening of any further condition.

"Excess Cash Flow" means, for the most recently completed fiscal year, the difference between Operating Cash Flow for such year minus the sum of (a) Total Interest Expense for such year, plus (b) scheduled repayments of principal of Total Debt (whether by installment or as a result of a scheduled reduction in a revolving commitment, or otherwise) for such year, plus (c) permitted payments or loans made to AUSP with cash from the operations of the Borrower or its Restricted Subsidiaries during such year, (d) Capital Expenditures made during such year and financed with cash from operations of the Borrower or its Restricted Subsidiaries, plus (e) not more than \$2,000,000 in working capital of the Borrower, plus (f) cash taxes for GCII, the Borrower and its Restricted Subsidiaries with respect to such year, whether accrued or paid.

"Facility" means the Revolver/Term Loan.

"FCC" means the Federal Communications Commission and any successor thereto.

"FCC License" means any community antenna relay service, broadcast auxiliary license, earth station registration, business radio, microwave or special safety radio service license issued by the FCC pursuant to the Communications Act of 1934, as amended, and any other FCC license from time to time necessary or advisable for the operation of the Parent's, the Borrower's or any of their Subsidiaries' business.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of Dallas, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such date on such transactions received by Administrative Agent from three federal funds brokers of recognized standing selected by it.

"Fee Letters" means that certain letter agreement, dated June 30, 1997, addressed to the Borrower and acknowledged by the Borrower, and describing certain fees payable to the Administrative Agent in connection with this Agreement and the Facility, and such other fee letter agreements as may be executed from time to time among the parties hereto, as each may be amended, modified, substituted or replaced by the parties thereto.

"Fiber Lease" means that certain lease agreement entered into by GCI Communication Corp. with AUSP, for lease of a portion of AUSP's fiber network, which lease constitutes a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such agreement may be amended, restated, or otherwise modified from time to time.

"Fixed Charges" means, for the most recently completed four fiscal quarters, the sum of (a) cash Total Interest Expense paid or accrued, plus (b) scheduled repayments of principal of Total Debt (whether by installment or as a result of a scheduled reduction in a revolving commitment, or otherwise), plus (c) cash taxes paid or accrued for GCII, the Borrower and its Restricted Subsidiaries, plus (d) cash payments (in the form of capital contributions, loans, advances or otherwise) made to Unrestricted Subsidiaries (including, without limitation, AUSP, except scheduled lease payments made pursuant to the Fiber Lease, payments under the Lease Guaranty, and scheduled payments under the O&M Contract that is a Project Agreement), plus (e) Capital Expenditures made by any of the Borrower and its Restricted Subsidiaries.

"Fixed Charges Coverage Ratio" means the ratio of Annualized Operating Cash Flow to Fixed Charges.

"Funded Debt" means, without duplication, with respect to any Person, all Debt of such Person, determined on a consolidated basis and measured in accordance with GAAP that is either (a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one year after the date of creation thereof, notwithstanding the fact that payments are required to be made less than one year after such date, (c) Capital Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit, without duplication, (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with Interest Hedge Agreements, (h) payments due under Non-Compete Agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than 90 days old and any thereof that are being contested in good faith).

"GAAP" means generally accepted accounting principles applied on a consistent basis. Application on a consistent basis shall mean that the accounting principles observed in a current period are comparable in all material respects to those applied in a preceding period, except for new developments or statements promulgated by the Financial Accounting Standards Board.

"GCI" means General Communication, Inc., an Alaska corporation, and immediate parent and holder of 100% of the Capital Stock of GCII.

"GCI Entities" means the Borrower, the Parents, each Restricted Subsidiary and each Guarantor from time to time in existence, and any other Person from time to time constituting a Subsidiary of Parents or the Borrower, except the Unrestricted Subsidiaries.

"GCII" means GCI, Inc., an Alaska corporation, and immediate parent and holder of 100% of the Capital Stock of the Borrower.

"Guarantors" means GCII, GCI Communication Services, Inc., GCI Leasing Co., Inc., GCI Communication Corp. (including, without limitation, the Long Distance Division and the Local & Wireless Division), GCI Cable, Inc., each Subsidiary of GCI Cable, Inc., each other Restricted Subsidiary and each other Person from time to time guaranteeing payment of the Obligations to the Administrative Agent and Lenders.

"Guaranty" of a Person means any agreement by which such Person assumes, guarantees, endorses, contingently agrees to purchase or provide funds for the payment of, or otherwise becomes liable upon, the obligation of any other Person, or agrees to maintain the net worth or working capital or other financial condition of any other Person, or otherwise assures any creditor or such other Person against loss, including, without limitation, any agreement which assures any creditor or such other Person payment or performance of any obligation, or any take-or-pay contract and shall include without limitation, the contingent liability of such Person in connection with any application for a letter of credit (without duplication of any amount already included in its Debt).

"Hazardous Materials" means all materials subject to any Environmental Law, including without limitation materials listed in 49 C.F.R. ss. 172.101, Hazardous Substances, explosive or radioactive materials, hazardous or toxic wastes or substances, petroleum or petroleum distillates, asbestos, or material containing asbestos.

"Hazardous Substances" means hazardous waste as defined in the Clean Water Act, 33 U.S.C. ss. 1251 et seq., the Comprehensive Environmental Response Compensation and Liability Act as amended by the Superfund Amendments and Reauthorization Act, 42 U.S.C. ss. 9601 et seq., the Resource Conservation Recovery Act, 42 U.S.C. ss. 6901 et seq., and the Toxic Substances Control Act, 15 U.S.C. ss. 2601 et seq.

"Highest Lawful Rate" means at the particular time in question the maximum rate of interest which, under Applicable Law, Administrative Agent is then permitted to charge on the Obligations. If the maximum rate of interest which, under Applicable Law, such Lender is permitted to charge on the Obligations shall change after the date hereof, the Highest Lawful Rate shall be automatically increased or decreased, as the case may be, from time to time as of the effective time of each change in the Highest Lawful Rate without notice to the Borrower. For purposes of determining the Highest Lawful Rate under Applicable Law, the applicable rate ceiling shall be (a) the indicated rate ceiling described in and computed in accordance with the provisions of Art. 1H; or (b) either the annualized ceiling or quarterly ceiling computed pursuant to .008 of Art. 1D; provided, however, that at any time the indicated rate ceiling, the annualized ceiling or the quarterly ceiling, as applicable, shall be less than 18% per annum or more than 24% per annum, the provisions of Sections .009(a) and .009(b) of said Art. 1D shall control for purposes of such determination, as applicable.

"Indemnities" has the meaning ascribed thereto in Section 6.09 hereof.

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"Indenture" means the Indenture dated as of August 1, 1997, between GCII and The Bank of New York, as Trustee, providing for the Senior Notes.

"Initial Advance" means the initial Advance made in accordance with the terms hereof, which shall only be after the Borrower has satisfied each of the conditions set forth in Section 4.01 and Section 4.02 hereof (or any such condition shall have been waived by each Lender).

"Installment Percentage" means, with respect to Advances outstanding under the Revolver/Term Loan, a percentage of the aggregate Revolver/Term Advances outstanding on the Conversion Date.

"Insufficiency" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities within the meaning of Section 4001(a)(18) of ERISA.

"Intercompany Notes" means those notes, substantially in the form of Exhibit G hereto, evidencing loans and/or advances made by the Borrower to AUSP under the Keepwell Agreement or the Completion Guaranty, and made in accordance with the terms of Section 7.10(g) hereof.

"Interest Coverage Ratio" means as of any date of determination, the ratio of (a) Annualized Operating Cash Flow to (b) Total Interest Expense for the most recently completed four fiscal quarters, provided that, notwithstanding the preceding and any other provision in this Agreement or in the Loan Papers, for the first three fiscal quarters after the Closing Date only, Annualized Operating Cash Flow and Total Interest Expense shall be determined by annualizing the relevant financial information of GCII, the Borrower and the Restricted Subsidiaries from the Closing Date through the date of determination; and provided further that notwithstanding the preceding and any other provision in this Agreement or in the Loan Papers, Annualized Operating Cash Flow and Total Interest Expense for any period prior to the Closing Date shall be determined by using the relevant financial information of the Restricted Subsidiaries.

"Interest Hedge Agreements" means any interest rate swap agreements, interest cap agreements, interest rate collar agreements, or any similar agreements or arrangements designed to hedge the risk of variable interest rate volatility, or foreign currency hedge, exchange or similar agreements, on terms and conditions reasonably acceptable to Administrative Agent (evidenced by Administrative Agent's consent in writing), as such agreements or arrangements may be modified, supplemented, and in effect from time to time, and notwithstanding the above, fixed rate Debt for Borrowed Money shall be deemed an Interest Hedge Agreement.

"Interest Period" means, with respect to any LIBOR Advance, the period beginning on the date an Advance is made or continued as or converted into a LIBOR Advance and ending one, two, three or six months thereafter (as the Borrower shall select) provided, however, that:

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(a) the Borrower may not select any Interest Period that ends after any principal repayment date unless, after giving effect to such selection, the aggregate principal amount of LIBOR Advances having Interest Periods that end on or prior to such principal repayment date, shall be at least equal to the principal amount of Advances due and payable on and prior to such date;

(b) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding

Business Day, provided, however, that if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(c) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such Interest Period shall end on the last Business Day of such succeeding calendar month.

"Investment" means any acquisition of all or substantially all assets of any Person, or any direct or indirect purchase or other acquisition of, or a beneficial interest in, capital stock or other securities of any other Person, or any direct or indirect loan, advance (other than advances to employees for moving and travel expenses, drawing accounts, and similar expenditures in the ordinary course of business), or capital contribution to or investment in any other Person, including without limitation the incurrence or sufferance of Debt or accounts receivable of any other Person that are not current assets or do not arise from sales to that other Person in the ordinary course of business.

"Keepwell Agreement" means that certain operating keepwell agreement among the Borrower, AUSP, and Credit Lyonnais as administrative agent under the AUSP Credit Agreement, which such agreement is a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such agreement may be amended, restated, or otherwise modified from time to time.

"Law" means any constitution, statute, law, ordinance, regulation, rule, order, writ, injunction, or decree of any Tribunal.

"Lease Guaranty" means that certain lease guaranty agreement among the Borrower, AUSP, and Credit Lyonnais as administrative agent under the AUSP Credit Agreement, which such agreement is a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such agreement may be amended, restated, or otherwise modified from time to time.

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"Lenders" means the lenders listed on the signature pages of this Agreement, and each Eligible Assignee which hereafter becomes a party to this Agreement pursuant to Section 10.04 hereof, for so long as any such Person is owed any portion of the Obligations or obligated to make any Advances under the Revolver/Term Loan.

"Lending Office" means, with respect to each Lender, its branch or affiliate, (a) initially, the office of such Lender, branch or affiliate identified as such on the signature pages hereof, and (b) subsequently, such other office of such Lender, branch or affiliate as such Lender may designate to the Borrower and Administrative Agent as the office from which the Advances of such Lender will be made and maintained and for the account of which all payments of principal and interest on the Advances and the Commitment Fees will thereafter be made. Lenders may have more than one Lending Office for the purpose of making Base Rate Advances and LIBOR Advances.

"LIBOR Advance" means an Advance bearing interest at the LIBOR Rate.

"LIBOR Rate" means a simple per annum interest rate equal to the lesser of (a) the Highest Lawful Rate, and (b) the sum of the LIBOR Rate Basis plus the Applicable Margin. The LIBOR Rate shall, with respect to LIBOR Advances subject to reserve or deposit requirements, be subject to premiums assessed therefor by each Lender, which are payable directly to each Lender. Once determined, the LIBOR Rate shall remain unchanged during the applicable Interest Period.

"LIBOR Rate Basis" means, for any LIBOR Advance for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term "LIBOR Rate Basis" shall mean, for any LIBOR Advance for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in Dollars at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates.

"License" means, as to any Person, any license, permit, certificate of need, authorization, certification, accreditation, franchise, approval, or grant of rights by any Tribunal or third person necessary or appropriate for such

Person to own, maintain, or operate its business or Property, including FCC Licenses.

"Lien" means any mortgage, pledge, security interest, encumbrance, lien, or charge of any kind, including without limitation any agreement to give or not to give any of the foregoing, any conditional sale or other title retention agreement, any lease in the nature thereof, and the

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filing of or agreement to give any financing statement or other similar form of public notice under the Laws of any jurisdiction (except for the filing of a financing statement or notice in connection with an operating lease).

"Litigation" means any proceeding, claim, lawsuit, arbitration, and/or investigation conducted or threatened by or before any Tribunal, including without limitation proceedings, claims, lawsuits, and/or investigations under or pursuant to any environmental, occupational, safety and health, antitrust, unfair competition, securities, Tax, or other Law, or under or pursuant to any contract, agreement, or other instrument.

"Loan Papers" means this Agreement; the Notes; Interest Rate Hedge Agreements executed among any GCI Entity and any Lender or Bank Affiliate; all Pledge Agreements; all Guaranties executed by any Person guaranteeing payment of any portion of the Obligations; all Fee Letters; each Assignment and Acceptance; all promissory notes evidencing any portion of the Obligations; assignments, security agreements and pledge agreements granting any interest in any of the Collateral; stock certificates and partnership agreements constituting part of the Collateral; mortgages, deeds of trust, financing statements, collateral assignments, and other documents and instruments granting an interest in any portion of the Collateral, or related to the perfection and/or the transfer thereof, all collateral assignments or other agreements granting a Lien on any intercompany note, including without limitation, the Intercompany Notes; and all other documents, instruments, agreements or certificates executed or delivered by the Borrower or any other GCI Entity, as security for the Borrower's obligations hereunder, in connection with the loans to the Borrower or otherwise; as each such document shall, with the consent of the Lenders pursuant to the terms hereof, be amended, revised, renewed, extended, substituted or replaced from time to time.

"Local Telephone Business" means the local telephone business of the Borrower and its Restricted Subsidiaries in (i) Anchorage, Alaska, for which GCI Communication Corp. received its authority to operate from the Alaskan Public Utilities Commission on February 4, 1997 and (ii) elsewhere in Alaska for which Borrower or any Restricted Subsidiary receives authority to operate from the Alaska Public Utilities Commission.

"Majority Lenders" means any combination of Lenders having at least 66.67% of the aggregate amount of Advances under the Facility; provided, however, that if no Advances are outstanding under this Agreement, such term means any combination of Lenders having a Specified Percentage equal to at least 66.67% of the Facility.

"Management Fees" means all fees from time to time directly or indirectly (including any payments made pursuant to guarantees of such fees) paid or payable by the Borrower, any GCI Entity or any of the Restricted Subsidiaries to any Person for management services for managing any portion of any System.

"Managing Agents" means NationsBank, Credit Lyonnais and TD.

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"Material Adverse Change" means any circumstance or event that (a) can reasonably be expected to cause a Default or an Event of Default, (b) otherwise can reasonably be expected to (i) be material and adverse to the continued operation of the Borrower and the Restricted Subsidiaries taken as a whole or any other GCI Entity, or (ii) be material and adverse to the financial condition, business operations, prospects or Properties of the Borrower and the Restricted Subsidiaries taken as a whole or any other GCI Entity, or (c) in any manner whatsoever does or can reasonably be expected to materially and adversely affect the validity or enforceability of any of the Loan Papers.

"Maturity Date" means July 31, 2005, or such earlier date all of the Obligations become due and payable (whether by acceleration, prepayment in full, scheduled reduction or otherwise).

"Maximum Amount" means the maximum amount of interest which, under Applicable Law, Administrative Agent or any Lender is permitted to charge on the Obligations.

"MCI" means (i) prior to the effective date of the merger of MCI Telecommunications Corporation into British Telecommunications, PLC, MCI Telecommunications Corporation and (ii) on and after the effective date of the

merger of MCI Telecommunications Corporation into British Telecommunications, PLC, British Telecommunications, PLC.

"Multiemployer Plan" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which the Borrower, any Subsidiary of the Borrower or GCI or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions, such plan being maintained pursuant to one or more collective bargaining agreements.

"Multiple Employer Plan" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of the Borrower, any Subsidiary of the Borrower or GCI, or any ERISA Affiliate and at least one Person other than the Borrower, any Subsidiary of the Borrower or GCI, and any ERISA Affiliate, or (b) was so maintained and in respect of which the Borrower, any Subsidiary of the Borrower or GCI, or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"Net Proceeds" means the gross proceeds received by the Borrower or any Restricted Subsidiary in connection with or as a result of any Asset Sale, minus (so long as each of the following are estimated in good faith by the Vice President - Chief Financial Officer of the Borrower or such Restricted Subsidiary and certified to the Lenders in reasonable detail by an Authorized Officer) (a) amounts paid or reserved in good faith, if any, for taxes payable with respect to such Asset Sale in an amount equal to the tax liability of the Borrower or any Restricted Subsidiary in respect of such sale (taking into account all other tax benefits of each of the parties) and (b) reasonable and customary transaction costs payable by the Borrower or any Restricted Subsidiary related to such sale.

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"Net Total Interest Expense" means as of any date of determination for any period of calculation, all the Borrower's and the Restricted Subsidiaries' consolidated interest expense included in a consolidated income statement (without deduction of interest income) on Senior Debt for such period calculated on a consolidated basis in accordance with GAAP, including without limitation or duplication (or, to the extent not so included, with the addition of) for the Borrower and the Restricted Subsidiaries: (a) the amortization of Debt discounts; (b) any commitment fees or agency fees related to any Senior Debt, but specifically excluding any one-time facility and/or arrangement fees; (c) any fees or expenses with respect to letters of credit, bankers' acceptances or similar facilities; (d) fees and expenses with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements, other than fees or charges related to the acquisition or termination thereof which are not allocable to interest expense in accordance with GAAP; (e) preferred stock Distributions for the Borrower and the Restricted Subsidiaries declared and payable in cash; and (f) interest capitalized in accordance with GAAP.

"Non-Compete Agreement" means any agreement or related set of agreements under which the Borrower or any Restricted Subsidiary agrees to pay money in one or more installments to one or more Persons in exchange for agreements from such Persons to refrain from competing with the Borrower or such Restricted Subsidiary in a certain line of business in a specific geographical area for a certain time period, or pursuant to which any Person agrees to limit or restrict its right to engage, directly or indirectly, in the same or similar industry for any period of time for any geographic location.

"Notes" means all Revolver/Term Notes in effect from time to time, and "Note" means any of such notes, as applicable.

"Obligations" means all present and future obligations, indebtedness and liabilities, and all renewals and extensions of all or any part thereof, of the Borrower and each other GCI Entity to Lenders and Administrative Agent arising from, by virtue of, or pursuant to this Agreement, any of the other Loan Papers and any and all renewals and extensions thereof or any part thereof, or future amendments thereto, all interest accruing on all or any part thereof and reasonable attorneys' fees incurred by Lenders and Administrative Agent for the administration, execution of waivers, amendments and consents, and in connection with any restructuring, workouts or in the enforcement or the collection of all or any part thereof, whether such obligations, indebtedness and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several. Without limiting the generality of the foregoing, "Obligations" includes all amounts which would be owed by the Borrower, each other GCI Entity and any other Person (other than Administrative Agent or Lenders) to Administrative Agent or Lenders under any Loan Paper, but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar proceeding involving the Borrower, any other GCI Entity or any other Person (including all such amounts which would become due or would be secured but for the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding of the Borrower, any other GCI Entity or any other Person under any Debtor Relief Law).

"O&M Contract" means the Operation and Maintenance Contract between AUSP and GCI Communication Corp., which agreement is a Project Agreement and is substantially similar in all material respects in form and substance to the draft thereof dated October 30, 1997, as such contract may be amended, restated, or otherwise modified from time to time.

"Operating Cash Flow" means, for the Borrower and the Restricted Subsidiaries, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense for the Borrower and Restricted Subsidiaries plus (e) deferred income Taxes for the Borrower and Restricted Subsidiaries; provided, the calculation is made after giving effect to acquisitions and dispositions of assets of the Borrower or any Restricted Subsidiary during such period as if such transactions had occurred on the first day of such period.

"Operating Leases" means operating leases, as defined in accordance with GAAP.

"Parents" means, collectively, GCI and GCII.

"PBGC" means the Pension Benefit Guaranty Corporation, or any successor agency or entity performing substantially the same functions.

"Permitted Dispositions" means any sale, assignment, disposition, conveyance or transfer of any agreements, licenses, permits, franchises, contract rights, documents, instruments or other Property or any interest therein, related to the construction, operation or maintenance of AUSP's fiber network including, without limitation, the agreements listed on Schedule 3.23 to this Agreement.

"Permitted Liens" means

(a) those imposed by the Loan Papers and the Revolving Credit Agreement;

(b) Liens in connection with workers' compensation, unemployment insurance or other social security obligations (which phrase shall not be construed to refer to ERISA);

(c) deposits, pledges or liens to secure the performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, statutory obligations, surety, customs, appeal, performance and payment bonds and other obligations of like nature arising in the ordinary course of business;

(d) mechanics', worker's, carriers, warehousemen's, materialmen's, landlords', or other like Liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith and by appropriate proceedings diligently conducted;

(e) Liens for taxes, assessments, fees or governmental charges or levies not delinquent or which are being contested in good faith and by appropriate proceedings diligently conducted, and in respect of which adequate reserves shall have been established in accordance with GAAP on the books of the Borrower or such GCI Entity;

(f) Liens or attachments, judgments or awards against the Borrower or any other GCI Entity with respect to which an appeal or proceeding for review shall be pending or a stay of execution shall have been obtained, and which are otherwise being contested in good faith and by appropriate proceedings diligently conducted, and in respect of which adequate reserves shall have been established in accordance with GAAP on the books of the Borrower or such other GCI Entity;

(g) Liens in existence on the Closing Date described on Schedule 5.08(a) hereto;

(h) statutory Liens in favor of CoBank with respect to the Participation Certificates (as defined in Section 6.16) and of lessors arising in connection with Property leased to the Borrower or any other GCI Entity; and

(i) easements, rights of way, restrictions, leases of Property to others, easements for installations of public utilities, title imperfections and restrictions, zoning ordinances and other similar encumbrances affecting

Property which in the aggregate do not materially adversely affect the value of such Property or materially impair its use for the operation of the business of the Borrower or such GCI Entity.

"Person" means an individual, partnership, joint venture, corporation, trust, Tribunal, unincorporated organization, and government, or any department, agency, or political subdivision thereof.

"Plan" means a Single Employer Plan or a Multiple Employer Plan.

"Pledge Agreement" means each Security Agreement and each Pledge and Security Agreement, whereby the Pledged Interests are pledged to Administrative Agent and a security interest is granted in the assets of the Borrower and Restricted Subsidiaries to secure the Obligations, each substantially in the form of Exhibit C hereto, as each such agreement may be amended, modified, extended, renewed, restated, substituted or replaced from time to time.

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"Pledged Interests" means (a) a first perfected security interest in 100% of the Capital Stock of the Borrower; (b) a first perfected security interest in 100% of the Capital Stock of GCI Communication Services, Inc., and GCI Communication Corp.; (c) subject to the Prior Stock Lien, a first perfected security interest in 100% of the Capital Stock of GCI Leasing Co., Inc.; and (d) a first perfected security interest in 100% of the Capital Stock of GCI Cable, Inc. each Subsidiary of GCI Cable, Inc., and each other Restricted Subsidiary, if any, now existing or hereafter formed or acquired.

"Prior Stock Lien" means those certain Liens in the stock of GCI Leasing Co., Inc. and such other Liens as are listed on Schedule 1.02 hereto.

"Prime Management Agreement" means that certain Management Agreement, between GCI Cable, Inc. and Prime II Management, L.P., dated October 31, 1996.

"Pro Forma Debt Service" means, for GCII, the Borrower and its Restricted Subsidiaries for the four full fiscal quarters immediately following the date of determination, the sum of (a) cash Total Interest Expense (using the interest rates in effect on the date of determination to project interest rates for any Total Debt subject to a floating interest rate), plus (b) scheduled repayments of principal of Total Debt (whether by installment or as a result of a scheduled reduction in a revolving commitment, or otherwise).

"Pro Forma Debt Service Coverage Ratio" means the ratio of Annualized Operating Cash Flow to Pro Forma Debt Service.

"Prohibited Transaction" has the meaning specified therefor in Section 4975 of the Code or Section 406 of ERISA.

"Project Agreements" means those "Projects Agreements" as defined in the AUSB Credit Agreement and as described on Schedule 1.01B hereto, and such other agreements as may hereafter be entered into from time to time which materially and adversely affect the obligations of the Borrower or the Restricted Subsidiaries with respect to the AUSB Financing; such Project Agreements to be substantially similar in all material respects in form and substance to drafts thereof dated November 4, 1997 (except for the O&M Contract), as amended, restated, or otherwise modified from time to time.

"Property" means all types of real, personal, tangible, intangible, or mixed property, whether owned in fee simple or leased.

"Quarterly Date" means the last Business Day of each March, June, September and December during the term of this Agreement, commencing on September 30, 1997.

"Ratable" means, as to any Lender, in accordance with its Specified Percentage.

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"Refinancing Advance" means an Advance that is used to pay the principal amount of an existing Advance (or any performance thereof) at the end of its Interest Period and which, after giving effect to such application, does not result in an increase in the aggregate amount of outstanding Advances.

"Regulatory Change" means any change after the date hereof in federal, state, or foreign Laws (including the introduction of any new Law) or the adoption or making after such date of any interpretations, directives, or requests of or under any federal, state, or foreign Laws (whether or not having the force of Law) by any Tribunal charged with the interpretation or administration thereof, applying to a class of financial institutions that includes any Lender, excluding, however, any such change which results in an adjustment of the LIBOR Reserve Percentage and the effect of which is reflected

in a change in the LIBOR Rate as provided in the definition of such term.

"Reportable Event" means a reportable event as defined in Section 4043 of ERISA and the regulations issued under such section, with respect to a Plan, excluding, however, such events as to which the PBGC by regulation waived the requirement of Section 4043(a) of ERISA that it be notified within 30 days of the occurrence of such event, provided that a failure to meet the minimum funding standard of Section 412 of the Code and of Section 302 of ERISA shall be a Reportable Event regardless of the issuance of any such waivers in accordance with either Section 4043(a) of ERISA or Section 412(d) of the Code.

"Restricted Payments" means (a) any direct or indirect distribution, Distribution or other payment on account of any general or limited partnership interest in (or the setting aside of funds for, or the establishment of a sinking fund or analogous fund with respect to), or shares of Capital Stock or other securities of, the Borrower or any Restricted Subsidiary; (b) any payments of principal of, or interest on, or fees related to, or any other payments and prepayments with respect to, or the establishment of, or any payment to, any sinking fund or analogous fund for the purpose of making any such payments on, Funded Debt of GCII, the Borrower or any Restricted Subsidiary (excluding the Obligations and the obligations under the Revolving Credit Agreement); (c) any Management Fee or any management, consulting or other similar fees, or any interest thereon, payable by the Borrower or any Restricted Subsidiary to any Affiliate of the Borrower or Parents or to any other Person; (d) any administration fee or any administration, consulting or other similar fees, or any interest thereon, payable by the Borrower or any Restricted Subsidiary to any Affiliate of Parents or the Borrower or to any other Person (excluding the payment of compensation (including, amounts paid pursuant to employee benefit plans) in the ordinary course of business for the personal services of officers, directors and employees of Parents, the Borrower or any of its Restricted Subsidiaries, so long as the Board of Directors of Parents and the Borrower in good faith shall have approved the terms thereof and deemed the services therefore or thereafter to be performed for such compensation or fees to be fair consideration therefor); (e) any payments of any amounts owing under any Non-Compete Agreements; and (f) fees, loans or other payments or advances by the Borrower or any Restricted Subsidiary to any Unrestricted Subsidiary or any other Affiliate of the Parents or the

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Borrower, except to the extent such payments are permitted in accordance with the terms of Section 7.09 hereof.

"Restricted Subsidiaries" means GCI Communication Services, Inc., GCI Leasing Co., Inc., GCI Communication Corp. (including, without limitation, the Long Distance Division and the Local & Wireless Division), GCI Cable, Inc., each Subsidiary of GCI Cable, Inc., and any other Subsidiary, now or hereafter created or acquired, of the Borrower or the Parents, other than Unrestricted Subsidiaries, in each case that engages in either the operation of (a) switched message long distance telephone systems and ancillary services including DAMA, cellular resale and PCS systems, (b) cable distribution operations, or (c) the Local Telephone Business and "Restricted Subsidiary" means any one of them, as applicable in the context.

"Revolver/Term Commitment" means, with respect to the Revolver/Term Loan, \$50,000,000, as such amount may be reduced from time to time in accordance with the terms of Section 2.04 hereof.

"Revolver/Term Loan" means that certain Revolver/Term Loan made to the Borrower on the Closing Date in accordance with Section 2.01 hereof.

"Revolver/Term Notes" means the promissory notes of the Borrower evidencing the Advances and obligations owing hereunder to each Lender under the Revolver/Term Loan, in substantially the form of Exhibit A hereto, each payable to the order of each Lender, as each such note may be amended, extended, restated, renewed, substituted or replaced from time to time.

"Revolver/Term Unused Commitment" means, on any date of determination, the Revolver/Term Commitment as in effect on such date, minus all outstanding Advances made under the Revolver/Term Loan on such date.

"Revolving Commitment" has the meaning ascribed to it in the Revolving Credit Agreement.

"Revolving Credit Agreement" means, the \$200,000,000 Amended and Restated Credit Agreement, of even date herewith, between the Borrower, the Administrative Agent and the Lenders, as amended, restated or otherwise modified from time to time.

"Rights" means rights, remedies, powers, and privileges.

"Senior Debt" means, without duplication, with respect to the Borrower and the Restricted Subsidiaries, the sum of all Funded Debt of the Borrower and the Restricted Subsidiaries, calculated on a consolidated basis in accordance with GAAP.

"Senior Leverage Ratio" means as of any date of determination, the ratio of (a) Senior Debt on such date of determination to (b) Annualized Operating Cash Flow, all calculated for the Borrower and the Restricted Subsidiaries on a consolidated basis in accordance with GAAP consistently applied.

"Senior Notes" means those certain \$180,000,000 9-3\4% Senior Notes due 2007 issued by GCII, pursuant to and in accordance with the Indenture.

"Single Employer Plan" means a single employer plan, as defined in Section 401(a)(15) of ERISA, other than a Multiple Employer Plan, that is maintained for employees of the Borrower or any ERISA Affiliate.

"Solvent" means, with respect to any Person, that on such date (a) the fair value of the Property of such Person is greater than the total amount of liabilities, including without limitation Contingent Liabilities of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature, and (d) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's Property would constitute an unreasonably small capital.

"Special Counsel" means the law firm of Donohoe, Jameson & Carroll, P.C., Dallas, Texas, special counsel to Administrative Agent, or such other counsel selected by the Administrative Agent from time to time.

"Specified Percentage" means, as to any Lender, the percentage indicated beside its name on the signature pages hereof, or as adjusted or specified in any Assignment and Acceptance, or amendment to this Agreement.

"Subordinated Debt" means subordinated indebtedness of the Borrower incurred in accordance with the terms of Section 7.02(f)(ii) hereof.

"Subordination Agreement" means the Subordination Agreement among the Borrower, AUSP, GCI Transport Co., Inc. and Credit Lyonnais as administrative agent under the AUSP Credit Agreement, which agreement is substantially similar in all material respects in form and substance to the draft thereof dated November 4, 1997, as such agreement may be amended, restated or otherwise modified from time to time.

"Subsidiary" of any Person means any corporation, partnership, limited liability company, joint venture, trust or estate of which (or in which) more than 50% of:

(a) the outstanding Capital Stock having voting power to elect a majority of the Board of Directors of such corporation (or other Persons performing similar functions of such entity, and irrespective of whether at the time Capital Stock of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency),

(b) the interest in the capital or profits of such partnership or joint venture, or

(c) the beneficial interest of such trust or estate,

is at the time directly or indirectly owned by (i) such Person, (ii) such Person and one or more of its Subsidiaries or (iii) one or more of such Person's Subsidiaries.

"System" or "Systems" means the Borrower's and the other GCI Entities' (a) switched message long distance telephone systems and ancillary services including DAMA, cellular resale and PCS systems between Alaska and the contiguous states and the foreign countries listed on Schedule 1.01A hereto, and any and all other switched message long distance telephone systems, DAMA, cellular resale and PCS systems acquired or owned by the Parents, the Borrower, any of the Restricted Subsidiaries and any of the other GCI Entities from time to time, (b) cable distribution systems owned or acquired by the Borrower or any of its Restricted Subsidiaries which receives audio, video, digital, other broadcast signals or information or telecommunications by cable, optical, antennae, microwave or satellite transmission and which amplifies and transmits such signals to persons who pay to receive such signals, and (c) the Local Telephone Business, and all other such systems owned by the Borrower or any other GCI Entity from time to time.

"Taxes" means all taxes, assessments, imposts, fees, or other charges at any time imposed by any Laws or Tribunal.

"Total Debt" means, without duplication, with respect to GCII, the Borrower and the Restricted Subsidiaries, the sum of all Funded Debt, calculated on a consolidated basis in accordance with GAAP.

"Total Interest Expense" means as of any date of determination for any period of calculation, GCII's, the Borrower's and the Restricted Subsidiaries' consolidated interest expense included in a consolidated income statement (without deduction of interest income) on Total Debt for such period calculated on a consolidated basis in accordance with GAAP, including without limitation or duplication (or, to the extent not so included, with the addition of) for GCII, the Borrower and the Restricted Subsidiaries: (a) the amortization of Debt discounts; (b) any commitment fees or agency fees related to any Funded Debt, but specifically excluding any one-time facility and/or arrangement fees; (c) any fees or expenses with respect to letters of credit, bankers' acceptances or similar facilities; (d) fees and expenses with respect to interest rate swap or similar agreements or foreign currency hedge, exchange or similar agreements, other than

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fees or charges related to the acquisition or termination thereof which are not allocable to interest expense in accordance with GAAP; (e) preferred stock Distributions for GCII, the Borrower and the Restricted Subsidiaries declared and payable in cash; and (f) interest capitalized in accordance with GAAP.

"Total Leverage Ratio" means as of any date of determination, the ratio of (a) Total Debt of GCII, the Borrower and the Restricted Subsidiaries on such date of determination to (b) Annualized Operating Cash Flow, all calculated on a consolidated basis in accordance with GAAP consistently applied.

"Tribunal" means any state, commonwealth, federal, foreign, territorial, or other court or government body, subdivision, agency, department, commission, board, bureau, or instrumentality of a governmental body.

"Type" refers to the distinction between Advances bearing interest at the Base Rate and LIBOR Rate.

"UCC" means the Uniform Commercial Code as adopted in the State of Texas.

"Unrestricted Subsidiary" means GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., Fiber Hold Co., Inc. and AUSB, and, with the prior written consent of the Majority Lenders, any other Subsidiary of the Parents designated as a "Unrestricted Subsidiary" by the Borrower from time to time.

"Wholly-Owned Subsidiary" means any Subsidiary of the Borrower that is owned 100% by the Borrower or either of the Parents, directly or indirectly, except any Unrestricted Subsidiary.

"Withdrawal Liability" has the meaning given such term under Part I of Subtitle E of Title IV of ERISA.

1.02. Accounting and Other Terms. All accounting terms used in this Agreement which are not otherwise defined herein shall be construed in accordance with GAAP consistently applied on a consolidated basis for Borrower and the Restricted Subsidiaries, unless otherwise expressly stated herein. References herein to one gender shall be deemed to include all other genders. Except where the context otherwise requires, all references to time are deemed to be Central Standard time.

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## ARTICLE II. AMOUNTS AND TERMS OF ADVANCES

2.01. The Facility. Each Lender severally agrees, on the terms and subject to the conditions hereinafter set forth, from the Closing Date until the Conversion Date, to make Advances under the Revolver/Term Loan to the Borrower on any Business Day during the period from the Closing Date of this Agreement until the Conversion Date, in an aggregate principal amount not to exceed at any time outstanding such Lender's Specified Percentage of the Revolver/Term Commitment. Subject to the terms and conditions of this Agreement, until the Conversion Date, the Borrower may borrow, repay and reborrow the Advances under the Revolver/Term Loan. On the Conversion Date, the aggregate amount of outstanding Advances under the Revolver/Term Loan shall convert to a term loan, at which point the Borrower may not borrow, repay and reborrow the Advances under the Revolver/Term Loan, all Advances under the Revolver/Term Loan being Refinancing Advances on and after the Conversion Date. In addition to the installment repayments due on the Revolver/Term Loan as set forth below, the aggregate amount of all outstanding Revolver/Term Advances are due and payable on the Maturity Date.

2.02 Making Advances Under the Revolver/Term Loan.

(a) Each Borrowing of Advances shall be made upon the written notice of the Borrower, received by Administrative Agent not later than (i) 12:00 noon three Business Days prior to the proposed date of the Borrowing, in the case of LIBOR Advances and (ii) not later than 10:00 a.m. on the date of such Borrowing, in the case of Base Rate Advances. Each such notice of a Borrowing (a "Borrowing Notice") shall be by telecopy, promptly confirmed by letter, in substantially the form of Exhibit F hereto specifying therein:

(i) the date of such proposed Borrowing, which shall be a Business Day;

(ii) the amount of such proposed Borrowing which, (A) prior to the Conversion Date, shall not when aggregated together with all other outstanding Advances under the Revolver/Term Loan exceed the Revolver/Term Commitment, and (B) shall, in the case of a Borrowing of LIBOR Advances, be in an amount of not less than \$1,000,000 or an integral multiple of \$500,000 in excess thereof and, in the case of a Borrowing of Base Rate Advances, be in an amount of not less than \$500,000 or an integral multiple of \$100,000 in excess thereof;

(iii) the Type of Advances of which the Borrowing is to be comprised; and

(iv) if the Borrowing is to be comprised of LIBOR Advances, the duration of the initial Interest Period applicable to such Advances.

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If the Borrowing Notice fails to specify the duration of the initial Interest Period for any Borrowing comprised of LIBOR Advances, such Interest Period shall be three months. Each Lender shall, before 1:00 p.m. on the date of each Advance under the Revolver/Term Loan prior to the Conversion Date (other than a Refinancing Advance), make available to

Administrative Agent  
NationsBank Plaza  
901 Main Street  
14th Floor  
Dallas, Texas 75202

such Lender's Specified Percentage of the aggregate Advances under the Revolver/Term Loan, to be made on that day in immediately available funds.

(b) Unless any applicable condition specified in Article IV hereof has not been satisfied, Administrative Agent will make the funds on Advances under the Facility promptly available to the Borrower (other than with respect to a Refinancing Advance) at such account as shall have been specified by the Borrower.

(c) After giving effect to any Borrowing, (i) there shall not be more than eight different Interest Periods in the aggregate in effect under the Facility and under the Revolving Credit Agreement and (ii) if prior to the Conversion Date, the aggregate principal of outstanding Advances under the Revolver/Term Loan shall not exceed the Revolver/Term Commitment.

(d) No Interest Period for a Borrowing under the Facility shall extend beyond the Maturity Date.

(e) Unless a Lender shall have notified Administrative Agent prior to the date of any Advance that it will not make available its Specified Percentage of any Advance, Administrative Agent may assume that such Lender has made the appropriate amount available in accordance with Section 2.02(a), and Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If and to the extent any Lender shall not have made such amount available to Administrative Agent, such Lender and the Borrower severally agree to repay to Administrative Agent immediately on demand such corresponding amount together with interest thereon, from the date such amount is made available to the Borrower until the date such amount is repaid to Administrative Agent, at (i) in the case of the Borrower, the Base Rate, and (ii) in the case of such Lender, the Federal Funds Rate.

(f) The failure by any Lender to make available its Specified Percentage of any Advance hereunder shall not relieve any other Lender of its obligation, if any, to make available its Specified Percentage of any Advance. In no event, however, shall any Lender be responsible for the failure of any other Lender to make available any portion of any Advance.

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(g) The Borrower shall indemnify each Lender against any Consequential

Loss incurred by each Lender as a result of (i) any failure to fulfill, on or before the date specified for the Advance, the conditions to the Advance set forth herein or (ii) the Borrower's requesting that an Advance not be made on the date specified in the Borrowing Notice.

#### 2.03 Evidence of Indebtedness.

(a) The obligations of the Borrower with respect to all Advances under the Revolver/Term Loan made by each Lender shall be evidenced by a Revolver/Term Note in the form of Exhibit A hereto and in the amount of such Lender's Specified Percentage of the Revolver/Term Commitment (as the same may be modified pursuant to Section 10.04 hereof).

(c) Absent manifest error, Administrative Agent's and each Lender's records shall be conclusive as to amounts owed Administrative Agent and such Lender under the Notes and this Agreement.

#### 2.04 Reduction of Commitments.

(a) Voluntary Commitment Reduction. The Borrower shall have the right from time to time upon notice by the Borrower to the Administrative Agent not later than 1:00 p.m., three Business Days in advance, to reduce prior to the Conversion Date, the Revolver/Term Commitment, in whole or in part; provided, however, that the Borrower shall pay the accrued commitment fee on the amount of each such reduction, if any, and any partial reduction shall be in an aggregate amount which is not less than \$1,000,000 and an integral multiple of \$500,000. Such notice shall specify the amount of reduction and the proposed date of such reduction.

(b) Mandatory Commitment Reductions.

(i) Scheduled Reductions in the Revolver/Term Commitment. The Revolver/Term Commitment shall be reduced to zero on the Conversion Date.

(ii) Asset Sales. On the date of any Asset Sale by any of the GCI Entities (this provision not permitting such Asset Sales),

(A) if there exists no Default or Event of Default prior to the Conversion Date, the Revolver/Term Commitment and the Revolving Commitment shall be automatically and permanently reduced by an amount equal to 100% of the Net Proceeds from any Asset Sales received by any of the GCI Entities in excess of \$10,000,000 in the aggregate over the term of this Agreement (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00), applied pro rata to the obligations as specified under the Revolving Credit Agreement and the Advances outstanding under Revolver/Term Commitment, and

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(B) if there exists a Default or an Event of Default, prior to the Conversion Date, the Revolver/Term Commitment and the Revolving Commitment shall be automatically and permanently reduced by an amount equal to 100% of the Net Proceeds from any Asset Sales received by any of the GCI Entities applied pro rata to the obligations as specified under the Revolving Credit Agreement and the Revolver/Term Commitment, and

(C) on each such date set forth in (A) and (B) above, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) the reduction of the Revolver/Term Commitment, and, with respect to the Asset Sale giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of Net Proceeds.

(iii) Debt Issuance. On the date of any issuance of public or private Subordinated Debt by the Borrower (this provision not permitting such Debt issuance),

(A) if there exists a Default or an Event of Default or if the Total Leverage Ratio equals or is greater than 5.00 to 1.00, prior to the Conversion Date, the Revolver/Term Commitment and the Revolving Commitment shall be automatically and permanently reduced by an amount equal to 100% of the net proceeds from any issuances of Subordinated Debt received by the Borrower, applied pro rata to the obligations as specified under the Revolving Credit Agreement and the Revolver/Term Commitment, and

(B) on such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such reduction in the Revolver/Term Commitment, and, with respect to the Debt issuance giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of net proceeds of such Debt issuance.

(iv) Change of Control. If a Change of Control occurs, the Revolver/Term Commitment shall be automatically and permanently reduced to zero.

(v) Equity Issuances. On the date of any issuance of equity by the GCI Entities other than the Closing Date and other than the issuance of common stock or options or rights to purchase common stock of any GCI Entity to employees and directors pursuant to stock purchase plans or grant plans, or otherwise (this provision not permitting such equity issuances),

(A) if there exists a Default or an Event of Default, prior to the Conversion Date, the Revolver/Term Commitment and the Revolving Commitment shall be automatically and permanently reduced by an amount equal to 100% of the net

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proceeds from any such equity issuances received by any of the GCI Entities applied pro rata to the obligations as specified under the Revolving Credit Agreement, and to Advances outstanding under the Revolver/Term Commitment, and

(B) on each such date set forth in (A) and (B) above, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) the reduction of the Revolver/Term Commitment, and, with respect to the equity issuance giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of net proceeds of such equity issuance.

(vi) Distributions from AUSP or any other Unrestricted Subsidiary. On the date that any distribution is received by any GCI Entity from AUSP or any Unrestricted Subsidiary,

(A) if there exists a Default or an Event of Default, prior to the Conversion Date, the Revolver/Term Commitment and the Revolving Commitment shall be automatically and permanently reduced by an amount equal to 100% of the distribution received by any GCI Entity from AUSP or any other Unrestricted Subsidiary, applied pro rata to the obligations as specified under the Revolving Credit Agreement and the Revolver/Term Commitment, and

(B) on each such date set forth above, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) the reduction of the Revolver/Term Commitment.

(c) Commitment Reductions, Generally. To the extent the sum of the aggregate outstanding Advances under the Revolver/Term Loan exceed the Revolver/Term Commitment after any reduction thereof, prior to or on the Conversion Date, the Borrower shall immediately repay on the date of such reduction, any such excess amount and all accrued interest thereon, together with any amounts constituting any Consequential Loss. Once reduced or terminated pursuant to this Section 2.04, the Revolver/Term Commitment may not be increased or reinstated.

#### 2.05 Prepayments.

(a) Optional Prepayments. The Borrower may, upon at least three Business Days prior written notice to Administrative Agent stating the proposed date and aggregate principal amount of the prepayment, prepay the outstanding principal amount of any Advances in whole or in part, together with accrued interest to the date of such prepayment on the principal amount prepaid without premium or penalty other than any Consequential Loss; provided, however, that

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in the case of a prepayment of a Base Rate Advance, the notice of prepayment may be given by telephone by 11:00 a.m. on the date of prepayment. Each partial

prepayment shall, in the case of Base Rate Advances, be in an aggregate principal amount of not less than \$500,000 or a larger integral multiple of \$100,000 in excess thereof and, in the case of LIBOR Advances, be in an aggregate principal amount of not less than \$1,000,000 or a larger integral multiple of \$500,000 in excess thereof. If any notice of prepayment is given, the principal amount stated therein, together with accrued interest on the amount prepaid and the amount, if any, due under Sections 2.11 and 2.13 hereof, shall be due and payable on the date specified in such notice.

(b) Mandatory Prepayments.

(i) Asset Sales. (A) Prior to the Conversion Date, on the date of any Asset Sale of any GCI Entity, the Borrower shall repay the Obligations and the obligations under the Revolving Credit Agreement by an amount equal to 100% of the Net Proceeds, applied pro rata to the obligations as specified under the Revolving Credit Agreement and Advances outstanding under the Revolver/Term Loan, and (B) after the Conversion Date, (I) if there exists no Default or Event of Default, on the date of any Asset Sale of any GCI Entity, the Borrower shall repay the obligations by an amount equal to 100% of the Net Proceeds, applied to the obligations as specified under the Revolving Credit Agreement, and (II) if there exists a Default or Event of Default, on the date of any Asset Sale of any GCI Entity, the Borrower shall repay the Obligations and the obligations under the Revolving Credit Agreement by an amount equal to 100% of the Net Proceeds, applied pro rata to the obligations as specified under the Revolving Credit Agreement and Advances outstanding under the Revolver/Term Loan. Any amounts repaying the Revolver/Term Loan on and after the Conversion Date will be applied in the inverse order of maturity and may not be reborrowed. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment and, with respect to the Asset Sale giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of Net Proceeds.

(ii) Debt Issuances. (A) Prior to the Conversion Date, on the date of any issuance of public or private Subordinated Debt by the Borrower (this provision not permitting such Debt issuance), the Borrower shall repay the Obligations and the obligations under the Revolving Credit Agreement by an amount equal to 100% of the net proceeds from such issuance, applied pro rata to the obligations as specified under the Revolving Credit Agreement and to outstanding Advances under the Revolver/Term Loan, and (B) after the Conversion Date, (I) if there exists no Default or Event of Default (and the Total Leverage Ratio is less than 5.00 to 1.00), on the date of any issuance of any private or public Subordinated Debt by the Borrower, the Borrower shall repay the obligations under the Revolving Credit Agreement by an amount equal to 100% of the net proceeds of such Subordinated Debt issuance, applied to the obligations as

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specified under the Revolving Credit Agreement, and (II) if there exists a Default or Event of Default or if the Total Leverage Ratio is equal to or greater than 5.00 to 1.00, on the date of any such issuance by the Borrower, the Borrower shall repay the Obligations and the obligations under the Revolving Credit Agreement by an amount equal to 100% of the net proceeds of such issuance, applied pro rata to the obligations outstanding under the Revolving Loan and Advances outstanding under the Revolver/Term Loan. Any amounts repaying the Revolver/Term Loan on and after the Conversion Date will be applied in the inverse order of maturity and may not be reborrowed. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment and, with respect to the Debt issuance giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of net proceeds of such Debt issuance.

(iii) Equity Issuances. (A) Prior to the Conversion Date (unless there exists a Default or an Event of Default), on the date of any issuance of equity by any GCI Entity other than the Closing Date and other than the issuance of common stock or options or rights to purchase common stock of any GCI Entity to employees and directors pursuant to stock purchase plans or grant plans, or otherwise (this provision not permitting such equity issuances), the Borrower shall repay the obligations under the Revolving Credit Agreement by an amount equal to 50% of the net proceeds of such equity issuances in excess of \$50,000,000 in the aggregate over the term of this Agreement, applied pro rata to the obligations as specified under the Revolving Credit Agreement and Advances outstanding under the Revolver/Term Loan, and (B) (I) after the Conversion Date, if there exists no Default or Event of Default, on the date of any issuance of equity by any GCI Entity, the Borrower shall repay the obligations under the Revolving Credit

Agreement by an amount equal to 50% of the net proceeds of such equity issuances in excess of \$50,000,000 in the aggregate over the term of this Agreement, applied to the obligations as specified under the Revolving Credit Agreement, and (II) if there exists a Default or Event of Default, on the date of any such equity issuance by any GCI Entity, the Borrower shall repay the Obligations and the obligations under the Revolving Credit Agreement by an amount equal to 100% of the net proceeds of such equity issuances, applied pro rata to the obligations as specified under the Revolving Credit Agreement and Advances outstanding under the Revolver/Term Loan. Any amounts repaying the Revolver/Term Loan on and after the Conversion Date will be applied in the inverse order of maturity and may not be reborrowed. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment and, with respect to the equity issuance giving rise thereto, the gross proceeds thereof and the costs and expenses payable as a result thereof which were deducted in determining the amount of net proceeds of such equity issuance.

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(iv) Distributions from AUSP or any other Unrestricted Subsidiaries. (A) Prior to the Conversion Date, on the date of any receipt by the Borrower or any Restricted Subsidiary of a distribution from AUSP or any other Unrestricted Subsidiary, the Borrower shall repay the Obligations and the obligations under the Revolving Credit Agreement by an amount equal to 100% of such distribution, applied pro rata to Advances outstanding under the Revolving Loan and Advances outstanding under the Revolver/Term Loan, and (B) after the Conversion Date, (I) if there exists no Default or Event of Default, on the date of any receipt by the Borrower or any Restricted Subsidiary of a distribution from AUSP or any other Unrestricted Subsidiary, the Borrower shall repay the obligations under the Revolving Credit Agreement by an amount equal to 100% of such distribution, applied to the obligations as specified under the Revolving Credit Agreement, and (II) if there exists a Default or Event of Default, on the date of any such receipt by the Borrower or any Restricted Subsidiary of a distribution from AUSP or any other Unrestricted Subsidiary, the Borrower shall repay the Obligations and the obligations under the Revolving Credit Agreement by an amount equal to 100% of such distribution, applied pro rata to the obligations as specified under the Revolving Credit Agreement and Advances outstanding under the Revolver/Term Loan. Any amounts repaying the Revolver/Term Loan on and after the Conversion Date will be applied in the inverse order of maturity and may not be reborrowed. On such date, the Borrower shall deliver to the Administrative Agent a certificate of an Authorized Officer certifying as to the amount of (including the calculation of) such repayment.

(v) Change of Control. If a Change of Control occurs, the Borrower shall repay the Obligations in full.

(c) Prepayments, Generally. Any prepayment of Advances pursuant to this Section 2.05 shall be applied first to Base Rate Advances, if any, then outstanding under the Facility, second to LIBOR Advances for which the date of prepayment is the last day of the applicable Interest Period, if any, outstanding under the Facility and third to LIBOR Advances with the shortest remaining Interest Periods outstanding under the Facility.

2.06 Mandatory Repayment.

(a) Revolver/Term Loan Installment Repayments. Commencing September 30, 2000, the aggregate outstanding Advances under the Revolver/Term Loan shall be repaid by the Borrower in installments thereafter from time to time by the Installment Percentage set forth below on such dates as are set forth below of the aggregate Revolver/Term Advances outstanding on the Conversion Date:

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Date of Reduction -----	Installment Percentage -----
September 30, 2000	3.750%
December 31, 2000	3.750%
March 31, 2001	3.750%
June 30, 2001	3.750%
September 30, 2001	3.750%
December 31, 2001	3.750%
March 31, 2002	5.000%
June 30, 2002	5.000%
September 30, 2002	5.000%

December 31, 2002	5.000%
March 31, 2003	5.000%
June 30, 2003	5.000%
September 30, 2003	5.000%
December 31, 2003	5.000%
March 31, 2004	5.625%
June 30, 2004	5.625%
September 30, 2004	5.625%
December 31, 2004	5.625%
March 31, 2005	7.500%
July 31, 2005	7.500% and all remaining outstanding Advances all other Obligations shall be due and payable in full

(b) Final Maturity. The Borrower agrees that all Advances outstanding under the Revolver/Term Loan, and all other outstanding Obligations are due and payable in full on the Maturity Date.

2.07 Interest. Subject to Section 2.08 below, the Borrower shall pay interest on the unpaid principal amount of each Advance from the date of such Advance until such principal shall be paid in full, at the following rates, as selected by the Borrower in accordance with the provisions of Section 2.02 hereof:

(a) Base Rate Advances. Base Rate Advances shall bear interest at a rate per annum equal to the lesser of (i) the Base Rate as in effect from time to time and (ii) the Highest Lawful Rate. If the amount of interest payable in respect of any interest computation period is reduced to the Highest Lawful Rate pursuant to the immediately

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preceding sentence and the amount of interest payable in respect of any subsequent interest computation period would be less than the Maximum Amount, then the amount of interest payable in respect of such subsequent interest computation period shall be automatically increased to Maximum Amount; provided that at no time shall the aggregate amount by which interest paid has been increased pursuant to this sentence exceed the aggregate amount by which interest has been reduced pursuant to the immediately preceding sentence.

(b) LIBOR Advances. LIBOR Advances shall bear interest at the rate per annum equal to the LIBOR Rate applicable to such Advance, which at no time shall exceed the Highest Lawful Rate.

(c) Payment Dates. Accrued and unpaid interest on Base Rate Advances shall be paid quarterly in arrears on each Quarterly Date and on the appropriate maturity, repayment or prepayment date. Accrued and unpaid interest on LIBOR Advances shall be paid on the last day of the appropriate Interest Period and on the date of any prepayment or repayment of such Advance; provided, however, that if any Interest Period for a LIBOR Advance exceeds three months, interest shall also be paid on each date occurring during the Interest Period which is the three month anniversary date of the first day of the Interest Period.

Default Interest. During the continuation of any Event of Default, the Borrower shall pay, on demand, interest (after as well as before judgment to the extent permitted by Law) on the principal amount of all Advances outstanding and on all other Obligations due and unpaid hereunder equal to the lesser of the (a) the Highest Lawful Rate and (b) the Base Rate (whether or not in effect) plus 2.00% per annum.

2.09 Continuation and Conversion Elections.

(a) The Borrower may upon irrevocable written notice to Administrative Agent and subject to the terms of this Agreement:

(i) elect to convert, on any Business Day, all or any portion of outstanding Base Rate Advances (in an aggregate amount not less than \$1,000,000 or a larger integral multiple of \$500,000 in excess thereof) into LIBOR Advances.

(ii) elect to convert at the end of any Interest Period therefor, all or any portion of outstanding LIBOR Advances comprised in the same Borrowing (in an aggregate amount not less than \$500,000 or a larger integral multiple of \$100,000 in excess thereof) into Base Rate Advances; or

(iii) elect to continue, at the end of any Interest Period therefor, any LIBOR Advances;

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provided, however, that if the aggregate amount of outstanding LIBOR Advances comprised in the same Borrowing shall have been reduced as a result of any payment, prepayment or conversion of part thereof to an amount less than \$1,000,000, the LIBOR Advances comprised in such Borrowing shall automatically convert into Base Rate Advances at the end of each respective Interest Period.

(b) The Borrower shall deliver a notice of conversion or continuation (a "Notice of Conversion/Continuation"), in substantially the form of Exhibit E hereto, to Administrative Agent not later than (i) 12:00 noon three Business Days prior to the proposed date of conversion or continuation, if the Advances or any portion thereof are to be converted into or continued as LIBOR Advances; and (ii) not later than 10:00 a.m. on the proposed date of conversion or continuation, if the Advances or any portion thereof are to be converted into Base Rate Advances.

Each such Notice of Conversion/Continuation shall be by telecopy or telephone, promptly confirmed in writing, specifying therein:

- (i) the proposed date of conversion or continuation;
- (ii) the aggregate amount of Advances to be converted or continued;
- (iii) the nature of the proposed conversion or continuation; and
- (iv) the duration of the applicable Interest Period.

(c) If, upon the expiration of any Interest Period applicable to LIBOR Advances, the Borrower shall have failed to select a new Interest Period to be applicable to such LIBOR Advances or if an Event of Default shall then have occurred and be continuing, the Borrower shall be deemed to have elected to convert such LIBOR Advances into Base Rate Advances effective as of the expiration date of such current Interest Period.

(d) Upon receipt of a Notice of Conversion/Continuation, Administrative Agent shall promptly notify each Lender thereof. All conversions and continuations shall be made pro rata among Lenders based on their Specified Percentage of the respective outstanding principal amounts of the Advances with respect to which such notice was given held by each Lender.

(e) Notwithstanding any other provision contained in this Agreement, after giving effect to any conversion or continuation of any Advances, there shall not be outstanding Advances with more than eight different Interest Periods in the aggregate under the Facility and under the Revolving Credit Agreement.

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2.10 Fees.

(a) Subject to Section 10.09 hereof, the Borrower agrees to pay to the Administrative Agent, for the account of the Lenders in accordance with their Specified Percentages, a commitment fee on the average daily amount of the Revolver/Term Unused Commitment, from the Closing Date through the Conversion Date, at the rate of .125% per annum, payable quarterly in arrears on each Quarterly Date occurring after the Closing Date, with the last such payment due and owing on the Conversion Date.

(b) Subject to Section 10.09 hereof, the Borrower agrees to pay to the Administrative Agent for its own account as administrative lender and underwriter, and to NationsBanc Montgomery Securities, Inc., as arranger hereunder, such fees as agreed to in writing among the Borrower and the Administrative Agent and NationsBanc Montgomery Securities, Inc., payable as set forth in that certain Fee Letter executed among the Borrower, the Administrative Agent and NationsBanc Montgomery Securities, Inc. in accordance with the terms of the Fee Letter.

2.11 Funding Losses. If the Borrower makes any payment or prepayment of principal with respect to any LIBOR Advance (including payments made after any acceleration thereof) or converts any Advance from a LIBOR Advance on any day other than the last day of an Interest Period applicable thereto or if the Borrower fails to prepay, borrow, convert, or continue any LIBOR Advance after a notice of prepayment, borrowing, conversion or continuation has been given (or is deemed to have been given) to Administrative Agent, the Borrower shall pay to each Lender on demand (subject to Section 10.09 hereof) any Consequential Loss. The Borrower agrees that each Lender is not obligated to actually reinvest the

amount prepaid in any specific obligation as a condition to receiving any Consequential Loss, or otherwise.

#### 2.12 Computations and Manner of Payments.

(a) The Borrower shall make each payment hereunder and under the other Loan Papers not later than 1:00 p.m. on the day when due in same day funds to Administrative Agent, for the Ratable account of Lenders unless otherwise specifically provided herein, at

Administrative Agent  
NationsBank Plaza  
901 Main Street  
14th Floor  
Dallas, Texas 75202

for further credit to the account of GCI Holdings, Inc. No later than the end of each day when each payment hereunder is made, the Borrower shall notify the Administrative Agent, telephone (800) 880-5537, facsimile (214) 508-2515, or such other Person as Administrative Agent may from time to time specify.

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(b) Unless Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due hereunder that the Borrower will not make payment in full, Administrative Agent may assume that such payment is so made on such date and may, in reliance upon such assumption, make distributions to Lenders. If and to the extent the Borrower shall not have made such payment in full, each Lender shall repay to Administrative Agent forthwith on demand the applicable amount distributed, together with interest thereon at the Federal Funds Rate, from the date of distribution until the date of repayment. The Borrower hereby authorizes each Lender, if and to the extent payment is not made when due hereunder, to charge the amount so due against any account of the Borrower with such Lender.

(c) Subject to Section 10.09 hereof, interest on LIBOR Advances shall be calculated on the basis of actual days elapsed but computed as if each year consisted of 360 days. Subject to Section 10.09 hereof, interest on Base Rate Advances, the Commitment Fees and other amounts due under the Loan Papers shall be calculated on the basis of actual days elapsed but computed as if each year consisted of 365 or 366 days, as the case may be. Such computations shall be made including the first day but excluding the last day occurring in the period for which such interest, payment or Commitment Fees is payable. Each determination by Administrative Agent or a Lender of an interest rate, fee or commission hereunder shall be conclusive and binding for all purposes, absent manifest error. All payments under the Loan Papers shall be made in United States dollars, and without setoff, counterclaim, or other defense.

(d) Except as specifically set forth in Sections 2.04 and 2.05 hereof, so long as there exists no Default or Event of Default all payments made by the Borrower shall be applied as designated by the Borrower, and, if there exists a Default or Event of Default, or if the Borrower fails to designate application of payments, all payments made by the Borrower shall be applied pro rata among the obligations under the Revolving Credit Agreement and the Revolver/Term Loan. Notwithstanding anything herein or in any Loan Paper to the contrary, any payment made by the Borrower in excess of the Revolver/Term Commitment or outstanding Advances under the Revolver/Term Loan, shall be applied to outstanding amounts (or to reduce the commitment) of any other outstanding Obligations.

(e) Reference to any particular index or reference rate for determining any applicable interest rate under this Agreement is for purposes of calculating the interest due and is not intended as and shall not be construed as requiring any Lender to actually fund any Advance at any particular index or reference rate.

#### 2.13 Yield Protection.

(a) If any Lender determines that either (i) the adoption, after the date hereof, of any Applicable Law, rule, regulation or guideline regarding capital adequacy and applicable to commercial banks or financial institutions generally or any change therein, or any change, after the date hereof, in the interpretation or administration thereof by any Tribunal, central bank or comparable agency charged with the interpretation or administration thereof, or (ii) compliance by any Lender (or Lending Office of any Lender) with any request or directive made after the

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date hereof applicable to commercial banks or financial institutions generally regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency has the effect of reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder to a level below that which such Lender could have achieved but for such

adoption, change or compliance (taking into consideration such Lender's policies with respect to capital adequacy (but excluding consequences of such Lender's negligence or intentional disregard of law or regulation)) by an amount reasonably deemed by such Lender to be material, then from time to time, within fifteen days after demand by such Lender, the Borrower shall pay to such Lender such additional amount or amounts as will adequately compensate such Lender for such reduction. Each Lender will notify the Borrower of any event occurring after the date of this Agreement which will entitle such Lender to compensation pursuant to this Section 2.13(a) as promptly as practicable after such Lender obtains actual knowledge of such event; provided, no Lender shall be liable for its failure or the failure of any other Lender to provide such notification. A certificate of such Lender claiming compensation under this Section 2.13(a), setting forth in reasonable detail the calculation of the additional amount or amounts to be paid to it hereunder and certifying that such claim is consistent with such Lender's treatment of similar customers having similar provisions generally in their agreements with such Lender shall be conclusive in the absence of manifest error. Each Lender shall use reasonable efforts to mitigate the effect upon the Borrower of any such increased costs payable to such Lender under this Section 2.13(a).

(b) If, after the date hereof, any Tribunal, central bank or other comparable authority, at any time imposes, modifies or deems applicable any reserve (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), special deposit or similar requirement against assets of, deposits with or for the amount of, or credit extended by, any Lender, or imposes on any Lender any other condition affecting a LIBOR Advance, the Notes, or its obligation to make a LIBOR Advance; and the result of any of the foregoing is to increase the cost to such Lender of making or maintaining LIBOR Advances, or to reduce the amount of any sum received or receivable by such Lender under this Agreement or under the Notes or reimbursement obligations by an amount deemed by such Lender, to be material, then, within five days after demand by such Lender, the Borrower shall pay to such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduction. Each Lender will (i) notify the Borrower and Administrative Agent of any event occurring after the date of this Agreement that entitles such Lender to compensation pursuant to this Section 2.13(b), as promptly as practicable after such Lender obtains actual knowledge of the event; provided, no Lender shall be liable for its failure or the failure of any other Lender to provide such notification and (ii) use good faith and reasonable efforts to designate a different Lending Office for LIBOR Advances of such Lender if the designation will avoid the need for, or reduce the amount of, the compensation and will not, in the sole opinion of such Lender, be disadvantageous to such Lender. A certificate of such Lender claiming compensation under this Section 2.13(b), setting forth in reasonable detail the computation of the additional amount or amounts to be paid to it hereunder and certifying that such claim is consistent with such Lender's treatment of similar customers having similar provisions generally in their agreements with such Lender shall be conclusive in the absence of manifest error. If such Lender demands

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compensation under this Section 2.13(b), the Borrower may at any time, on at least five Business Days' prior notice to such Lender (i) repay in full the then outstanding principal amount of LIBOR Advances, of such Lender, together with accrued interest thereon, or (ii) convert the LIBOR Advances to Base Rate Advances in accordance with the provisions of this Agreement; provided, however, that the Borrower shall be liable for the Consequential Loss arising pursuant to those actions.

(c) Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation or administration of any Law shall make it unlawful, or any central bank or other Tribunal shall assert that it is unlawful, for a Lender to perform its obligations hereunder to make LIBOR Advances or to continue to fund or maintain LIBOR Advances hereunder, then, on notice thereof and demand therefor by such Lender to the Borrower, (i) each LIBOR Advance will automatically, upon such demand, convert into a Base Rate Advance, and (ii) the obligation of such Lender to make, or to convert Advances into, LIBOR Advances shall be suspended until such Lender notifies Administrative Agent and the Borrower that such Lender has determined that the circumstances causing such suspension no longer exist.

(d) Upon the occurrence and during the continuance of any Default or Event of Default, (i) each LIBOR Advance will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Advance and (ii) the obligation of each Lender to make, or to convert Advances into, LIBOR Advances shall be suspended.

(e) Failure on the part of any Lender to demand compensation for any increased costs, increased capital or reduction in amounts received or receivable or reduction in return on capital pursuant to this Section 2.13 with respect to any period shall not constitute a waiver of any Lender's right to demand compensation with respect to such period or any other period, subject, however, to the limitations set forth in this Section 2.13.

(f) The obligations of the Borrower under this Section 2.13 shall

survive any termination of this Agreement.

(g) Determinations by Lenders for purposes of this Section 2.13 shall be conclusive, absent manifest error. Any certificate delivered to the Borrower by a Lender pursuant to this Section 2.13 shall include in reasonable detail the basis for such Lender's demand for additional compensation and a certification that the claim for compensation is consistent with such Lender's treatment of similar customers having similar provisions generally in their agreements with such Lender.

(h) If any Lender notifies Administrative Agent that the LIBOR Rate for any Interest Period for any LIBOR Advances will not adequately reflect the cost to such Lender of making, funding or maintaining LIBOR Advances for such Interest Period, Administrative Agent shall promptly so notify the Borrower, whereupon (i) each such LIBOR Advance will automatically, on the last day of the then existing Interest Period therefor, convert into a Base Rate Advance

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and (ii) the obligation of such Lender to make, or to convert Advances into, LIBOR Advances shall be suspended until such Lender notifies Administrative Agent that such Lender has determined that the circumstances causing such suspension no longer exist and Administrative Agent notifies the Borrower of such fact.

2.14 Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower shall use such proceeds) to (a) refinance existing Funded Debt of the Borrower and its Restricted Subsidiaries, (b) fund Capital Expenditures of the Borrower and the Restricted Subsidiaries permitted by the terms of this Agreement, (c) contribute \$50,000,000 to the capitalization of AUSB, and (d) use for general working capital purposes.

#### 2.15 Collateral and Collateral Call.

(a) Collateral. Payment of the Obligations is secured by (i) subject to the Prior Stock Lien, a first perfected security interest in 100% of the Capital Stock of the Borrower and the Restricted Subsidiaries and 100% of the Capital Stock of the Guarantors (other than GCI), (ii) subject to Permitted Liens, a first perfected security interest in all of the accounts, equipment, inventory, chattel paper, general intangibles, and other assets of the Borrower, the Restricted Subsidiaries and the Guarantors (except Parents) including, without limitation, a perfected Lien on all Intercompany Notes, including those payable by AUSB or any other Unrestricted Subsidiary to the Borrower or any other GCI Entity, subject to no other Lien, and (iii) a Guaranty of the Obligations executed by each Guarantor (collectively, together with all other Properties or assets of the Borrower, the Restricted Subsidiaries and other Persons securing the Obligations from time to time, the "Collateral"). The Borrower agrees that it will, and will cause the Restricted Subsidiaries, the other GCI Entities and Affiliates (except the Unrestricted Subsidiaries) to, execute and deliver, or cause to be executed and delivered, such documents as the Administrative Agent may from time to time reasonably request to create and perfect a first Lien (except with respect to the stock of GCI Leasing Co., Inc., which shall be a second Lien behind the Prior Stock Lien), and subject to Permitted Liens, for the benefit of the Administrative Agent and the Lenders in the Collateral.

(b) Collateral Call. The Borrower agrees that it will, and will cause any other Person owning any interest in the Borrower or any Restricted Subsidiary or other GCI Entity from time to time to immediately pledge such interest (other than with respect to a pledge of the Capital Stock of Parents and to the extent permitted by the Indenture) to secure the Obligations, pursuant to a pledge agreement substantially in the form of the Pledge Agreements. The Borrower agrees to, and agrees to cause the Restricted Subsidiaries and each other GCI Entity to, promptly grant the Administrative Agent and the Lenders from time to time at the request of the Lenders a Lien on any of the Property of the Borrower or other GCI Entity (other than GCI) not already constituting Collateral, to the extent permitted by the Indenture. In that regard, the Borrower shall, and shall cause each other GCI Entity to, use best efforts to assist the Administrative Agent and the Lenders in creating and perfecting a first Lien for the benefit of Administrative Agent and Lenders securing the Obligations in any such Property of the Borrower and each other GCI Entity, subject to Permitted Liens (except for the Lien on the Capital Stock of GCI Leasing

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Co, Inc., which shall be a second Lien to the Prior Stock Lien) (other than GCI), including, without limitation, providing the Administrative Agent with title commitments, appraisals, surveys (with flood plain certification), mortgagee title insurance, evidence of insurance including flood hazard insurance, environmental audits, UCC-11 searches, Tax and Lien searches, recorded real estate documents, intellectual property documentation and registration and other similar types of documents, consents, Authorizations, instruments and agreements relating to all Property of the Borrower and each other GCI Entity (other than GCI) as reasonably requested by the Administrative Agent from time to time.

ARTICLE III. INTENTIONALLY OMITTED

ARTICLE IV. CONDITIONS PRECEDENT

4.01 Conditions Precedent to the Initial Advance. The obligations of each Lender under this Agreement and the obligation of each Lender to make the Initial Advance shall be subject to the following conditions precedent that on the Closing Date:

(a) All terms, conditions and documentation in connection with this Credit Agreement shall be acceptable to the Lenders.

(b) The making of the Revolver/Term Commitment shall not contravene any Law applicable to the Administrative Agent or any Lender.

(c) Each Lender shall have received a Certificate from an Authorized Officer stating that no Material Adverse Change, as determined by the Lenders, shall have occurred and be continuing in the Systems, business, assets, prospects, or financial condition of the businesses of the Borrower (as operated by the Restricted Subsidiaries) since December 31, 1996.

(d) All proceedings of the Borrower, the Restricted Subsidiaries and each other GCI Entity taken in connection with the transactions contemplated hereby, and all documents incidental thereto, shall be reasonably satisfactory in form and substance to the Lenders. Each Lender shall have received copies of all documents or other evidence that it may reasonably request in connection with such transactions.

(e) Each Lender shall have received an executed copy of this Agreement, the Revolving Credit Agreement, and all documents required to be delivered pursuant thereto, and its respective Notes, duly completed and correct. The Lenders shall have received copies of the Fee Letters signed by the Borrower, as applicable. Each of the following shall have been delivered to the Administrative Agent on behalf of Lenders, in form and substance satisfactory to the Administrative Agent, Special Counsel and each Lender to the extent required by the Administrative Agent: Each other Loan Paper requested by the Administrative Agent, including,

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without limitation, all guarantees, pledge agreements, security agreements, mortgages, deeds of trust, collateral assignments and other agreements granting any interest in any collateral.

(f) The Borrower shall have delivered to each Lender a Certificate, dated the Closing Date, executed by an Authorized Officer on behalf of each GCI Entity, certifying that (i) no Default or Event of Default has occurred and is continuing, (ii) the representations and warranties set forth in Article V hereof are true and correct, (iii) each of the GCI Entities has complied with all agreements and conditions to be complied with by it under the Loan Papers by such date, (iv) that the attached resolutions for each GCI Entity are the true, accurate and complete resolutions authorizing the corporate restructuring, the incurrence and performance of the Facility and the Loan Papers, (v) that the attached copies of certified articles of incorporation, or other articles of organization, certificates of good standing, certificates of existence and incumbency certificates for each GCI Entity are (A) not more than 30 days old and certified by the appropriate secretary of state of other governmental organization and (B) represent the true and accurate certificate for each such entity, and (vi) the attached copies of by-laws or other organizational documents represent the true and accurate by-laws or other organizational documents for each GCI Entity in effect on the Closing Date.

(g) Each Lender shall have received opinions of (i) Sherman & Howard, L.L.C. corporate counsel to the Borrower, the Restricted Subsidiaries and each other GCI Entity, dated the Closing Date, acceptable to the Lenders and otherwise in form and substance satisfactory to the Lenders and Special Counsel, with respect to this loan transaction and otherwise, including, without limitation, opinions (A) to the valid and binding nature of the Loan Papers, (B) to the enforceability of the Loan Papers, (C) to the power, authorization and corporate matters of each such Person taken in connection with the transactions contemplated by the Loan Papers, (D) that the execution, delivery and performance by the GCI Entities, as applicable, of the Agreement and the Loan Papers does not violate any of the terms of the Borrower's, the Restricted Subsidiaries' or any other GCI Entities' agreements, (E) regarding the issuance and related opinions to the Senior Notes, (F) the corporate restructuring in order to effectuate this Agreement and the issuance of the Senior Notes, (G) regarding the equity issuance required by Section 4.01(j) hereof, and (H) to such other matters as are reasonably requested by Special Counsel, and (ii) such local counsel opinions relating to the Collateral and such other matters as are requested by the Administrative Agent and Special Counsel. Copies of all opinions delivered in connection with the equity issuance required by Section 4.01(j) hereof and the Senior Notes shall be delivered to the Administrative Agent together with a reliance letter thereon.

(h) Each Lender shall have received an opinion of inhouse counsel to the Borrower and to each other GCI Entity, dated as of the Closing Date, acceptable to the Lenders and otherwise in form and substance satisfactory to the Lenders and Special Counsel, with respect to this transaction, and final approval shall have been received from the FCC regarding any transfer of any FCC license.

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(i) GCI shall have (i) issued the Senior Notes in an amount not less than \$180,000,000, on terms and conditions, and subject to documentation, satisfactory to the Administrative Agent and each Lender, and (ii) downstreamed the net proceeds of the debt issuance described in (i) above to the Borrower as equity.

(j) GCI shall have raised not less than \$50,750,000 in equity on terms and conditions acceptable to the Administrative Agent and the Lenders and downstreamed the net proceeds of the equity issuance to the Borrower as equity, and the Borrower shall have received not less than \$47,133,000 as an equity contribution from such proceeds, on terms and conditions acceptable to the Administrative Agent and each Lender.

(k) No management agreement with any Person shall be in existence at the Parents, the Borrower or any Restricted Subsidiaries, except the Prime Management Agreement.

(l) All proceedings of the Parents, the Borrower and the Subsidiaries of the Parents and the Borrower taken in connection with the transactions contemplated hereby, and all documents incidental thereto, shall be satisfactory in form and substance to each Lender. The Administrative Agent and each Lender shall have received copies of all documents or other evidence that it may reasonably request in connection with such transactions. No Material Adverse Change, as determined by the Lenders, shall have occurred and be continuing in the financial markets.

(m) All Obligations outstanding under the existing credit facilities of GCI Cable, Inc. and GCI Communication Corp. shall have been paid in full and released.

4.02 Conditions Precedent to All Advances. The obligation of each Lender to make each Advance, except for Refinancing Advances, which constitutes an increase, shall be subject to the further conditions precedent that on the date of such Advance the following statements shall be true:

(i) The representations and warranties contained in Article V hereof are true and correct on such date, as though made on and as of such date (and the delivery of each Borrowing Notice under Section 2.02(a), and each Conversion or Continuation Notice under Section 2.09(b), or the failure to deliver a Conversion or Continuation Notice under Section 2.09(b), shall constitute a representation that on the disbursement date such representations are true (except as to representations and warranties which (i) refer to a specific date, (ii) have been modified by transactions permitted pursuant to this Agreement or any other Loan Paper or (iii) have been specifically waived in writing by Administrative Agent));

(ii) No event has occurred and is continuing, or would result from such Advance (including the intended application of the proceeds of such Advance), that does or could constitute a Default or Event of Default;

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(iii) There shall have occurred no Material Adverse Change, and the making of such Advance, shall not cause or result in a Material Adverse Change;

(iv) After giving effect to each such Advance, prior to the Conversion Date, the aggregate outstanding Advances under the Revolver/Term Loan does not exceed the Revolver/Term Commitment; and

(v) After giving effect to each such Advance, the aggregate outstanding Advances under the Revolving Loan does not exceed the Revolving Commitment;

and (b) Administrative Agent shall have received, in form and substance acceptable to it, such other approvals, documents, certificates, opinions, and information as it may deem necessary or appropriate, including, without limitation, a certificate from an Authorized Officer, in form and substance satisfactory to the Administrative Agent, that the Advances are permitted to be incurred pursuant to the terms of the Indenture providing for the Senior Notes.

## ARTICLE V. REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that the following are true and correct:

5.01 Organization and Qualification. Each GCI Entity is a corporation or partnership duly organized, validly existing, and in good standing under the Laws of its state of incorporation or formation, as applicable. Each GCI Entity is qualified to do business in all jurisdictions where the nature of its business or Properties require such qualification. Set forth on Schedule 5.01 attached hereto is a complete and accurate listing with respect to the Borrower and each other GCI Entity, showing (a) the jurisdiction of its organization and its mailing address, which is the principal place of business and executive offices of each unless otherwise indicated, (b) the classes of Capital Stock and shares of Capital Stock issued and outstanding in each GCI Entity, and the numbers or amounts of each GCI Entity's Capital Stock authorized and outstanding, (c) other than with respect to GCI, each record and beneficial owner of outstanding Capital Stock on the date hereof, indicating the ownership percentage, and (d) all outstanding options, rights, rights of conversion or purchase, repurchase, rights of first refusal, and similar rights relating to the Capital Stock of each GCI Entity. Except as set forth on Schedule 5.01 hereto, neither the Borrower, nor any Restricted Subsidiary nor any other GCI Entity (other than GCI) has agreed to grant or issue any options, warrants or similar rights to any Person to acquire any Capital Stock of the Borrower, any Restricted Subsidiary or any other GCI Entity. All Capital Stock is validly issued and fully paid. The Borrower has no knowledge of any share of Capital Stock of any GCI Entity (other than GCI) being subject to any Lien, including any restrictions on hypothecation or transfer, except Liens described on Schedule 5.08a hereto and the Prior Stock Lien.

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5.02 Due Authorization; Validity. The board of directors of the Borrower and each other GCI Entity, or of its partners, as applicable, have duly authorized the execution, delivery, and performance of the Loan Papers to be executed by the Borrower and each other GCI Entity, as appropriate. Each GCI Entity has full legal right, power, and authority to execute, deliver, and perform under the Loan Papers to be executed and delivered by it. The Loan Papers constitute the legal, valid, and binding obligations of the Borrower and each other GCI Entity, as appropriate, enforceable in accordance with their terms (subject as to enforcement of remedies to any applicable Debtor Relief Laws).

5.03 Conflicting Agreements and Other Matters. The execution or delivery of any Loan Papers, and performance thereunder, does not conflict with, or result in a breach of the terms, conditions, or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien (other than in favor of Administrative Agent) upon any Properties of the Borrower or any other GCI Entity under, or require any consent (other than consents described on Schedule 5.03 hereto and the Prior Stock Lien), approval, or other action by, notice to, or filing with any Tribunal or Person pursuant to any organizational document, bylaws, award of any arbitrator, or any agreement, instrument, or Law to which the Borrower or any other GCI Entity, or any of their Properties is subject.

5.04 Financial Statements. The audited financial statements of GCI and its Subsidiaries dated December 31, 1996 and delivered to Administrative Agent, fairly present its financial position and the results of operations as of the dates and for the periods shown, all in accordance with GAAP. Such financial statements reflect all material liabilities, direct and contingent, of GCI and its Subsidiaries that are required to be disclosed in accordance with GAAP. As of the date of such financial statements, there were no Contingent Liabilities, liabilities for Taxes, forward or long-term commitments, or unrealized or anticipated losses from any unfavorable commitments that are substantial in amount and that are not reflected on such financial statements or otherwise disclosed in writing to Administrative Agent. Since December 31, 1996, there has been no Material Adverse Change. The Borrower and each other GCI Entity is Solvent. The projections of the Borrower dated May 20, 1997 delivered to Administrative Agent were prepared in good faith and management believes them to be based on reasonable assumptions (each of which are stated in such statement) and to provide reasonable estimations of future performance as of the dates and for the periods shown for the Parents, the Borrower and their Subsidiaries, subject to the uncertainty and approximation inherent in any projections. The Borrower's fiscal year ends on December 31.

5.05 Litigation. Shown on Schedule 5.05 is all Litigation that is pending and, to the Borrower's best knowledge, threatened against the Borrower or any other GCI Entity, any of their Properties or assets on the date hereof. There is no pending or, to the Borrower's best knowledge, threatened Litigation against the Borrower, any other GCI Entity, any of their Properties that could cause a Material Adverse Change.

5.06 Compliance With Laws Regulating the Incurrence of Debt. No proceeds of any Advance will be used directly or indirectly to acquire any security in any transaction which is subject to Sections 13 and 14 of the Securities Exchange Act of 1934, as amended. The Borrower is not, nor is any other GCI Entity, engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of any Advance will be used to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock. Following the Borrower's intended use of the proceeds of each Advance, not more than 25% of the value of the assets of the Borrower will be "margin stock" within the meaning of Regulation U. The Borrower is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Investment Company Act of 1940, the Interstate Commerce Act (as any of the preceding acts have been amended), or any other Law that the incurring of Debt by the Borrower would violate in any material respect, including without limitation Laws relating to common or contract carriers or the sale of electricity, gas, steam, water, or other public utility services. None of the Borrower and its Restricted Subsidiaries, nor any agent acting on their behalf, have taken or will knowingly take any action which might cause this Agreement or any Loan Papers to violate any regulation of the Board of Governors of the Federal Reserve System or to violate the Securities Exchange Act of 1934, in each case as in effect now or as the same may hereafter be in effect.

5.07 Licenses, Title to Properties, and Related Matters. Except as listed on Schedule 5.07a hereto, the Borrower and each other GCI Entity possess all material Authorizations necessary and appropriate to own, operate and construct the Systems or otherwise for the operation of their businesses and are not in violation thereof in any material respect. All such Authorizations are in full force and effect, are listed on Schedule 5.07a hereto, and no event has occurred that permits, or after notice or lapse of time could permit, the revocation, termination or material and adverse modification of any such Authorization, except those which in the aggregate could not reasonably be expected to cause a Material Adverse Change. Schedule 5.07a shows the expiration date and/or termination date for each Authorization (including, without limitation, FCC Licenses) in effect on the Closing Date. The Borrower is not, nor is any Subsidiary of the Borrower or the Parents, in violation of any material duty or obligation required by the Communications Act of 1934, as amended, or any FCC rule or regulation applicable to the operation of any portion of any of the Systems. There is not pending or, to the best knowledge of the Borrower, threatened, any action by the FCC to revoke, cancel, suspend or refuse to renew any FCC License relating to any System. There is not pending or, or to the best knowledge of the Borrower, threatened, any action by the FCC to modify adversely, revoke, cancel, suspend or refuse to renew any other Authorization relating to any System. There is not issued or outstanding or, to the best knowledge of the Borrower, threatened, any notice of any hearing, violation or material complaint against the Borrower, the Parents or any of the Restricted Subsidiaries with respect to the operation of any portion of the Systems and the Borrower has no knowledge that any Person intends to contest renewal of any Authorization relating to any System. Each GCI Entity has requisite corporate or partnership power (as applicable) and legal right to own and operate its Property and to conduct its business.

Each has good and indefeasible title (fee or leasehold, as applicable) to its Property, subject to no Lien of any kind, except Permitted Liens. All of the assets of the Borrower and each other GCI Entity are located within the municipalities and borough locations described on Schedule 5.07b. No GCI Entity is in violation of its respective articles of organization or incorporation (as applicable) or bylaws. None of the GCI Entities is in violation of any Law, or material agreement or instrument binding on or affecting it or any of its Properties, the effect of which could reasonably be expected to cause a Material Adverse Change. No business or Properties of the Parents, the Borrower or any Restricted Subsidiary is affected by any strike, lock-out or other labor dispute. No business or Properties of the Parents, the Borrower or any Restricted Subsidiary is affected by any drought, storm, earthquake, embargo, act of God or public enemy, or other casualty, the effect of which could reasonably be expected to cause a Material Adverse Change.

5.08 Outstanding Debt and Liens. The GCI Entities have no outstanding Debt, Contingent Liabilities or Liens, except Permitted Liens, except as shown on Schedule 5.08a hereto. No breach, default or event of default exists under any document, instrument or agreement evidencing or otherwise relating to any Funded Debt of any GCI Entity, which could reasonably be expected to cause a Material Adverse Change.

5.09 Taxes. The Parents, the Borrower and each Subsidiary of the Parents and the Borrower has filed all federal, state, and other Tax returns (or extensions related thereto) which are required to be filed, and has paid all Taxes as shown on said returns, as well as all other Taxes, to the extent due and payable, except to the extent payment is contested in good faith and for

which adequate reserves have been established therefor in accordance with GAAP. All Tax liabilities of the Parents, the Borrower and each Subsidiary of the Parents and the Borrower are adequately provided for on its books, including interest and penalties, and adequate reserves have been established therefor in accordance with GAAP. No income Tax liability of a material nature has been asserted by taxing authorities for Taxes in excess of those already paid, and no taxing authority has notified the Parents, the Borrower or any Subsidiary of the Parents or the Borrower of any deficiency in any Tax return.

5.10 ERISA. Each Plan of the Parents, the Borrower and each Subsidiary of the Parents and the Borrower has satisfied the minimum funding standards under all Laws applicable thereto, and no Plan has an accumulated funding deficiency thereunder. The Borrower has not, and neither has the Parents, or any Subsidiary of the Borrower or the Parents incurred any material liability to the PBGC with respect to any Plan. No ERISA Event has occurred with respect to any Plan for which an Insufficiency in excess of \$100,000 exists on the date of such occurrence. None of the Parents, the Borrower, or any Subsidiary of the Parents or the Borrower has participated in any non-exempt Prohibited Transaction with respect to any Plan or trust created thereunder. None of the Borrower, the Parents or any Subsidiary of the Borrower and the Parents, nor any ERISA Affiliate, has incurred any Withdrawal Liability to any Multiemployer Plan that has not been satisfied. None of the Borrower, the Parents or any Subsidiary of the Parents or the Borrower, nor any ERISA Affiliate has been notified by the

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sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA.

5.11 Environmental Laws. The Borrower and each other GCI Entity has obtained all material environmental, health and safety permits, licenses and other material authorizations required under all Applicable Environmental Laws to carry on its business as being conducted. On the Closing Date, there are no environmental liabilities of the Borrower or any other GCI Entity (with respect to any fee owned or leased Properties), except as disclosed and described in detail on Schedule 5.11 hereto. Each of such permits, licenses and authorizations is in full force and effect and the Borrower and each other GCI Entity is in compliance with the terms and conditions thereof, and is also in compliance with all other limitations, restrictions, conditions, standards, prohibitions, requirements, obligations, schedules and timetables contained in any applicable Environmental Law or in any regulation, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent failure to comply with any thereof could not reasonably be expected to cause a Material Adverse Change. In addition, no written notice, notification, demand, request for information, citation, summons or order has been issued, no written complaint has been filed, no penalty has been assessed and no investigation or review is pending or, to the best knowledge of the Borrower or any other GCI Entity, threatened, by any Tribunal or other entity with respect to any alleged failure by the Borrower or any other GCI Entity to have any environmental, health or safety permit, license or other authorization required under any Applicable Environmental Law in connection with the conduct of the business of the Borrower or any other GCI Entity or with respect to any generation, treatment, storage, recycling, transportation, discharge, disposal or release of any Hazardous Materials by the Borrower or any other GCI Entity. To the best knowledge of the Borrower and each other GCI Entity, there are no material environmental liabilities of the Borrower or any other GCI Entity, except as previously disclosed in writing to the Lenders. To the best knowledge of the Borrower and each other GCI Entity, there are no environmental liabilities of the Borrower or any other GCI Entity which could reasonably be expected to cause a Material Adverse Change. The Borrower has delivered to the Administrative Agent copies of all environmental studies and reports conducted or received by the Borrower or any other GCI Entity in connection with real Property. Such studies cover all real Property, if any, owned in fee by the Borrower and each other GCI Entity. No Hazardous Materials are generated or produced at or in connection with the Properties and operations of any of the Borrower or any of the other GCI Entities, nor have any Hazardous Materials been disposed of or otherwise released on or to any Property on which any operations of the Borrower or any other GCI Entities are conducted, except in compliance with Applicable Environmental Laws.

5.12 Disclosure. Neither the Borrower nor any other GCI Entity has made a material misstatement of fact, or failed to disclose any material fact necessary to make the facts disclosed not misleading, in light of the circumstances under which they were made, to Administrative Agent or any Lender during the course of application for and negotiation of any Loan Papers or otherwise in connection with any Advances. There is no fact known to the Borrower or any other GCI Entity that materially adversely affects any of the Borrower's or any of the other GCI

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Entity's Properties or business, or that could constitute a Material Adverse Change, and that has not been set forth in the Loan Papers or in other documents furnished to Administrative Agent or any Lender.

5.13 Investments; Restricted Subsidiaries. The GCI Entities have no Investments except as described on Schedule 5.13 hereto and as permitted by Section 7.10 hereof. Schedule 5.13 is a complete and accurate listing of each GCI Entity, showing (a) its complete name, (b) its jurisdiction of organization, (c) its capital structure, (d) its street and mailing address, which is its principal place of business and executive office and (e) all interests in such GCI Entity.

5.14 Certain Fees. No broker's, finder's, management fee or other fee or commission will be payable by the Borrower with respect to the making of the Revolver/Term Commitment or Advances hereunder (other than to Administrative Agent, NationsBanc Montgomery Securities, Inc., Credit Lyonnais and TD hereunder), except as set forth in Schedule 5.14 hereof. The Borrower and each other GCI Entity hereby agrees to indemnify and hold harmless Administrative Agent and each Lender from and against any claims, demand, liability, proceedings, costs or expenses asserted with respect to or arising in connection with any such fees or commissions.

5.15 Intellectual Property. The Borrower and each other GCI Entity has obtained all patents, trademarks, service-marks, trade names, copyrights, licenses and other rights, free from material restrictions, which are necessary for the operation of their respective businesses as presently conducted and as proposed to be conducted. Nothing has come to the attention of the Borrower or any other GCI Entity to the effect that (a) any process, method, part or other material presently contemplated to be employed by the Borrower or any other GCI Entity may or could reasonably be alleged to infringe any patent, trademark, service-mark, trade name, license or other right (except copyright) owned by any other Person, or (b) except as shown on Schedule 5.05 attached hereto, there is pending or threatened any claim or litigation against or affecting the Borrower or any other GCI Entity contesting its right to sell or use any such process, method, part or other material. Nothing has come to the attention of the Borrower or any other GCI Entity to the effect that any material presently contemplated to be employed by the Borrower or any other GCI Entity may or could reasonably be alleged to infringe any copyright owned by any other Person, except to the extent that any such infringement, when aggregated with all other copyright infringements, could not reasonably be expected to cause a Material Adverse Change.

5.16 Due Authorization; Validity of the A USP Financing Agreements and the Project Agreements. On or before the A USP Closing Date, the general partner of A USP and each other Affiliate of A USP which is party to the A USP Financing Agreements or the Project Agreements will have duly authorized the execution, delivery, and performance of the A USP Financing Agreements and the Project Agreements to be executed by A USP or each such Affiliate, as appropriate. On or before the A USP Closing Date, each of A USP and its Affiliates will have full legal right, power, and authority to execute, deliver, and perform under the Project Agreements and the A USP Financing Agreements to be executed and delivered by it. Each of

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the A USP Financing Agreements and the Project Agreements, upon execution thereof on the A USP Closing Date, will constitute the legal, valid, and binding obligations of A USP and its Affiliates, as appropriate, enforceable in accordance with their terms (subject as to enforcement of remedies to any applicable Debtor Relief Laws). Each A USP Financing Agreement and each Project Agreement to be delivered to the Administrative Agent on the A USP Closing Date will be a true and complete copy of such agreement as executed by A USP and its Affiliates.

5.17. Conflicting Agreements and Other Matters with the A USP Financing Agreements and Project Agreement. The execution or delivery of any A USP Financing Agreements and the Project Agreements and performance thereunder, upon the execution thereof on the A USP Closing Date will not conflict with, or result in a breach of the terms, conditions, or provisions of, or constitute a default under, or result in any violation of, or result in the creation of any Lien (other than in favor of Administrative Agent and Credit Lyonnais as administrative agent under the A USP Credit Agreement with respect solely to the Intercompany Notes from A USP payable to the Borrower pursuant to the Subordination Agreement) upon any Properties of the Borrower or any other GCI Entity, under, or require any consent (other than consents described on Schedule 5.03 hereto and consents obtained on or before the A USP Closing Date), approval, or other action by, notice to, or filing with any Tribunal or Person pursuant to, any organizational document, bylaws, award of any arbitrator, or any agreement, instrument, or Law to which the Borrower or any other GCI Entity, or any of their Properties is subject.

5.18 Survival of Representations and Warranties, etc. All representations and warranties made under this Agreement shall be deemed to be made at and as of the Closing Date and at and as of the date of each Advance, except for Refinancing Advances, and each shall be true and correct when made, except to the extent (a) previously fulfilled in accordance with the terms hereof, (b) subsequently inapplicable, or (c) previously waived in writing by Administrative Agent and Lenders with respect to any particular factual

circumstance. The representations and warranties made under this Agreement shall be deemed applicable to each Restricted Subsidiary as of the formation or acquisition of such Restricted Subsidiary and at and as of each date the representations and warranties are remade pursuant to this provision. All representations and warranties made under this Agreement shall survive, and not be waived by, the execution hereof by the Administrative Agent and Lenders, any investigation or inquiry by the Administrative Agent or any Lender, or by the making of any Advance under this Agreement.

#### ARTICLE VI. AFFIRMATIVE COVENANTS

So long as the Revolver/Term Commitment, any Advance, or any portion of the Obligations is outstanding, or the Borrower or any other GCI Entity owes any other amount hereunder or under any other Loan Paper:

6.01 Compliance with Laws and Payment of Debt. The Borrower shall, and shall cause each of the Parents and all Subsidiaries of the Borrower and the Parents to, comply with all Applicable Laws, including without limitation compliance with ERISA and all applicable federal

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and state securities Laws. The Borrower shall, and shall cause each other GCI Entity and Affiliates to, pay its (a) Funded Debt as and when due (or within any applicable grace period), unless payment thereof is being contested in good faith by appropriate proceedings and adequate reserves have been established therefor, and (b) trade debt in accordance with its past practices, and in any event, before any trade creditor takes any action or terminates any relationship, except those disputes diligently contested in good faith by the Borrower and/or such GCI Entity or Affiliate, and for which appropriate reserves have been established in accordance with GAAP.

6.02 Insurance. The Borrower shall, (a) and shall cause each of the Restricted Subsidiaries to, keep its offices and other insurable Properties adequately insured at all times by reputable insurers to such extent and against such risks, including fire and other risks insured against by extended coverage, as what is customary with companies similarly situated and in the same or similar businesses, (b) and shall cause each other GCI Entity to, maintain in full force and effect public liability (including liability insurance for all vehicles and other insurable Property) and worker's compensation insurance, in amounts customary for such similar companies to cover normal risks, by insurers satisfactory to the Administrative Agent, (c) and shall cause each Restricted Subsidiary to, maintain business interruption insurance for each System in amounts satisfactory to the Lenders, (d) and shall cause each other GCI Entity to, maintain other insurance as may be required by Law or reasonably requested by the Administrative Agent, provided that such insurance policies will show the Administrative Agent, on behalf of the Lenders, as additional insured or loss payee, as appropriate. The Borrower shall deliver evidence of renewal of each insurance policy on or before the date of its expiration, and from time to time shall deliver to the Administrative Agent, upon demand, evidence of the maintenance of such insurance.

6.03 Inspection Rights. The Borrower shall, and shall cause each other GCI Entity to, permit the Administrative Agent or any Lender, upon one days notice or such lesser notice as is reasonable under the circumstances, to examine and make copies of and abstracts from their records and books of account, to visit and inspect their Properties and to discuss their affairs, finances, and accounts with any of their directors, officers, employees, accountants, attorneys and other representatives, all as the Administrative Agent or any Lender may reasonably request.

6.04 Records and Books of Account; Changes in GAAP. The Borrower shall, and shall cause the Parents and each Subsidiary of the Parents and the Borrower to, keep adequate records and books of account in conformity with GAAP. The Borrower shall not, nor shall the Borrower permit the Parents or any Restricted Subsidiary of the Borrower or the Parents to change its fiscal year, nor change its method of financial accounting except in accordance with GAAP. In connection with any such change after the date hereof, the Borrower and Lenders shall negotiate in good faith to make appropriate alterations to the covenants set forth in Section 7.01 hereof, reflecting such change.

6.05 Reporting Requirements. The Borrower shall furnish to each Lender and the Administrative Agent:

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(a) As soon as available and in any event within 60 days after the end of the Borrower's fiscal quarters, (i) consolidated balance sheets of GCI and consolidating balance sheets of the Borrower and its Subsidiaries, as of the end of such quarter, and consolidated statements of income and statements of cash flows of GCI, and consolidating statements of income and statements of cash flows of the Borrower and its Subsidiaries, for the portion of the fiscal year ending with such quarter, setting forth, in comparative form, figures for the corresponding periods in the previous fiscal year, all in reasonable detail, and

certified by an Authorized Officer as prepared in accordance with GAAP, and fairly presenting the financial position and results of operations of GCI, the Borrower and their Subsidiaries, (ii) for the Borrower and its Restricted Subsidiaries, comparisons and reconciliations of actual results to the budget delivered pursuant to Section 6.05(e) below for the fiscal quarter most recently ended, in reasonable detail and satisfactory to the Administrative Agent, and (iii) for the Parents, the Borrower and the Restricted Subsidiaries, all information set forth in (i) and (ii) above in a separate presentation;

(b) As soon as available and in any event within 120 days after the end of each fiscal year, (i) consolidated balance sheets of GCI, and consolidating balance sheets of the Borrower and its Subsidiaries, as of the end of such fiscal year, and consolidated statements of income and cash flows of GCI, and consolidating statements of income and cash flows of the Borrower and its Subsidiaries, for such fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an unqualified opinion of the Auditor, which opinion shall state that such financial statements were prepared in accordance with GAAP, that the examination by the Auditor in connection with such financial statements was made in accordance with generally accepted auditing standards, and that such financial statements present fairly the financial position and results of operations of GCI, the Borrower and their Subsidiaries, and each other GCI Entity, and (ii) for GCI, the Borrower and the Restricted Subsidiaries, all information set forth in (i) above in a separate presentation;

(c) Promptly upon receipt thereof, (i) copies of all material reports or letters submitted to the Borrower, the Parents or any Subsidiary of the Borrower or the Parents by the Auditor or any other accountants in connection with any annual, interim, or special audit, including without limitation the comment letter submitted to management in connection with any such audit, (ii) each financial statement, report, notice or proxy statement sent by GCI, GCII, the Borrower or any Restricted Subsidiary in writing to stockholders generally, (iii) each regular or periodic report and any registration statement or prospectus (or material written communication in respect of any thereof) filed by the Parents, the Borrower or any Restricted Subsidiary with any securities exchange, with the Securities and Exchange Commission or any successor agency, and (iv) all press releases concerning material financial aspects of the Parents, the Borrower or any Restricted Subsidiary;

(d) Together with each set of financial statements delivered pursuant to subsections (a) and (b) above, a Compliance Certificate executed by an Authorized Officer, which such Compliance Certificate must (i) certify that there has occurred no Default or Event of Default,

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(ii) compute the Applicable Margin, and (iii) set forth the detailed calculations with respect to the financial covenants required by Section 7.01 hereof;

(e) As soon as available and in any event not later than 30 days after the beginning of each fiscal year of the Borrower, the annual operating and Capital Expenditure budgets of the Borrower and the Restricted Subsidiaries for such fiscal year;

(f) (i) Promptly upon knowledge by the Borrower or any other GCI Entity of the occurrence of any Default or Event of Default, a notice from an Authorized Officer, setting forth the details of such Default or Event of Default, and the action being taken or proposed to be taken with respect thereto; (ii) promptly upon knowledge by the Borrower or any other GCI Entity of the occurrence of any breach, default or event of default under any Project Agreement or any AUSP Financing Agreement, a notice from an Authorized Officer, setting forth the details of such breach, default or event of default, and the action being taken or proposed to be taken with respect thereto; and (iii) promptly upon knowledge by the Borrower or any other GCI Entity of the occurrence of any material adverse change regarding the financial condition, business, operations or prospects of AUSP or GCI Transport Company, a notice from an Authorized Officer, setting forth the details of such material adverse change and the action being taken or proposed to be taken with respect thereto;

(g) As soon as possible and in any event within five Business Days after knowledge thereof by the Borrower or any other GCI Entity, notice of any Litigation pending or threatened against the Borrower or any other GCI Entity which, if determined adversely, could reasonably be expected to result in a judgment, penalties, or damages in excess of \$1,000,000 together with a statement of an Authorized Officer describing the allegations of such Litigation, and the action being taken or proposed to be taken with respect thereto;

(h) Promptly following notice or knowledge thereof by the Borrower or any other GCI Entity, notice of any actual or threatened loss or termination of any material Authorization of the Borrower or any other GCI Entity or any Unrestricted Subsidiary, together with a statement of an Authorized Officer describing the circumstances surrounding the same, and the action being taken or proposed to be taken with respect thereto;

(i) Promptly after filing or receipt thereof, copies of all reports and notices that the Borrower or any other GCI Entity or Unrestricted Subsidiary (i) files or receives in respect of any Plan with or from the Internal Revenue Service, the PBGC, or the United States Department of Labor, or (ii) furnishes to or receives from any holders of any Debt or Contingent Liability, if in either case, any information or dispute referred to therein either causes a Default or Event of Default, or could reasonably be expected to cause or result in a Default or an Event of Default;

(j) Within 30 days after renewal or issuance of any hazard, public liability, business interruption, or other insurance policy maintained by the Borrower or any other GCI Entity, a

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copy of the binder or insurance certificate (showing Administrative Agent, on behalf of the Borrower or such GCI Entity, as loss payee or additional insured, as appropriate);

(k) As soon as possible and in any event within 10 days after the Borrower or any other GCI Entity knows that any Reportable Event has occurred with respect to any Plan, a statement, signed by an Authorized Officer, describing said Reportable Event and the action which the such Person proposes to take with respect thereto;

(l) As soon as possible, and in any event within 10 days after receipt by the Borrower or any other GCI Entity, a copy of (a) any notice or claim to the effect that the Borrower or any other GCI Entity is or may be liable to any Person as a result of the release by the Borrower, any other GCI Entity or any other Person of any toxic or hazardous waste or substance into the environment, and (b) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Borrower or any other GCI Entity, which could reasonably be expected to, in either case, cause a Material Adverse Change;

(m) Promptly upon the filing thereof, copies of all material registration statements and all annual, quarterly, monthly or other regular reports which the Parents, the Borrower or any Subsidiary of the Parents or the Borrower or any other GCI Entity or Unrestricted Subsidiary files with the FCC or the Securities and Exchange Commission;

(n) Promptly upon the sending or receiving thereof by any GCI Entity, AUSP, GCI Transport Co., Inc., GCI Fiber Co., Inc. or Fiber Hold Co., Inc., copies of all material notices, and other material information required by, or sent in connection with, any Project Agreement or any AUSP Financing Agreement, including, without limitation, notices of defaults or events of default, waivers, consents, amendments or other modifications to any of the Project Agreements or AUSP Financing Agreements, as well as requests therefor;

(o) Copies of all financial information provided to the lenders by AUSP in accordance with the terms of the Project Agreements; and

(p) Promptly upon request, such other information concerning the condition or operations of the Borrower, any other GCI Entity, Unrestricted Subsidiary and any of their Affiliates, financial or otherwise, as the Administrative Agent or any Lender may from time to time reasonably request.

6.06 Use of Proceeds. The proceeds of the Advances shall be available (and the Borrower shall use such proceeds) to (a) refinance existing Funded Debt of the Borrower and its Restricted Subsidiaries, (b) fund Capital Expenditures of the Borrower and the Restricted Subsidiaries permitted by the terms of this Agreement, (c) contribute \$50,000,000 to the capitalization of AUSP, and (d) use for general working capital purposes.

6.07 Maintenance of Existence and Assets. Except as provided by Section 7.07 of this Agreement, the Borrower shall maintain, and shall cause each other GCI Entity to maintain, its

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corporate existence, authority to do business in the jurisdictions in which it is necessary for the Borrower or such GCI Entity to do so, and all Authorizations necessary for the operation of any of their businesses. The Borrower shall maintain, and shall cause each other GCI Entity to maintain, the assets necessary for use in their respective businesses in good repair, working order and condition, and make all such repairs, renewals and replacements thereof as may be reasonably required.

6.08 Payment of Taxes. The Borrower will and will cause the Parents and all Subsidiaries of the Parents and the Borrower to, promptly pay and discharge all lawful Taxes imposed upon it or upon its income or profit or upon any Property belonging to it, unless such Tax shall not at the time be due and payable, or if the validity thereof shall currently be contested on a timely basis in good faith by appropriate proceedings (provided that the enforcement of

any Liens arising out of any such nonpayment shall be stayed or bonded during the proceedings) and adequate reserves with respect to such Tax shall have been established in accordance with GAAP.

#### 6.09 Indemnity.

(a) The Borrower agrees to defend, protect, indemnify and hold harmless the Administrative Agent and each Lender, each of their respective Affiliates, and each of their respective (including such Affiliates') officers, directors, employees, agents, attorneys, shareholders and consultants (including, without limitation, those retained in connection with the satisfaction or attempted satisfaction of any of the conditions set forth herein) of each of the foregoing (collectively, "Indemnitees") from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, the reasonable fees and disbursements of counsel for such Indemnitees in connection with any investigative, administrative or judicial proceeding, whether or not such Indemnitees shall be designated a party thereto or such proceeding shall have actually been instituted), imposed on, incurred by, or asserted against such Indemnitees (whether direct, indirect or consequential and whether based on any federal, state, or local laws and regulations, under common law or at equitable cause, or on contract, tort or otherwise), arising from or connected with the past, present or future operations of the Parents, the Borrower, any Subsidiary of the Borrower or the Parents, any other GCI Entity, any Affiliate or any predecessors in interest, or the past, present or future environmental condition of property of the Parents, the Borrower, any Subsidiary of the Borrower or Parents, any other GCI Entity, any Affiliate or any predecessors in interest, in each case relating to or arising out of this Agreement, the Loan Papers, or any act, event or transaction or alleged act, event or transaction relating or attendant thereto and the management of the Advances by the Administrative Agent, including in connection with, or as a result, in whole or in part, of any negligence of Administrative Agent or any Lender (other than those matters involving a claim by a participant purchaser against any Lender and not the Borrower), or the use or intended use of the proceeds of the Advances hereunder, or in connection with any investigation of any potential matter covered hereby, but excluding any claim or liability

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that arises as the result of the gross negligence or willful misconduct of any Indemnitee, as finally judicially determined by a court of competent jurisdiction (collectively, "Indemnified Matters").

(b) In addition, the Borrower shall periodically, upon request, reimburse each Indemnitee for its reasonable legal and other actual reasonable expenses (including the cost of any investigation and preparation) incurred in connection with any Indemnified Matter. If for any reason the foregoing indemnification is unavailable to any Indemnitee or insufficient to hold any Indemnitee harmless with respect to Indemnified Matters, then the Borrower shall contribute to the amount paid or payable by such Indemnitee as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect not only the relative benefits received by the Borrower and the holders of the Capital Stock of the Borrower on the one hand and such Indemnitee on the other hand but also the relative fault of the Borrower and such Indemnitee, as well as any other relevant equitable considerations. The reimbursement, indemnity and contribution obligations under this Section shall be in addition to any liability which the Borrower may otherwise have, shall extend upon the same terms and conditions to each Indemnitee, and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Borrower, the Administrative Agent, the Lenders and all other Indemnitees. The obligations of the Borrower under this Section 6.09 shall survive (i) the execution of this Agreement and (ii) any termination of this Agreement and payment of the Obligations.

6.10 Interest Rate Hedging. By no later than 60 days after the Closing Date, the Borrower or GCII will enter into an Interest Hedge Agreement on terms acceptable to the Administrative Agent providing for interest rate protection for not less than three years for 50% of Total Debt on such date. If Borrower enters into an interest rate cap agreement, the interest rate related thereto shall not exceed 2% per annum in excess of the then current treasury rate for the applicable hedge period.

6.11 Management Fees Paid and Earned. The Borrower agrees that no Management Fees will be paid by the Borrower, or any Restricted Subsidiary to any Person at any time, except in accordance with the terms of the Prime Management Agreement.

6.12 Authorizations and Material Agreements. The Borrower shall, and shall cause the Parents and the Restricted Subsidiaries to, obtain and comply in all material respects with all FCC Licenses relating to any System. The Borrower shall, and shall cause the Parents and the Restricted Subsidiaries to, obtain and comply in all material respects with all Authorizations relating to the Systems, except to the extent failure to do so could not reasonably be expected to cause or result in a Material Adverse Change. The Borrower shall, and shall

cause all other GCI Entities to, maintain and comply in all material respects with all agreements necessary or appropriate for any of them to own, maintain, or operate any of their businesses or Properties.

6.13 Further Assurances. The Borrower shall, and shall cause each other GCI Entity to, make, execute or endorse, and acknowledge and deliver or file or cause the same to be done,

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all such vouchers, invoices, notices, certifications and additional agreements, undertakings, conveyances, deeds of trust, mortgages, security agreements, transfers, assignments, financing statements or other assurances, and take any and all such other action, as Administrative Agent may, from time to time, deem reasonably necessary or proper in connection with any GCI Entity's obligations under any of the Loan Papers and the obligations of the Borrower thereunder, or for better assuring and confirming unto Administrative Agent all or any part of the security for any of the Obligations.

6.14 AUSP Financing. No later than the AUSP Closing Date, the Borrower shall have delivered to the Administrative Agent in form and substance satisfactory to it (a) a certificate (in the form attached hereto as Exhibit H) dated the AUSP Closing Date certifying as to the fact that attached thereto is a copy of each AUSP Financing Agreement and each Project Agreement and stating that each AUSP Financing Agreement and Project Agreement attached thereto represents the true, accurate and complete agreement as in effect on the AUSP Closing Date, and as to the true, accurate and complete resolutions authorizing the incurrence and performance of the Project Agreements, and (b) an opinion of counsel to AUSP regarding the Intercompany Notes. In addition, no later than the AUSP Closing Date, (a) the AUSP Financing shall have been consummated on terms and conditions satisfactory to the Administrative Agent, (b) the AUSP Financing Agreements and Project Agreements shall be in form and substance acceptable to the Administrative Agent, and (c) the undersea fiber survey owned by the Borrower shall have been sold to AUSP for fair value (not less than \$1,000,000).

6.15 Subsidiaries and Other Obligors. The Borrower shall cause each of the Restricted Subsidiaries, other GCI Entities and Affiliates (as to Affiliates, with respect solely to those covenants set forth in Sections 6.01, 6.05, and 6.08 hereof) to comply with each provision of this Article VI.

6.16 CoBank Participation Certificates. The Borrower shall, at all times during which CoBank, ACB ("CoBank") is a Lender hereunder, acquire and maintain non-voting participation certificates in CoBank (the "Participation Certificates") in such amounts and at such times as CoBank may from time to time require in accordance with its bylaws and capital plan (as each may be amended from time to time); provided, however, that the maximum amount of Participation Certificates that the Borrower may be required to purchase may not exceed the lesser of the maximum amount permitted by CoBank's bylaws as in effect on the date hereof or \$1,000.00, which amount, if not previously purchased, shall be purchased on or before the date hereof. The rights and obligations of the parties with respect to the Participation Certificates and any other patronage or other distributions shall be governed by CoBank's bylaws.

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#### ARTICLE VII. NEGATIVE COVENANTS

So long as the Revolver/Term Commitment, any Advance, or any portion of the Obligations is outstanding, or the Borrower or any other GCI Entity owes any other amount hereunder or under any other Loan Paper:

7.01 Financial Covenants. The Borrower and the Restricted Subsidiaries shall comply with the following covenants:

<TABLE>

(a) Total Leverage Ratio. At all times during the term hereof, the Total Leverage Ratio shall not be greater during the following time periods than the ratio set forth opposite such time periods:

<CAPTION>

Time Period -----	Maximum Ratio -----
<S>	<C>
From the Closing Date through March 31, 1998	7.00 to 1.00
April 1, 1998 through March 31, 1999	6.50 to 1.00
April 1, 1999 through December 31, 1999	6.00 to 1.00
January 1, 2000 and thereafter	5.50 to 1.00

</TABLE>

<TABLE>

(b) Senior Leverage Ratio. At all times during the term hereof, the Senior Leverage Ratio shall not be greater during the following time periods than the ratio set forth opposite such time periods:

<CAPTION>

Time Period -----	Maximum Ratio -----
<S>	<C>

From the Closing Date through March 31, 1999	3.50 to 1.00
April 1, 1999 through December 31, 1999	3.00 to 1.00
January 1, 2000 through December 31, 2000	2.50 to 1.00
January 1, 2001 and thereafter	2.00 to 1.00

</TABLE>  
<TABLE>

(c) Interest Coverage Ratio. At all times during the term hereof, the Interest Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

<CAPTION>

Time Period -----	Maximum Ratio -----
<S>	<C>
From the Closing Date through December 31, 1998	1.50 to 1.00
January 1, 1999 and thereafter	2.00 to 1.00

</TABLE>  
<TABLE>

(d) Pro Forma Debt Service Coverage Ratio. At all times during the term hereof, the Pro Forma Debt Service Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

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<CAPTION>

Time Period -----	Maximum Ratio -----
<S>	<C>
From the Closing Date and thereafter	1.25 to 1.00

</TABLE>  
<TABLE>

(e) Fixed Charges Coverage Ratio. Commencing January 1, 2000, and at all times thereafter during the term hereof, the Fixed Charges Coverage Ratio shall not be less during the following time periods than the ratio set forth opposite such time periods:

<CAPTION>

Time Period -----	Maximum Ratio -----
<S>	<C>
From January 1, 2000 through March 31, 2003	1.00 to 1.00
April 1, 2003 and thereafter	1.05 to 1.00

</TABLE>  
<TABLE>

(f) Capital Expenditures. Capital Expenditures paid or incurred by the Borrower and the Restricted Subsidiaries shall not exceed, in the aggregate, the following amounts during the following years, provided that, any unused portion for any such year may be used during the following fiscal year only (but not thereafter):

<CAPTION>

Fiscal Year -----	Maximum Amount -----
<S>	<C>
Partial year - Closing Date through 1997	\$55,000,000
1998	\$90,000,000
1999	\$65,000,000
2000 and thereafter	N/A

</TABLE>

7.02 Debt. The Borrower shall not, and shall not permit any of the other GCI Entities to, create, incur, assume, become or be liable in any manner in respect of, or suffer to exist, any Debt, except (a) Debt under the Loan Papers and the Revolving Credit Agreement, (b) Debt under the Senior Notes and other Debt in existence on the date hereof as shown on Schedule 5.08a hereto, and renewals, extensions (but not increases), and refinancings thereof on terms substantially similar thereto and on terms no more restrictive, (c) trade payables incurred and paid in the ordinary course of business, (d) Debt permitted to be incurred as Contingent Liabilities pursuant to Section 7.03 hereof, (e) Debt between the Borrower and its Restricted Subsidiaries, (f) so long as there exists no Default or Event of Default in existence at the time incurred and none is caused thereby, (i) \$5,000,000 in Debt constituting Capital Leases outstanding in the aggregate at any one time, and (ii) unsecured subordinated Debt of the Borrower on terms and conditions acceptable to the Administrative Agent and each Lender, subordinated to the Facility pursuant to the subordination language set forth on Schedule 7.02 hereto, and (g) Debt under the Project Agreements.

7.03 Contingent Liabilities. The Borrower shall not, and shall not permit any of the other GCI Entities to, create, incur, assume, become or be liable in any manner in respect of, or suffer to exist, any Contingent Liabilities, except (a) Contingent Liabilities under or relating to the Loan Papers and the Revolving Credit Agreement, (b) Contingent Liabilities in existence

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on the Closing Date, as shown on Schedule 5.08a hereto, (c) Contingent Liabilities resulting from the endorsement of negotiable instruments for

collection in the ordinary course of business, (d) obligations under the Completion Guaranty, Keepwell Agreement, and Lease Guaranty, and (e) utility bonds and other similar bonds entered into in the ordinary course of business.

7.04 Liens. The Borrower shall not, and shall not permit any of the other GCI Entities to, create or suffer to exist any Lien upon any of its Properties, except the Lien of Credit Lyonnais as administrative agent under the AUSP Credit Agreement to secure payment of the Intercompany Note payable by AUSP, Permitted Liens and Liens securing Debt permitted under Section 7.02(f) (i) hereof. It is specifically acknowledged and agreed that the Borrower shall not, and shall not permit any of the other GCI Entities to, hereafter agree with any Person (other than Administrative Agent) not to grant a Lien on any of its assets, except as specifically provided in the Indenture on the Closing Date.

7.05 Dispositions of Assets. The Borrower shall not, and shall not permit any of the other GCI Entities to, sell, lease, assign, or otherwise dispose of any assets of the Borrower or any Restricted Subsidiary, or otherwise consummate any Asset Sale, except (a) Permitted Dispositions and sales or dispositions of assets in the ordinary course of business, including dispositions of obsolete or useless assets, and (b) so long as there exists no Default or Event of Default both before and after giving effect to such disposition, Asset Sales in an aggregate amount over the term of this Agreement not to exceed \$10,000,000 (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00), so long as any amounts received by the Borrower and the Restricted Subsidiaries in the aggregate over \$10,000,000 in any fiscal year of the Borrower and its Restricted Subsidiaries (or \$20,000,000 if before and immediately after giving effect to any Asset Sale, the Total Leverage Ratio is equal to or less than 4.50 to 1.00) are immediately used to reduce the obligations as specified under the Revolving Credit Agreement and/or Advances outstanding under the Revolver/Term Commitment, in accordance with Section 2.04 hereof, and repay the outstanding Obligations in accordance with the terms of Section 2.05 hereof, as applicable.

7.06 Distributions and Restricted Payments. The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, make any Restricted Payments, other than any Restricted Payment in the form of a Distribution made by any Restricted Subsidiary to any other Restricted Subsidiary or to the Borrower, and other than (a) so long as (i) there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Restricted Payment and (iii) the date of such Restricted Payment is after September 30, 2000, Restricted Payments made exclusively out of Excess Cash Flow up to a maximum amount of the difference between \$15,000,000 in the aggregate over the term of this Agreement, minus the aggregate amount of Investments made in accordance with the terms of Section 7.10(e) hereof over the term of this Agreement, (b) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower may make Restricted Payments in the form of Distributions to GCII in an amount not in excess of

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cash income Taxes attributable to income from the Borrower and its Restricted Subsidiaries (and GCII may make Restricted Payments in such amounts in the form of Distributions to GCI), and scheduled cash interest payments required to be paid by GCII under the Senior Notes, and GCII may make Restricted Payments in the form of (and not in excess of) scheduled cash interest payments required to be paid by GCII under the Senior Notes, provided that, the Lenders agree that in no event shall the opening phrase of this subsection (b) prohibit the payment of any such Distribution by the Borrower or payment of interest by GCII on the Senior Notes for more than 180 consecutive days in any consecutive 360-day period, unless there exists an Event of Default under Section 8.01(a) hereof (whether by acceleration or otherwise), (c) so long as there exists no Default or Event of Default both before and after giving effect to the payment thereof, payment of Management Fees and amounts due under the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof, and (d) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower or any other GCI Entity (i) may make Restricted Payments on Funded Debt incurred in accordance with the terms of Sections 7.02(b) (but with respect to the Senior Notes, only payments of cash interest which accrues thereon), 7.02(d), and 7.02(f) (i), and 7.02(g) hereof, and (ii) may make payments of income Taxes.

7.07 Merger; Consolidation. The Borrower shall not, and shall not permit any of the other GCI Entities to, merge into or consolidate with any Person except any Wholly-Owned Subsidiary other than the Borrower may merge or consolidate with another Wholly-Owned Subsidiary, provided that the Borrower or the Wholly-Owned Subsidiary is the surviving entity, as the case may be.

7.08 Business. The Borrower shall not, and shall not permit any of the other GCI Entities to, change the nature of its business as now conducted. The Borrower shall not conduct any business except the ownership and operation of its Systems.

7.09 Transactions with Affiliates. The Borrower shall not, and shall not permit any of the other GCI Entities to, enter into or be party to a transaction with any Affiliate, except on terms no less favorable than could be obtained on an arm's-length basis with a Person that is not an Affiliate. Notwithstanding the foregoing limitation, the Borrower and the other GCI Entities may enter into or suffer to exist the following: (i) any transaction pursuant to any contract in existence on the Closing Date on the terms of such contract as in effect on the Closing Date; (ii) any transaction or series of transactions between the Borrower and one or more of its Restricted Subsidiaries or between two or more of its Restricted Subsidiaries; (iii) any Restricted Payment permitted to be made pursuant to Section 7.06; (iv) the payment of compensation by Parents, the Borrower or any of its Restricted Subsidiaries (including, amounts paid pursuant to employee benefit plans) in the ordinary course of business for the personal services of officers, directors and employees of Parents, the Borrower or any of its Restricted Subsidiaries, so long as the Board of Directors of Parents and the Borrower in good faith shall have approved the terms thereof and deemed the services theretofore or thereafter to be performed for such compensation or fees to be fair consideration therefor; (v) loans and advances by Parents, the Borrower or a Restricted Subsidiary to employees of Parents, the

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Borrower or a Restricted Subsidiary made in ordinary course of business and consistent with past practice of Parents, the Borrower or such Restricted Subsidiary, as the case may be, provided, that such loans and advances do not exceed in the aggregate \$4,000,000 at any one time outstanding; (vi) any transaction between the Borrower and its Restricted Subsidiaries pursuant to the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof; (vii) the assignment or other transfer to GCI Transport Co., Inc. or any of its Subsidiaries of the \$9,100,000 deposit made in connection with the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof (provided the Borrower provides the Administrative Agent with a Pro Forma Compliance Certificate evidencing no Default or Event of Default both before and after the assignment); (viii) the Fiber Lease and the Lease Guaranty, provided that, notwithstanding anything to the contrary in any Project Agreement, AUSP Financing Agreement, in this Agreement, or in any other Loan Paper, in no event shall the aggregate amount of all lease payments made by the Borrower, its Restricted Subsidiaries, or GCI Communication Corp. pursuant to the Fiber Lease, the Lease Guaranty, or any other lease or Project Agreement with AUSP exceed \$28,000,000 in the aggregate over the term of this Agreement; (ix) the O&M Contract, provided that, notwithstanding anything to the contrary in any Project Agreement, AUSP Financing Agreement, in this Agreement or in any other Loan Paper, in no event shall the aggregate amount of all payments made by the Borrower or any of its Restricted Subsidiaries pursuant to any and all such operating and maintenance contracts exceed \$17,000,000 over the term of this Agreement; (x) the Completion Guaranty and the Keepwell Agreement, and provided that, notwithstanding anything to the contrary in any Project Agreement, AUSP Financing Agreement, in this Agreement or in any other Loan Paper, in no event shall the aggregate amount of all payments made pursuant to the Keepwell Agreement, the Completion Guaranty and any other Project Agreement by the Borrower or any of its Restricted Subsidiaries (except the Fiber Lease, the Lease Guaranty, and the O&M Contract) exceed \$73,000,000 over the term of this Agreement, (xi) loans and/or advances to AUSP as may be evidenced by the Intercompany Notes to the extent permitted by Section 7.10(g) hereof, (xii) the Subordination Agreement, and (xiii) Permitted Dispositions. Neither the Borrower nor any Restricted Subsidiary shall enter into any agreement with AUSP obligating the Borrower or any Restricted Subsidiary to purchase excess capacity pursuant to any Project Agreement or any other agreement exceeding the amounts set forth above with respect to the Fiber Lease and the Lease Guaranty. Nothing herein shall prevent the Borrower or any Restricted Subsidiary from entering into an agreement with AUSP pursuant to any Project Agreement whereby each may purchase excess capacity from time to time as needed in the ordinary course of business.

7.10 Loans and Investments. The Borrower shall not, and shall not permit any of the other GCI Entities to, make any loan, advance, extension of credit or capital contribution to, or make or have any Investment in, any Person, or make any commitment to make any such extension of credit or Investment, or make any acquisition, except (a) Investments on the Closing Date constituting a \$50,000,000 capital contribution to AUSP and other Investments existing on the date hereof and contemplated by the terms of this Agreement, each as shown on Schedule 5.13 hereto, (b) Investments in Cash Equivalents, (c) Investments in advances or loans in the ordinary course of business to officers and employees in an amount in the aggregate not to exceed \$4,000,000 outstanding at any one time, (d) Investments in accounts receivable arising

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in the ordinary course of business, (e) so long as (i) there exists no Default or Event of Default, both before and after giving effect to the making of such Investments, (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Investment and (iii) the date of such Investment is after September 30, 2000, Investments made exclusively out of Excess Cash Flow up to a maximum amount of the difference between \$15,000,000 in

the aggregate over the term of this Agreement, minus the aggregate amount of Restricted Payments made in accordance with the terms of Section 7.06(a) hereof over the term of this Agreement, (f) loans, advances, extensions of credit or capital contributions to, or among, Wholly-Owned Subsidiaries and to GCI Transport Co., Inc. and its Subsidiaries in connection with the assignment or other transfer to GCI Transport Co., Inc. or its Subsidiaries of the \$9,100,000 deposit made in connection with the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof (provided the Borrower provides the Administrative Agent with a Pro Forma Compliance Certificate evidencing no Default or Event of Default both before and after the assignment), and (g) so long as there exists no Default or Event of Default both before and after giving effect to the making of each such Investment, Investments constituting loans and/or advances to AUSP in accordance with the terms of the Keepwell Agreement and the Completion Guaranty as may be evidenced by the Intercompany Notes (collaterally assigned to the Administrative Agent on a first Lien basis), which Investments in an aggregate amount over the term of this Agreement do not exceed \$73,000,000, and (h) investments in Participation Certificates of CoBank to the extent required pursuant to Section 6.16.

7.11 Fiscal Year and Accounting Method. The Borrower shall not, and shall not permit any of the other GCI Entities to, change its fiscal year or method of accounting, except as may be required by GAAP.

7.12 Issuance of Partnership Interest and Capital Stock; Amendment of Articles and By-Laws. Except in connection with the transactions consummated on or prior to the Closing Date, and except as permitted in Section 7.07 hereof, the Borrower shall not, and shall not permit any of the other GCI Entities (other than GCI) to, issue, sell or otherwise dispose of any Capital Stock in such Person, or any options or rights to acquire such partnership interest or capital stock not issued and outstanding on the Closing Date. The Borrower shall not amend its articles of organization or bylaws and the Borrower shall not permit any of the other GCI Entities to amend its articles of organization or bylaws or partnership agreement, as applicable, except, so long as there exists no Default or Event of Default both prior to and after giving effect to such amendment, and after written notice to the Administrative Agent, the Borrower or any of the other GCI Entities may make (i) changes to comply with applicable Law and (ii) changes immaterial in nature.

7.13 Change of Ownership. Except as permitted by Section 7.07 hereof, the Borrower shall not, and shall not permit any other GCI Entity (other than GCI) to, permit any change in the ownership of the Borrower and each Guarantor from the ownership thereof as of the date hereof as disclosed on Schedule 5.01 hereto.

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7.14 Sale and Leaseback. The Borrower shall not, and shall not permit any of the other GCI Entities to, enter into any arrangement whereby it sells or transfers any of its assets, and thereafter rents or leases such assets.

7.15 Compliance with ERISA. The Borrower shall not, and shall not permit the Parents or any Subsidiary of the Borrower and the Parents to, directly or indirectly, or permit any member of such Person's Controlled Group to directly or indirectly, (a) terminate any Plan so as to result in any material (in the opinion of Administrative Agent) liability to any of the Borrower, the Parents or any Subsidiary of the Borrower or the Parents, or any member of their Controlled Group, (b) permit to exist any ERISA Event, or any other event or condition, which presents the risk of any material (in the opinion of Administrative Agent) liability of any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower, or any member of their Controlled Group, (c) make a complete or partial withdrawal (within the meaning of Section 4201 of ERISA) from any Multiemployer Plan so as to result in any material (in the opinion of Administrative Agent) liability to any of the Borrower, the Parents, or any Subsidiary of the Parents or the Borrower, or any member of their Controlled Group, (d) enter into any new Plan or modify any existing Plan so as to increase its obligations thereunder (except in the ordinary course of business consistent with past practice) which could result in any material (in the opinion of Administrative Agent) liability to any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower, or any member of their Controlled Group, or (e) permit the present value of all benefit liabilities, as defined in Title IV of ERISA, under each Plan of each of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower, or any member of their Controlled Group (using the actuarial assumptions utilized by the PBGC upon termination of a Plan) to materially (in the opinion of Administrative Agent) exceed the fair market value of Plan assets allocable to such benefits all determined as of the most recent valuation date for each such Plan.

7.16 Rate Swap Exposure. The Borrower shall not enter into or become liable in respect of any Interest Hedge Agreement pursuant to which the aggregate amount exceeds the aggregate principal amount of all Advances and amounts outstanding under the Revolving Credit Agreement.

7.17 Restricted Subsidiaries and Other Obligors. The Borrower shall not

permit any of its Restricted Subsidiaries or any other GCI Entity to violate any provision of this Article VII.

7.18 Amendments to Material Agreements. The Borrower shall not, nor shall the Borrower permit any other GCI Entity to, amend or change any Project Agreement or any AUSP Financing Agreement in any manner that is material and adverse to the interests of the Lenders except with the prior written consent of Majority Lenders or any Loan Paper other than with the prior written consent of the Lenders pursuant to Section 10.01 hereof, nor shall the Borrower or any other GCI Entity change or amend (or take any action or fail to take any action the result of which is an effective amendment or change) or accept any waiver or consent with respect to (a) any Non-Compete Agreement, (b) that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among the Borrower and Hughes Communications

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Galaxy, Inc., now held by PanAmSat Corp., as assignee, (c) that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp. and Hughes Communications Satellite Services, Inc., now held by PanAmSat Corp., as assignee, (d) the Senior Notes and all documentation and agreements relating to the Senior Notes, other than changes that result in a decrease in interest rate, extension of maturity, or deletion of covenants or obligations to repay, and changes anticipated by Section 9.01(1) of the Indenture, (e) the Prime Management Agreement, and (f) all documentation related to any Funded Debt of any GCI Entity.

7.19 Limitation on Restrictive Agreements. The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, other than in connection with the Senior Notes and the Revolving Credit Agreement or the AUSP Financing Agreements or the Project Agreements, enter into any indenture, agreement, instrument, financing document or other arrangement which, directly or indirectly, prohibits or restrains, or has the effect of prohibiting or restraining, or imposes materially adverse conditions upon: (a) the incurrence of Debt, (b) the granting of Liens (except for provisions contained in Capital Leases of property that are permitted hereunder that limit Liens only on the specific property subject to the Capital Lease, except for Liens in favor of the Administrative Agent and the Lenders), (c) the making or granting of Guarantees, (d) the payment of dividends or Distributions, (e) the purchase, redemption or retirement of any Capital Stock, (f) the making of loans or advances, (g) transfers or sales of property or assets (including Capital Stock) by the Parents, the Borrower or any of the Restricted Subsidiaries, (h) the making of Investments or acquisitions, or (i) any change of control or management.

#### ARTICLE VIII. EVENTS OF DEFAULT

8.01 Events of Default. Any one or more of the following shall be an "Event of Default" hereunder, if the same shall occur for any reason whatsoever, whether voluntary or involuntary, by operation of Law, or otherwise:

(a) The Borrower shall fail to pay (i) any principal on any Note when due; or (ii) any interest on any Note within three days after the same becomes due; or (iii) any Commitment Fees, other fees, or other amounts payable under any Loan Paper within five days after the same becomes due;

(b) Any representation or warranty made or deemed made by the Borrower or any other GCI Entity (or any of its officers or representatives) under or in connection with any Loan Papers shall prove to have been incorrect or misleading in any material respect when made or deemed made;

(c) The Borrower or any other GCI Entity shall fail to perform or observe any term or condition contained in Article VI hereof (except Section 6.05(f) hereof) which is not remedied within thirty days after the earlier of (i) actual knowledge of such breach by the Parents, the

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Borrower or any of the Restricted Subsidiaries of such breach and (ii) written notice from the Administrative Agent or any Lender of such breach;

(d) The Borrower or any other GCI Entity shall fail to perform or observe any term or covenant contained in Article VII hereof or in Section 6.05(f) hereof;

(e) Any GCI Entity shall fail to perform or observe any other term or covenant contained in any Loan Paper, other than those described in Sections 8.01(a), (b), (c) and (d) hereof which is not remedied within thirty days after the earlier of (i) actual knowledge of such breach by the Parents, the Borrower or any of the Restricted Subsidiaries of such breach and (ii) written notice from the Administrative Agent or any Lender of such breach;

(f) Any Loan Paper or material provision thereof shall, for any reason, not be valid and binding on the GCI Entity signatory thereto, or not be in full force and effect, or shall be declared to be null and void; the validity or

enforceability of any Loan Paper shall be contested by any GCI Entity; any GCI Entity shall deny that it has any or further liability or obligation under its respective Loan Papers; or any default or breach under any provision of any Loan Papers shall continue after the applicable grace period, if any, specified in such Loan Paper;

(g) Any of the following shall occur: (i) any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc. and Fiber Hold Co., Inc.) shall make an assignment for the benefit of creditors or be unable to pay its debts generally as they become due; (ii) any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) shall petition or apply to any Tribunal for the appointment of a trustee, receiver, or liquidator of it, or of any substantial part of its assets, or shall commence any proceedings relating to any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) under any Debtor Relief Law, whether now or hereafter in effect; (iii) any such petition or application shall be filed, or any such proceedings shall be commenced, against any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.), or an order, judgment or decree shall be entered appointing any such trustee, receiver, or liquidator, or approving the petition in any such proceedings and such petition, application or proceedings shall continue undismissed for 30 days or such order, judgment or decree shall continue unstayed and in effect for 30 days; (iv) any final order, judgment, or decree shall be entered in any proceedings against any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) decreeing its dissolution; (v) any final order, judgment, or decree shall be entered in any proceedings against any of the Parents, the Borrower, or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold

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Co., Inc.) decreeing its split-up which requires the divestiture of a substantial part of its assets; or (vi) any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) shall petition or apply to any Tribunal for the appointment of a trustee, receiver, or liquidator of it, or of any substantial part of its assets, or shall commence any proceedings relating to any of the Parents, the Borrower or any Subsidiary of the Parents or the Borrower (including without limitation, AUSP, GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., and Fiber Hold Co., Inc.) under any Debtor Relief Law, whether now or hereafter in effect;

(h) Any GCI Entity shall fail to pay any Debt or Contingent Liability of \$1,000,000 or more when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt or Contingent Liability; or any GCI Entity shall fail to perform or observe any term or covenant contained in any agreement or instrument relating to any such Debt or Contingent Liability, when required to be performed or observed, and such failure shall continue after the applicable grace period, if any, specified in such agreement or instrument, and can result in acceleration of the maturity of such Debt or Contingent Liability; or any such Debt or Contingent Liability shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof;

(i) Any GCI Entity shall have any judgment(s) outstanding against it for the payment of \$1,000,000 or more, and such judgment(s) shall remain unstayed, in effect, uncontested and unpaid for a period of 30 days;

(j) (i) Any Authorization necessary for the ownership or essential for the operation of any of the interstate or intrastate telecommunications systems or networks operated by the Parents, the Borrower or any Restricted Subsidiary or any other System, shall expire, and on or prior to such expiration, the same shall not have been renewed or replaced by another Authorization authorizing substantially the same operations of such System; or (ii) any Authorization necessary for the ownership or essential for the operation of any of System shall be canceled, revoked, terminated, rescinded, annulled, suspended or modified in a materially adverse respect, or shall no longer be in full force and effect, or the grant or the effectiveness thereof shall have been stayed, vacated, reversed or set aside, and such action shall be no longer subject to further administrative or judicial review; or (iii) the FCC shall have issued, on its own initiative and not upon the complaint of or at the request of a third party, any hearing designation order in any non-comparative license renewal proceeding or any license revocation proceeding involving any License or

Authorization necessary for the ownership or essential for the operation of any System; or (iv) in any non-comparative license renewal proceeding or license revocation proceeding initiated by the FCC upon the complaint of or at the request of a third party or any comparative (i.e., multiple applicant) license renewal proceeding, in each case involving any License or Authorization necessary for the ownership or essential for the operation of any System; any administrative law judge of the FCC (or successor to the functions

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of an administrative law judge of the FCC) shall have issued an initial decision to the effect that the Parents, the Borrower or any Restricted Subsidiary lacks the basic qualifications to own or operate any System or is not deserving of a renewal expectancy, and such initial decision shall not have been timely appealed or shall otherwise have become an order that is final and no longer subject to further administrative or judicial review (provided, however, that none of the foregoing events described in clauses (i), (ii), (iii) or (iv) of this Section 8.01(j) shall constitute an Event of Default if such expiration, cancellation, revocation or other loss would not materially adversely affect the value of any of the Collateral or the ability of the Parents, the Borrower or any Restricted Subsidiary to perform its obligations under the Loan Papers to which it is a party);

(k) Any of the Parents, the Borrower, or any Subsidiary of the Parents or the Borrower, or any ERISA Affiliate, shall have committed a failure described in Section 302(f)(1) of ERISA, and the amount determined under Section 302(f)(3) of ERISA is equal to or greater than \$1,000,000;

(l) The Parents, the Borrower, any Subsidiary of the Parents or the Borrower, or any ERISA Affiliate, shall have been notified by the sponsor of a Multiemployer Plan that such Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, if as a result thereof the aggregate annual contributions to all Multiemployer Plans in reorganization or being terminated is increased over the amounts contributed to such Plans for the preceding Plan year by an amount exceeding \$1,000,000;

(m) The Borrower or any GCI Entity shall be required under any Environmental Law (i) to implement any remedial, neutralization, or stabilization process or program, the cost of which could constitute a Material Adverse Change, or (ii) to pay any penalty, fine, or damages in an aggregate amount of \$1,000,000 or more;

(n) Any Property (whether leased or owned) of any GCI Entity, or the operations conducted thereon by any of them or any current or prior owner or operator thereof (in the case of real Property), shall violate or have violated any applicable Environmental Law, if such violation could constitute a Material Adverse Change; or any GCI Entity shall not obtain or maintain any License required to be obtained or filed under any Environmental Law in connection with the use of such Property and assets, including without limitation past or present treatment, storage, disposal, or release of Hazardous Materials into the environment, if the failure to obtain or maintain the same could constitute a Material Adverse Change;

(o) Any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority Lien in the Collateral (subject to Permitted Liens) (except for the Lien on the stock of GCI Leasing Co., Inc. which shall be a second Lien behind the Prior Stock Lien) purported to be covered thereby and the value of such Collateral, singly or in the aggregate, equals or exceeds \$1,000,000;

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(p) The occurrence of any Change of Control; or (i) two or more of the following three senior executive managers of the Borrower shall not be employees of the Borrower for 60 consecutive days: John Lowber, Ron Duncan or Wilson Hughes and (ii) the Borrower shall have not replaced such senior executive managers with new employees acceptable to the Majority Lenders, such consent not to be unreasonably withheld;

(q) At any time, less than 100% of the Capital Stock of the Borrower, the Restricted Subsidiaries and the Guarantors (except the Capital Stock of GCI does not have to be pledged) shall be pledged to the Lenders to secure the Obligations pursuant to a first and prior perfected Lien (subject to inchoate tax liens), except with respect to the Lien on the stock of GCI Leasing Co., Inc.; at any time, less than 100% of the Capital Stock of GCI Leasing Co., Inc. shall be pledged to the Lenders to secure the Obligations pursuant to a second perfected Lien (behind the Prior Tax Lien and subject to inchoate tax Liens); or all or any portion of the Collateral constituting any System or systems which service 5% or more of the customers of the Borrower and the Restricted Subsidiaries ("Significant Segment"), or all or any portion of the Pledged Interests or the Pledge Agreements shall be the subject of any proceeding instituted by any Person, or there shall exist any litigation or overtly threatened litigation with respect to all or any portion of the Collateral

constituting Significant Segment or all or any portion of the Pledged Interests or the Pledge Agreement; or all or any portion of the Collateral constituting a Significant Segment shall be the subject of any legal proceeding instituted by any Person other than a Lender or Administrative Agent (except in connection with any Lender's exercise of any remedies under the Loan Papers); or any document or instrument creating or granting a security interest or Lien in any Collateral shall for any reason fail to create a valid first priority security interest (subject to Permitted Liens and the Prior Stock Lien) in any collateral purported to be covered thereby; or any material portion of the Collateral shall not be subject to a prior perfected security interest (subject to Permitted Liens), or be subject to attachment, levy or replenishment, unless such attachment, levy or replenishment shall be stayed, or bonded in an amount substantially equal to the fair market value of such Property and only for so long as such stay or bond exists;

(r) (i) A petition or complaint is filed before or by the Federal Trade Commission, the United States Justice Department, or any other Tribunal, seeking to cause the Borrower or any other GCI Entity to divest a significant portion of its assets or the Capital Stock of any GCI Entity or the Borrower, pursuant to any antitrust, restraint of trade, unfair competition or similar Laws, and such petition or complaint is not dismissed or discharged within 60 days of the filing thereof, which such divestiture could reasonably be expected to cause a Material Adverse Change or (ii) A warrant of attachment or execution or similar process shall be issued or levied against Property of the Borrower or any other GCI Entity which, together with all other such Property of the Borrower and the other GCI Entities subject to other such process, exceeds in value \$1,000,000 in the aggregate, and if such judgment or award is not insured or, within 60 days after the entry, issue or levy thereof, such judgment, warrant or process shall not have been paid or discharged, bonded or stayed pending appeal, or if, after the expiration of any such stay, such judgment, warrant or process shall not have been paid or discharged;

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(s) Any civil action, suit or proceeding shall be commenced against any GCI Entity under any federal or state racketeering statute (including, without limitation, the Racketeer Influenced and Corrupt Organization Act of 1970) ("RICO") and such suit shall be adversely determined by a court of applicable jurisdiction resulting in a judgment against such GCI Entity in excess of \$1,000,000; or any criminal action or proceeding shall be commenced against any GCI Entity under any federal or state racketeering statute (including, without limitation, RICO);

(t) There shall exist any breach or default under any Project Agreement or any other agreement relating to a loan facility benefitting any of the Unrestricted Subsidiaries, in each case after giving effect to any applicable period of grace in connection therewith;

(u) There shall exist any breach or default under any intercompany promissory note or related agreement executed by A USP or any other Unrestricted Subsidiary in favor of the Borrower or any Restricted Subsidiary, including without limitation, the Intercompany Notes;

(v) There shall exist any Event of Default relating to the Senior Notes or under the Indenture; or

(w) There shall exist any Event of Default under the Revolver/Term Credit Agreement.

8.02 Remedies Upon Default. If an Event of Default described in Section 8.01(g) hereof shall occur with respect to the Parents, the Borrower or any Subsidiary of the Parents or the Borrower, the Revolver/Term Commitment shall be immediately terminated and the aggregate unpaid principal balance of and accrued interest on all Advances shall, to the extent permitted by applicable Law, thereupon become due and payable concurrently therewith, without any action by Administrative Agent or any Lender, and without diligence, presentment, demand, protest, notice of protest or intent to accelerate, or notice of any other kind, all of which are hereby expressly waived. Subject to the foregoing sentence, if any Event of Default shall occur and be continuing, then no LIBOR Advances shall be available to the Borrower and Administrative Agent may at its election, and shall at the direction of Majority Lenders, do any one or more of the following:

(a) Declare the entire unpaid balance of all Advances immediately due and payable, whereupon it shall be due and payable without diligence, presentment, demand, protest, notice of protest or intent to accelerate, or notice of any other kind (except notices specifically provided for under Section 8.01), all of which are hereby expressly waived (except to the extent waiver of the foregoing is not permitted by applicable Law);

(b) Terminate the Revolver/Term Commitment;

(c) Reduce any claim of Administrative Agent and Lenders to judgment;

or

(d) Exercise any Rights afforded under any Loan Papers, by Law, including but not limited to the UCC, at equity, or otherwise.

8.03 Cumulative Rights. All Rights available to Administrative Agent and Lenders under the Loan Papers shall be cumulative of and in addition to all other Rights granted thereto at Law or in equity, whether or not amounts owing thereunder shall be due and payable, and whether or not Administrative Agent or any Lender shall have instituted any suit for collection or other action in connection with the Loan Papers.

8.04 Waivers. The acceptance by Administrative Agent or any Lender at any time and from time to time of partial payment of any amount owing under any Loan Papers shall not be deemed to be a waiver of any Default or Event of Default then existing. No waiver by Administrative Agent or any Lender of any Default or Event of Default shall be deemed to be a waiver of any Default or Event of Default other than such Default or Event of Default. No delay or omission by Administrative Agent or any Lender in exercising any Right under the Loan Papers shall impair such Right or be construed as a waiver thereof or an acquiescence therein, nor shall any single or partial exercise of any such Right preclude other or further exercise thereof, or the exercise of any other Right under the Loan Papers or otherwise.

8.05 Performance by Administrative Agent or any Lender. Should any covenant of any GCI Entity fail to be performed in accordance with the terms of the Loan Papers, Administrative Agent may, at its option, perform or attempt to perform such covenant on behalf of such GCI Entity. Notwithstanding the foregoing, it is expressly understood that neither Administrative Agent nor any Lender assumes, and shall not ever have, except by express written consent of Administrative Agent or such Lender, any liability or responsibility for the performance of any duties or covenants of any GCI Entity.

8.06 Expenditures. The Borrower shall reimburse Administrative Agent and each Lender for any sums spent by it in connection with the exercise of any Right provided herein. Such sums shall bear interest at the lesser of (a) the Base Rate in effect from time to time, plus 2.0% and (b) the Highest Lawful Rate, from the date spent until the date of repayment by the Borrower.

8.07 Control. None of the covenants or other provisions contained in this Agreement shall, or shall be deemed to, give Administrative Agent or any Lender any Rights to exercise control over the affairs and/or management of any GCI Entity, the power of Administrative Agent and each Lender being limited to the Rights to exercise the remedies provided in this Article; provided, however, that if Administrative Agent or any Lender becomes the owner of any partnership, stock or other equity interest in any Person, whether through foreclosure or otherwise, it shall be entitled to exercise such legal Rights as it may have by being an owner of such stock or other equity interest in such Person.

#### ARTICLE IX. THE ADMINISTRATIVE AGENT

9.01 Authorization and Action. Each Lender hereby appoints and authorizes Administrative Agent to take such action as Administrative Agent on its behalf and to exercise such powers under this Agreement and the other Loan Papers as are delegated to the Administrative Agent by the terms of the Loan Papers, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement and the other Loan Papers (including without limitation enforcement or collection of the Notes), Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of Majority Lenders (or all Lenders, if required under Section 10.01), and such instructions shall be binding upon all Lenders; provided, however, that Administrative Agent shall not be required to take any action which exposes Administrative Agent to personal liability or which is contrary to any Loan Papers or applicable Law. Administrative Agent agrees to give to each Lender notice of each notice given to it by the Borrower pursuant to the terms of this Agreement, and to distribute to each applicable Lender in like funds all amounts delivered to Administrative Agent by the Borrower for the Ratable or individual account of any Lender.

9.02 Administrative Agent's Reliance, Etc. Neither Administrative Agent, nor any of its directors, officers, agents, employees, or representatives shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or any other Loan Paper, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, Administrative Agent (a) may treat the payee of any Note as the holder thereof until Administrative Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to Administrative Agent; (b) may consult with legal counsel (including counsel for the Borrower or any of the Restricted Subsidiaries), independent public accountants, and other experts selected by it, and shall not be liable for any

action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants, or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties, or representations made in or in connection with this Agreement or any other Loan Papers; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants, or conditions of this Agreement or any other Loan Papers on the part of any GCI Entity or the Restricted Subsidiaries or to inspect the Property (including the books and records) of any GCI Entity or the Restricted Subsidiaries; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency, or value of this Agreement, any other Loan Papers, or any other instrument or document furnished pursuant hereto; and (f) shall incur no liability under or in respect of this Agreement or any other Loan Papers by acting upon any notice, consent, certificate, or other instrument or writing believed by it to be genuine and signed or sent by the proper party or parties.

9.03 NationsBank of Texas, National Association and Affiliates. With respect to its Revolver/Term Commitment, its Advances, its Specified Percentage of the Revolver/Term Loan

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and any Loan Papers, NationsBank of Texas, National Association has the same Rights under this Agreement as any other Lender and may exercise the same as though it were not Administrative Agent. NationsBank of Texas, National Association and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with, any GCI Entity, any Affiliate thereof, and any Person who may do business therewith, all as if NationsBank of Texas, National Association were not Administrative Agent and without any duty to account therefor to any Lender.

9.04 Lender Credit Decision. Each Lender acknowledges that it has, independently and without reliance upon Administrative Agent or any other Lender, and based on the financial statements referred to in Section 5.04 hereof and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Administrative Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement and the other Loan Papers.

9.05 Indemnification by Lenders. Lenders shall indemnify Administrative Agent, pro rata, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Administrative Agent in any way relating to or arising out of any Loan Papers or any action taken or omitted by Administrative Agent thereunder, including any negligence of Administrative Agent; provided, however, that no Lender shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses, or disbursements resulting from Administrative Agent's gross negligence or willful misconduct. Without limitation of the foregoing, Lenders shall reimburse Administrative Agent, pro rata, promptly upon demand for any out-of-pocket expenses (including reasonable attorneys' fees) incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, modification, amendment, or enforcement (whether through negotiation, legal proceedings or otherwise) of, or legal and other advice in respect of rights or responsibilities under, the Loan Papers. The indemnity provided in this Section 9.05 shall survive the termination of this Agreement.

9.06 Successor Administrative Agent. Administrative Agent may resign at any time by giving written notice thereof to Lenders and the Borrower, and may be removed at any time with or without cause by the action of all Lenders (other than Administrative Agent, if it is a Lender). Upon any such resignation, Majority Lenders shall have the right to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed and shall have accepted such appointment within thirty days after the retiring Administrative Agent's giving of notice of resignation, then the retiring Administrative Agent may, on behalf of Lenders, appoint a successor Administrative Agent, which shall be a commercial bank organized under the Laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$50,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor

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Administrative Agent shall thereupon succeed to and become vested with all the Rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Loan Papers, provided that if the retiring or removed Administrative Agent is unable to appoint a successor Administrative Agent, Administrative Agent shall, after the expiration of a sixty day period from the date of notice, be

relieved of all obligations as Administrative Agent hereunder. Notwithstanding any Administrative Agent's resignation or removal hereunder, the provisions of this Article shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement.

#### ARTICLE X. MISCELLANEOUS

10.01 Amendments and Waivers. No amendment or waiver of any provision of this Agreement, the Revolving Credit Agreement, or any other Loan Papers, nor consent to any departure by the Borrower or any other GCI Entity therefrom, shall be effective unless the same shall be in writing and signed by Administrative Agent with the consent of Majority Lenders, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no amendment, waiver, or consent shall (and the result of action or failure to take action shall not) unless in writing and signed by all of Lenders and Administrative Agent, (a) increase the Revolving Commitment (except in accordance with the provisions of Section 2.16 of the Revolving Credit Agreement), increase the Revolver/Term Commitment or the Letter of Credit Commitment, (b) reduce any principal, interest, fees, or other amounts payable hereunder, or waive or result in the waiver of any Event of Default under Section 8.01(a) hereof or of the Revolver/Term Credit Agreement, or change the pro rata sharing of payments, (c) postpone any date fixed for any payment of principal, interest, fees, or other amounts payable hereunder or under the Revolver/Term Credit Agreement, (d) release any Collateral or Guaranties securing any GCI Entity's obligations hereunder, other than releases specifically contemplated hereby and by the Loan Papers, including without limitation, releases of assets that have been sold or transferred as specifically permitted hereby or by the Loan Papers, or (e) change the meaning of Specified Percentage or the number of Lenders required to take any action hereunder. No amendment, waiver, or consent shall affect the Rights or duties of Administrative Agent under any Loan Papers, unless it is in writing and signed by Administrative Agent in addition to the requisite number of Lenders.

#### 10.02 Notices.

(a) Manner of Delivery. All notices communications and other materials to be given or delivered under the Loan Papers shall, except in those cases where giving notice by telephone is expressly permitted, be given or delivered in writing. All written notices, communications and materials shall be sent by registered or certified mail, postage prepaid, return receipt requested, by telecopier, or delivered by hand. In the event of a discrepancy between any telephonic notice and any written confirmation thereof, such written confirmation shall be

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deemed the effective notice except to the extent Administrative Agent, any Lender or the Borrower has acted in reliance on such telephonic notice.

(b) Addresses. All notices, communications and materials to be given or delivered pursuant to this Agreement shall be given or delivered at the following respective addresses and telecopier and telephone numbers and to the attention of the following individuals or departments:

If to the Borrower:

GCI Holdings, Inc.  
2550 Denali Street, Suite 1000  
Anchorage, Alaska 99503-2781

Attention: Mr. John M. Lowber  
Telephone No.: (907) 265-5628  
Facsimile No.: (907) 265-5676

With a Copy to:

Hartig, Rhodes, Norman, Mahoney & Edwards, P.C.  
717 K Street  
Anchorage, Alaska 99501

Attention: Bonnie J. Paskvan  
Telephone No.: (907) 276-1592  
Facsimile No.: (907) 277-4352

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If to Administrative Agent:

NationsBank of Texas, N.A.  
901 Main Street, 64th Floor  
Dallas, Texas 75202

Attention: Whitney L. Busse  
Vice President  
Telephone No.: (214) 508-0950  
Facsimile No.: (214) 508-9390

With a Copy to:

Donohoe, Jameson & Carroll, P.C.  
3400 Renaissance Tower  
1201 Elm Street  
Dallas, Texas 75270

Attention: Melissa Ruman Stewart  
Telephone No.: (214) 698-3814  
Facsimile No.: (214) 744-0231

(c) If to any Lender, to its address set forth below opposite its signature or on any Assignment and Acceptance or amendment to this Agreement.

or at such other address or, telecopier or telephone number or to the attention of such other individual or department as the party to which such information pertains may hereafter specify for the purpose in a notice to the other specifically captioned "Notice of Change of Address".

(d) Effectiveness. Each notice, communication and any material to be given or delivered to any party pursuant to this Agreement shall be effective or deemed delivered or furnished (i) if sent by mail, on the fifth Business Day after such notice, communication or material is deposited in the mail, addressed as above provided, (ii) if sent by telecopier, when such notice, communication or material is transmitted to the appropriate number determined as above provided in this Section 10.02 and the appropriate receipt is received or otherwise acknowledged, (iii) if sent by hand delivery or overnight courier, when left at the address of the addressee addressed as above provided, and (iv) if given by telephone, when communicated to the individual or any member of the department specified as the individual or department to whose attention notices, communications and materials are to be given or delivered except that notices of a change of address, telecopier or telephone number or individual or department to whose attention notices, communications and materials are to be given or delivered shall not be effective until received; provided, however, that notices to Administrative Agent pursuant to

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Article II shall be effective when received. The Borrower agrees that Administrative Agent shall have no duty or obligation to verify or otherwise confirm telephonic notices given pursuant to Article II, and agrees to indemnify and hold harmless Administrative Agent and Lenders for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, and expenses resulting, directly or indirectly, from acting upon any such notice.

10.03 Parties in Interest. All covenants and agreements contained in this Agreement and all other Loan Papers shall bind and inure to the benefit of the respective successors and assigns of the parties hereto. Each Lender may from time to time assign or transfer its interests hereunder pursuant to Section 10.04 hereof. No GCI Entity may assign or transfer its Rights or obligations under any Loan Paper without the prior written consent of Administrative Agent.

#### 10.04 Assignments and Participations.

(a) Subject to the following sentence, each Lender (an "Assignor") may assign its Rights and obligations as a Lender under the Loan Papers to one or more Eligible Assignees pursuant to an Assignment and Acceptance, so long as (i) each assignment shall be of a constant, and not a varying percentage of all Rights and obligations thereunder, (ii) each Assignor shall obtain in each case the prior written consent of Administrative Agent, which consent shall not be unreasonably withheld, (iii) each Assignor shall in each case pay a \$3,000 processing fee to Administrative Agent, (iv) no such assignment is for an amount less than the lesser of the total amount of the Revolver/Term Commitment or \$5,000,000, and (v) no assignment shall be made unless an assignment is also made of the Rights and obligations on a pro rata basis as a Lender under the Revolving Credit Agreement. Within five Business Days after Administrative Agent receives notice of any such assignment, the Borrower shall execute and deliver to Administrative Agent, in exchange for the Notes issued to Assignor, new Notes to the order of such Assignor and its assignee in amounts equal to their respective Specified Percentages of the Revolver/Term Commitment. Such new Notes shall be dated the effective date of the assignment. It is specifically acknowledged and agreed that on and after the effective date of each assignment, the assignee shall be a party hereto and shall have the Rights and obligations of a Lender under the Loan Papers.

(b) Each Lender may sell participations to one or more Persons in all or any of its Rights and obligations under the Loan Papers; provided, however,

that (i) such Lender's obligations under the Loan Papers shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender shall remain the holder of its Notes for all purposes of the Loan Papers, (iv) the participant shall be granted the Right to vote on or consent to only those matters described in Sections 10.01(a), (b), (c) and (d), (v) each GCI Entity, Administrative Agent, and other Lenders shall continue to deal solely and directly with such Lender in connection with its Rights and obligations under the Loan Papers and (vi) no such participation is for an amount less than the lesser of the total amount of the Revolver/Term Commitment or \$5,000,000.

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(c) Any Lender may, in connection with any assignment or participation, or proposed assignment or participation, disclose to the assignee or participant, or proposed assignee or participant, any information relating to any GCI Entity furnished to such Lender by or on behalf of any GCI Entity.

(d) Notwithstanding any other provision set forth in this Agreement, each Lender may at any time create a security interest in all or any portion of its Rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

10.05 Sharing of Payments. If any Lender shall obtain any payment (whether voluntary, involuntary, through the exercise of any Right of set-off, or otherwise) on account of its Advances in excess of its pro rata share of payments made by the Borrower, such Lender shall forthwith purchase participations in Advances made by the other Lenders as shall be necessary to share the excess payment pro rata with each of them; provided, however, that if any of such excess payment is thereafter recovered from the purchasing Lender, its purchase from each Lender shall be rescinded and each Lender shall repay the purchase price to the extent of such recovery together with a pro rata share of any interest or other amount paid or payable by the purchasing Lender in respect of the total amount so recovered. The Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this Section 10.05 may, to the fullest extent permitted by Law, exercise all its Rights of payment (including the Right of set-off) with respect to such participation as fully as if such Lender were the direct creditor of the Borrower in the amount of such participation.

10.06 Right of Set-off. Upon the occurrence and during the continuance of any Event of Default, each Lender is hereby authorized at any time and from time to time, to the fullest extent permitted by Law, to set-off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Lender to or for the credit or the account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing under this Agreement and the other Loan Papers, whether or not Administrative Agent or any Lender shall have made any demand under this Agreement or the other Loan Papers, and even if such obligations are unmaturing. Each Lender shall promptly notify the Borrower after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The Rights of each Lender under this Section 10.06 are in addition to other Rights (including, without limitation, other Rights of set-off) which such Lender may have.

#### 10.07 Costs, Expenses, and Taxes.nd Taxes

(a) The Borrower agrees to pay on demand (i) all costs and expenses of Administrative Agent in connection with the preparation and negotiation of all Loan Papers, including without limitation the reasonable fees and out-of-pocket expenses of Special Counsel and (ii) all costs and expenses (including reasonable attorneys' fees and expenses) of

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Administrative Agent and each Lender in connection with administration, interpretation, modification, amendment, waiver, or release of any Loan Papers and any restructuring, work-out, or collection of any portion of the Obligations or the enforcement of any Loan Papers.

(b) In addition, the Borrower shall pay any and all stamp, debt, and other Taxes payable or determined to be payable in connection with any payment hereunder (other than Taxes on the overall net income of Administrative Agent or any Lender or franchise Taxes or Taxes on capital or capital receipts of Administrative Agent or any Lender), or the execution, delivery, or recordation of any Loan Papers, and agrees to save Administrative Agent and each Lender harmless from and against any and all liabilities with respect to, or resulting from any delay in paying or omission to pay any Taxes in accordance with this Section 10.07, including any penalty, interest, and expenses relating thereto. All payments by the Borrower or any Restricted Subsidiary under any Loan Papers shall be made free and clear of and without deduction for any present or future Taxes (other than Taxes on the overall net income of Administrative Agent or any

Lender of any nature now or hereafter existing, levied, or withheld, or franchise Taxes or Taxes on capital or capital receipts of Administrative Agent or any Lender), including all interest, penalties, or similar liabilities relating thereto. If the Borrower shall be required by Law to deduct or to withhold any Taxes from or in respect of any amount payable hereunder, (i) the amount so payable shall be increased to the extent necessary so that, after making all required deductions and withholdings (including Taxes on amounts payable to Administrative Agent or any Lender pursuant to this sentence), Administrative Agent or any Lender receives an amount equal to the sum it would have received had no such deductions or withholdings been made, (ii) the Borrower shall make such deductions or withholdings, and (iii) the Borrower shall pay the full amount deducted or withheld to the relevant taxing authority in accordance with applicable Law. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 10.07 shall survive the execution of this Agreement, termination of the Revolver/Term Commitment, repayment of the Obligations, satisfaction of each agreement securing or assuring the Obligations and termination of this Agreement and each other Loan Paper.

10.08 Indemnification by the Borrower. The Borrower shall indemnify, defend, and hold harmless Administrative Agent, each Lender and their respective Affiliates, directors, officers, agents, employees, and representatives, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses, and disbursements of any kind or nature whatsoever which may be imposed on, incurred by or asserted against any of them in any way relating to or arising out of any Loan Papers (including in connection with or as a result, in whole or in part, of the negligence of any of them), any transaction related hereto or thereto, or any act, omission, or transaction of the Borrower, any other GCI Entity and their respective Affiliates, or any of their directors, partners, officers, agents, employees, or representatives; provided, however, that neither Administrative Agent nor any Lender shall be indemnified, defended, and held harmless pursuant to this Section 10.08 to the extent of any losses or damages which the Borrower proves were caused by the indemnified party's willful misconduct or gross negligence.

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10.09 Rate Provision. It is not the intention of any party to any Loan Papers to make an agreement violative of the Laws of any applicable jurisdiction relating to usury. In no event shall the Borrower or any other Person be obligated to pay any amount in excess of the Maximum Amount. If Administrative Agent or any Lender ever receives, collects or applies, as interest, any such excess, such amount which would be excessive interest shall be deemed a partial repayment of principal and treated hereunder as such; and if principal is paid in full, any remaining excess shall be paid to the Borrower or the other Person entitled thereto. In determining whether or not the interest paid or payable, under any specific contingency, exceeds the Maximum Amount, each GCI Entity, Administrative Agent and each Lender shall, to the maximum extent permitted under Applicable Law, (a) characterize any nonprincipal payment as an expense, fee or premium rather than as interest, (b) exclude voluntary prepayments and the effect thereof, and (c) amortize, prorate, allocate and spread in equal parts, the total amount of interest throughout the entire contemplated term of the Obligations so that the interest rate is uniform throughout the entire term of the Obligations; provided that if the Obligations are paid and performed in full prior to the end of the full contemplated term thereof, and if the interest received for the actual period of existence thereof exceeds the Maximum Amount, Administrative Agent or Lenders, as appropriate, shall refund to the Borrower the amount of such excess or credit the amount of such excess against the total principal amount owing, and, in such event, neither Administrative Agent nor any Lender shall be subject to any penalties provided by any Laws for contracting for, charging or receiving interest in excess of the Maximum Amount. This Section 10.09 shall control every other provision of all agreements among the parties to the Loan Papers pertaining to the transactions contemplated by or contained in the Loan Papers.

10.10 Severability. If any provision of any Loan Papers is held to be illegal, invalid, or unenforceable under present or future Laws during the term thereof, such provision shall be fully severable, the appropriate Loan Paper shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part thereof, and the remaining provisions thereof shall remain in full force and effect and shall not be affected by the illegal, invalid, or unenforceable provision or by its severance therefrom. Furthermore, in lieu of such illegal, invalid, or unenforceable provision there shall be added automatically as a part of such Loan Paper a legal, valid, and enforceable provision as similar in terms to the illegal, invalid, or unenforceable provision as may be possible.

10.11 Exceptions to Covenants. No GCI Entity shall be deemed to be permitted to take any action or to fail to take any action that is permitted as an exception to any covenant in any Loan Papers, or that is within the permissible limits of any covenant, if such action or omission would result in a violation of any other covenant in any Loan Papers.

10.12 Counterparts. This Agreement and the other Loan Papers may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof of any such agreement, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

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10.13 GOVERNING LAW; WAIVER OF JURY TRIAL.

(a) THIS AGREEMENT AND ALL OTHER LOAN PAPERS SHALL BE DEEMED TO BE CONTRACTS MADE IN DALLAS, TEXAS, AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS (WITHOUT GIVING EFFECT TO CONFLICT OF LAWS) AND THE UNITED STATES OF AMERICA. WITHOUT EXCLUDING ANY OTHER JURISDICTION AND NOT AS A LIMITATION OF SECTION 10.14 HEREOF, THE BORROWER AGREES THAT THE STATE AND FEDERAL COURTS OF TEXAS LOCATED IN DALLAS, TEXAS, WILL HAVE JURISDICTION OVER PROCEEDINGS IN CONNECTION HEREWITH. TO THE MAXIMUM EXTENT PERMITTED BY LAW, THE BORROWER HEREBY WAIVES ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE (WHETHER A CLAIM IN TORT, CONTRACT, EQUITY, OR OTHERWISE) ARISING UNDER OR RELATING TO THIS AGREEMENT, THE OTHER LOAN PAPERS, OR ANY RELATED MATTERS, AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

(b) THE BORROWER HEREBY WAIVES PERSONAL SERVICE OF ANY LEGAL PROCESS UPON IT. THE BORROWER AGREES THAT SERVICE OF PROCESS MAY BE MADE UPON IT BY REGISTERED MAIL (RETURN RECEIPT REQUESTED) DIRECTED TO THE BORROWER AT ITS ADDRESS DESIGNATED FOR NOTICE UNDER THIS AGREEMENT AND SERVICE SO MADE SHALL BE DEEMED TO BE COMPLETED FIVE BUSINESS DAYS AFTER DEPOSIT IN THE UNITED STATES MAIL. NOTHING IN THIS SECTION 10.13 SHALL AFFECT THE RIGHT OF ADMINISTRATIVE AGENT OR ANY LENDER TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

10.14. ENTIRE AGREEMENT. THIS AGREEMENT AND THE OTHER LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

10.15 Amendment and Restatement. This Agreement is a renewal, extension, amendment, and restatement of the Original Credit Agreement, and, as such, except for the "Obligations" as defined in the Original Credit Agreement (which shall survive, be renewed, extended, and restated by the terms of this Agreement), all other terms and provisions supersede in their entirety the Original Credit Agreement; provided, however, this Agreement shall not extinguish the obligations under the Original Credit Agreement or be construed as a substitution or novation of the "Obligations" as defined in the Original Credit Agreement, except as modified hereby or the other Loan Papers executed concurrently herewith. All subordination agreements, security agreements, pledge agreements, mortgages, and deeds of trust executed and delivered in connection with this Agreement shall supersede the subordination agreements, security agreements, pledge agreements, mortgages, and deeds of trust executed and delivered in

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connection with the Original Credit Agreement (the "Original Security Documents"), except for the Liens created under the Original Security Documents which shall remain valid, binding and enforceable Liens against the Borrower and the Subsidiaries and each of the other Persons which granted such Liens.

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IN WITNESS WHEREOF, this Credit Agreement is executed as of the date first set forth above.

THE BORROWER:

GCI HOLDINGS, INC.

By: /s/ John M. Lowber
Its: Senior Vice President and Chief
Financial Officer

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ADMINISTRATIVE AGENT:

NATIONSBANK OF TEXAS, N.A., as Administrative Agent

By: /s/ Whitney L. Busse  
Its: Vice President

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DOCUMENTATION AGENT:

CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent

By: /s/Mark D. Thorsheim  
Its: Vice President

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SYNDICATION AGENT:

TD SECURITIES (USA), INC., as Syndication Agent

By: /s/ A.L. Miller  
Its: Managing Director

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LENDERS:

Specified Percentage: NATIONSBANK OF TEXAS, N.A., Individually, as a Lender

10.0000%

Address:  
901 Main, 64th Floor  
Dallas, Texas 75202

By: /s/ Whitney L. Busse  
Its: Vice President

Attention: Whitney L. Busse  
Telephone: (214) 508-0950  
Facsimile: (214) 508-9390

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Specified Percentage: TORONTO DOMINION (TEXAS), INC., Individually as a Lender

10.0000%

Address:  
909 Fannin, Suite 1700  
Houston, Texas 77010

By: /s/Neva Nesbitt  
Its: Vice President

Attention: David Parker  
Telephone: (713) 653-8248  
Facsimile: (713) 951-9921

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Specified Percentage: CREDIT LYONNAIS NEW YORK BRANCH, Individually as a Lender

10.0000%

Address:  
1301 Avenue of the Americas  
New York, New York 10019

By: /s/ Mark D. Thorsheim  
Its: Vice President

Attention: Mark Thorsheim  
Telephone: (212) 261-7852  
Facsimile: (212) 261-3288

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Specified Percentage: COBANK, ACB, Individually as a Lender

8.0000%

Address:  
5500 South Quebec Street  
Englewood, Colorado 80111

By: /s/ John McFarlane  
Its: Vice President

Attention: John McFarlane  
Telephone: (303) 740-4332  
Facsimile: (303) 740-6496

By:  
Its:

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Specified Percentage: BANQUE PARIBAS, Individually as a Lender

6.0000%

Address:  
2029 Century Park East, Suite 3900  
Los Angeles, California 90067

By: /s/ Thomas Brandt  
Its: Director

Attention: Todd Rodgers  
Telephone: (310) 551-7394  
Facsimile: (310) 556-3762

By: /s/ Darlynn Ernst  
Its: Assistant Vice President

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Specified Percentage: GENERAL ELECTRIC CAPITAL CORPORATION,  
Individually as a Lender

6.0000%

Address:  
120 Long Ridge Road  
Stamford, Connecticut 06927

By: /s/ Molly S. Fergusson  
Its: Manager - Operations

Attention: Manager - Operations  
Telephone: (203) 961-2275  
Facsimile: (203) 961-2017

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Specified Percentage: THE LONG-TERM CREDIT BANK OF JAPAN, LTD., LOS  
ANGELES AGENCY, Individually as a Lender

6.0000%

Address:  
350 South Grand Avenue, Suite 3000  
Los Angeles, California 90071

By: /s/ T. Morgan Edwards II  
Its: Deputy General Manager

Attention: Hiro Negi  
Telephone: (213) 689-6344  
Facsimile: (213) 689-6294

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Specified Percentage: UNION BANK OF CALIFORNIA, N.A., Individually as

a Lender

6.0000%

Address:

445 S. Figueroa Street, 15th Floor  
Los Angeles, California 90071

By: /s/ Christine P. Ball  
Its: Vice President

Attention: Sonia Isaacs  
Telephone: (213) 236-7834  
Facsimile: (213) 236-5747

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Specified Percentage: BANK OF HAWAII, Individually as a Lender

4.2500%

Address:

1850 N. Central Avenue, Suite 400  
Phoenix, Arizona 85004

By: /s/ Elizabeth O. MacLean  
Its: Vice President

Attention: Elizabeth O. MacLean  
Telephone: (602) 257-2437  
Facsimile: (602) 257-2235

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Specified Percentage: THE BANK OF NEW YORK, Individually as a Lender

4.2500%

Address:

1 Wall Street  
New York, New York 10286

By: /s/ Edward F. Ryan, Jr.  
Its: Senior Vice President

Attention: Ted Ryan  
Telephone: (212) 635-8608  
Facsimile: (212) 635-8593

100\269\91946 98

Specified Percentage: BANQUE NATIONALE DE PARIS, Individually as a Lender

4.2500%

Address:

499 Park Avenue  
New York, New York 10022

By: /s/ Serge Desrayaud  
Its: Vice President

Attention: Marcus C. Jones  
Telephone: (212) 415-4632  
Facsimile: (212) 418-8269

By: /s/ Marcus C. Jones  
Its: Vice President

100\269\91946 99

Specified Percentage: CITY NATIONAL BANK, Individually as a Lender

4.2500%

Address:

400 N. Roxbury Drive, 3rd Floor  
Beverly Hills, California 90210

By: /s/ David C. Burdge  
Its: Senior Vice President

Attention: Rod Bollins  
Telephone: (310) 888-6149  
Facsimile: (310) 888-6152

100\269\91946 100

Specified Percentage: FIRST NATIONAL BANK OF MARYLAND,

Individually as a Lender

4.2500%

Address:  
25 South Charles Street  
18th Floor, Mail Stop 101-511  
Baltimore, Maryland 21201

By: /s/ Christopher L. Smith  
Its: Vice President

Attention: Christopher Smith  
Telephone: (410) 244-4798  
Facsimile: (410) 244-4920

100\269\91946 101

Specified Percentage: FLEET NATIONAL BANK, Individually as a Lender

4.2500%

Address:  
One Federal Street  
MAOFD03D  
Boston, Massachusetts 02110

By: /s/ Chris Swindell  
Its: VP

Attention: Christopher Swindell  
Telephone: (617) 346-5579  
Facsimile: (617) 346-4345

100\269\91946 102

Specified Percentage: THE FUJI BANK, LIMITED, LOS ANGELES AGENCY,  
Individually as a Lender

4.2500%

Address:  
333 South Hope Street, 39th Floor  
Los Angeles, California 90071

By: /s/ Masahito Fukuda  
Its: Joint General Manager

Attention: Fred Caparoso  
Telephone: (213) 253-4148  
Facsimile: (213) 253-4178

100\269\91946 103

Specified Percentage: THE SUMITOMO BANK, LIMITED, Individually as a  
Lender

4.2500%

Address:  
1201 Third Avenue, Suite 5320  
Seattle, Washington 98101

By: /s/ Goro Hirai  
Its: Joint General Manager

Attention: Bob Granfelt  
Telephone: (206) 223-4050  
Facsimile: (206) 623-8551

Original to:

777 S. Figueroa Street  
Suite 2600  
Los Angeles, California 90017

100\269\91946 104

Specified Percentage: NATIONAL BANK OF ALASKA, Individually as a Lender

4.0000%

Address:  
301 W. Northern Lights Blvd.  
Commercial Loan Department  
Anchorage, Alaska 99503

By: /s/ Patricia Jelley Benz  
Its: Vice President

Attention: Pita Jelley Benz  
Telephone: (907) 265-2916  
Facsimile: (907) 265-2141

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SCHEDULE 7.02

SUBORDINATED DEBT PROVISIONS

- A. Definition of Subordinated Debt and Senior Debt - all inclusive, i.e. Subordinated Debt defined as all debt, principal, interest (including postbankruptcy interest), indemnities, liabilities, fees, costs, and expenses now or hereafter existing, etc. subordinated to all Senior Debt defined as all debt, principal, interest (including postbankruptcy interest), indemnities, liabilities, fees, costs, and expenses now or hereafter existing, as renewed, extended, increased, etc. (and all other "Obligations" as defined in the Credit Agreement)
- B. Payment Terms Prebankruptcy
1. no payment of interest, except payment in kind; no amortization or defeasance or mandatory redemption of principal (other than change of control provisions subject to the subordination provisions)
  2. fixed maturity date no sooner than one year after the fully extended maturity date of the Senior Debt; the maturity of Senior Debt may be extended from time to time without the consent of the Subordinated Debt Holders
- C. Covenants
1. limitation on covenants to limitation of debt incurrence (other than Senior Debt and guarantees thereof) and other affirmative type covenants; no financial covenants
  2. Any change of control provision which triggers a redemption of the Subordinated Debt must be subject to payment of Senior Debt in full
  3. No dividend restrictions or other restrictive covenants
- D. Defaults; Remedies Upon Default
1. only defaults in Subordinated Debt documents are payment defaults, affirmative covenant defaults, bankruptcy defaults, and cross acceleration to Senior Debt
  2. may have right to sue and to accelerate, subject to standstill provisions, on the direction of the trustee by 51% of the Subordinated Debt holders
- E. Terms Post Bankruptcy - assignment of claims and power of attorney given Senior Debt holders
- F. Standstill Provisions - typical industry standstill provisions, including, without limitation:
1. if a payment default occurs under the Senior Debt documents, an absolute standstill by the Subordinated Debt holders is required regardless of whether the Senior Debt holders have accelerated
  2. 360 day standstill required for all defaults under the Subordinated Debt documents, subject to the absolute standstill if a payment default has occurred under the Senior Debt documents as described above
- G. UNSECURED - no liens permitted to secure the Subordinated Debt
- H. Senior Debt may be increased, and all Senior Debt documents may be amended without the consent of the Subordinated Debt holders



the benefits of, the Credit Agreement, dated as of August 1, 1997 (as amended, restated or otherwise modified and in effect from time to time, the "Credit Agreement"), among Borrower, the banks named therein and NationsBank of Texas, N.A., Administrative Agent, to which Agreement reference is hereby made for a statement of the terms and conditions under which this Note may be prepaid or its maturity date accelerated. Capitalized terms used herein and not otherwise defined herein are used with the meanings attributed to them in the Credit Agreement.

GCI HOLDINGS, INC.

By:  
Its:

SCHEDULE OF ADVANCES AND PAYMENTS OF PRINCIPAL TO  
NOTE OF  
GCI HOLDINGS, INC  
DATED

Date	Principal Amount of Advance	Maturity of Interest Period	Principal Amount Paid	Unpaid Balance
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88001  
0100.0269

EXHIBIT B

ASSIGNMENT AND ACCEPTANCE

Dated

Reference is made to the Amended and Resated Credit Agreement dated as of November , 1997, (as amended, restated, or otherwise modified from time to time, the "Credit Agreement") among GCI Holdings, Inc., an Alaskan corporation (the "Borrower"), NationsBank of Texas, N.A., as Administrative Agent (the "Administrative Agent"), and the Lenders parties thereto. Terms defined in the Credit Agreement are used herein with the same meaning.

("Assignor") and ("Assignee") agree as follows:

1. Assignor hereby sells and assigns to Assignee without recourse or warranty, and Assignee hereby purchases and assumes from Assignor, a % interest in and to all of Assignor's rights and obligations under the Credit Agreement as of the Effective Date (as defined below), with respect to such percentage interest in Assignor's portion of the Revolving Commitment [Revolver/Term Commitment] as in effect on the Effective Date, the principal amount of Advances owing to Assignor on the Effective Date, and the Notes held by Assignor, subject to the terms and conditions of this Assignment and Acceptance.

2. Assignor (a) represents and warrants that (i) as of the date hereof the aggregate amount of its portion of the Revolving Commitment [Revolver/Term Commitment] (without giving effect to assignments thereof which have not yet become effective) is \$ and, as of the date hereof, the outstanding principal amount of the Advances owing to it (without giving effect to assignments thereof which have not yet become effective) is \$ , and (ii) it is the legal and beneficial owner of the interest being assigned by it hereunder; (b) makes no representation or warranty and assumes no responsibility with respect to (i) any statements, warranties, or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency, or value of the Credit Agreement, the Loan Papers, or any other instrument or document furnished pursuant thereto or (ii) the financial condition of the Borrower or the performance or observance by the Borrower of any of its obligations under the Credit Agreement, the Loan Papers, or any other instrument or document furnished pursuant thereto; and (c) attaches the Note referred to in Paragraph 1 above to exchange such Notes for new Note as follows:

3. Assignee (a) confirms that it has received a copy of the Credit Agreement and the other Loan Papers, together with copies of the financial statements referred to in Section 6.05 of the Credit Agreement and such other

documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (b) agrees that it will, independently and without reliance upon the Administrative Agent, Assignor, or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement and the other Loan Papers; (c) appoints and authorizes the Administrative Agent to

take such action as agent on its behalf and to exercise such powers under the Credit Agreement, the other Loan Papers, and this Assignment and Acceptance as are delegated to the Administrative Agent by the terms thereof and hereof, together with such powers as are reasonably incidental thereto and hereto; (d) agrees that it will perform in accordance with its terms all of the obligations which by the terms of the Credit Agreement, the other Loan Papers, and this Assignment and Acceptance are required to be performed by it as a Lender; (e) specifies the addresses set forth in Schedule I attached hereto as its address for the receipt of notices; and (f) if it is not a United States Person, attaches the forms prescribed by the Internal Revenue Service certifying as to Assignee's status for purposes of determining exception from United States withholding taxes with respect to all payments to be made to Assignee under the Credit Agreement, the other Loan Papers, and this Assignment and Acceptance or such other documents as are necessary to indicate that all such payments are subject to such taxes at a rate reduced by an applicable tax treaty.

4. The effective date for this Assignment and Acceptance shall be (the "Effective Date").

5. Upon remittance of the \$3,500 processing fee to the Administrative Agent on behalf of the Administrative Agent and the Effective Date, (a) Assignee shall be a party to the Credit Agreement and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of a Lender thereunder and (b) Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and be released from its obligations under the Credit Agreement.

6. This Assignment and Acceptance shall be governed by and construed in accordance with the laws of the State of Texas and the United States of America. Without excluding any other jurisdiction, Assignee agrees that the courts of Texas will have jurisdiction over proceedings in connection herewith.

7. Assignee's Specified Percentage ("Specified Percentage") shall be %.

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8. This Assignment and Acceptance may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such separate counterparts shall together constitute but one and the same instrument.

[ASSIGNOR]

By:  
Name:  
Title:

[ASSIGNEE]

By:  
Name:  
Title:

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Accepted this        day of

NATIONSBANK OF TEXAS, N.A.,  
as Administrative Agent

By:  
Name:  
Title:

Schedule I

ASSIGNEE'S ADDRESS

1. Address for the Loans and Receipt of Notices

2. Initial Eurodollar Lending Office

89718  
0100.0269

EXHIBIT C

AMENDED AND RESTATED PLEDGE AND SECURITY AGREEMENT

This Pledge and Security Agreement (as amended, restated, or otherwise modified from time to time, this "Security Agreement") is executed as of November , 1997, by and between the undersigned Company ("Company") and NationsBank of Texas, N.A., as Administrative Agent ("Administrative Agent") for the lenders referred to below.

BACKGROUND

GCI Holdings, Inc. has entered into a \$200,000,000 Amended and Restated Credit Agreement dated as of November , 1997 and a \$50,000,000 Amended and Restated Credit Agreement dated as of November , 1997 (as amended, restated or otherwise modified and in effect from time to time, collectively, the "Credit Agreement"), which Credit Agreement is a restatement of those certain \$200,000,000 and \$50,000,000 Credit Agreements, each dated as of August 1, 1997 among GCI Holdings, Inc., Administrative Agent and the lenders named therein (collectively, the "Original Credit Agreement"). In connection with the Original Credit Agreement, the Company has also entered into that certain Pledge and Security Agreement, dated as of August 1, 1997, for the benefit of Administrative Agent and the lenders named therein. The Credit Agreement requires that the Obligations (as defined in the Credit Agreement) be secured by the Collateral (as hereinafter defined) and Company desires to enter into this Security Agreement to satisfy such terms. The board of directors of the Company has determined that the Company will benefit, directly or indirectly, from the Advances (as defined in the Credit Agreement) made under the Credit Agreement.

AGREEMENT

The parties hereto agree as follows:

1. DEFINITIONS.

As used in this Security Agreement:

"Accounts" means rights to payment for goods sold or leased or for services rendered, whether or not earned by performance, together with all security interests securing such rights to payment.

"Collateral" means all of the following property, wherever located, in which Company now has or hereafter acquires any right or interest, and any and all proceeds, insurance proceeds and products thereof, together with all cash, bank accounts, special collateral accounts, books, records, customer lists, credit files, computer files, programs, printouts and other computer records related thereto:

- (a) Accounts
- (b) Equipment
- (c) Fixtures
- (d) General Intangibles
- (e) Pledged Stock
- (f) Stock Rights
- (g) Inventory

"Default" means an event described in Section 5 whether or not any requirement in connection with such event for the giving of notice, lapse of

time, or happening of any further condition has been satisfied.

"Event of Default" means an event described in Section 5.

"Equipment" means all equipment, machinery, furniture and goods used or usable by Company in its business and all other tangible personal property (other than Inventory and motor vehicles), and all accessions and additions thereto, including, without limitation, the Fixtures.

"FCC" means the Federal Communications Commission or any other regulatory body which succeeds to the functions of the Federal Communications Commission.

"FCC License" means any community antenna relay service, broadcast auxiliary license, earth station, business radio, microwave or special safety radio service license issued by the FCC pursuant to the Communications Act of 1934, as amended.

"Fixtures" means all goods of Company, which have been attached to real property in such a manner that their removal would cause damage to the realty and which have therefore taken on the character of real property, including, without limitation, all trade fixtures.

"General Intangibles" means all intangible personal property including, without limitation, all contract rights, rights to receive payments of money, choses in action, judgments, tax refunds and tax refund claims, patents, trademarks, trade names, copyrights, licenses (including, without limitation, all FCC Licenses except to the extent that it is unlawful to grant a security interest therein and that the grant of any such security interest therein would result in a default thereunder or forfeiture thereof), franchises, partnership interests, joint venture interests, leasehold interests in real or personal property, rights to receive rentals of real or personal property and guarantee claims.

"Government Claim" means any Receivable which constitutes a claim against the federal government, any state government or any instrumentality or agency of any of the foregoing.

"Inventory" means all inventory, raw materials, work in process, finished goods, returned or repossessed goods, goods held for sale or lease, goods furnished or to be furnished under contracts of service.

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"Lien" means any security interest, mortgage, pledge, hypothecation, lien, claim, charge, encumbrance, title retention agreement or lessor's interest in, of or on the Collateral or any portion thereof.

"Person" means any corporation, natural person, firm, joint venture, partnership, trust, unincorporated organization, enterprise, government or any department or agency of any government.

"Pledged Stock" means all of the outstanding shares of capital stock of each Person currently or hereafter owned by Company, other than, in the case of GCI Holdings, Inc., GCI Transport Company.

"Receivables" means the Accounts and General Intangibles.

"Section" means a numbered section of this Security Agreement, unless another document is specifically referenced.

"Security Agreement" means this Pledge and Security Agreement, as it may be amended or modified and in effect from time to time.

"Stock Rights" means any securities, dividends or other distributions and any other right or property which Company shall receive or shall become entitled to receive for any reason whatsoever with respect to, in substitution for or in exchange for any or all of the Pledged Stock and any other property substituted or exchanged therefor and any stock, any right to receive stock and any right to receive earnings, in which Company now has or hereafter acquires any right, issued by an issuer of the Pledged Stock.

The foregoing definitions shall be equally applicable to both the singular and plural forms of the defined terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Credit Agreement.

## 2. GRANT OF SECURITY INTEREST.

Company hereby pledges, assigns and grants to Administrative Agent for the benefit of the Lenders, equally and ratably in proportion to the total Obligations owing at any time to the Lenders, a continuing Lien and security interest in and right of setoff against the Collateral to secure the full and

complete payment and performance of the Obligations.

3. REPRESENTATIONS AND WARRANTIES.

Company represents and warrants to Administrative Agent that:

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3.1. Existence and Standing. Company is duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

3.2. Authorization, Validity and Enforceability. The execution and delivery by Company of this Security Agreement has been duly authorized by proper corporate proceedings and this Security Agreement constitutes a legal, valid and binding obligation of Company and creates a security interest which is enforceable against Company in all now owned and hereafter acquired Collateral, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

3.3. Conflicting Laws and Contracts. Neither the execution and delivery by Company of this Security Agreement, nor the creation and perfection of the security interest in the Collateral granted hereunder, nor compliance with the terms and provisions hereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on Company or Company's articles or certificate of incorporation or by-laws, the provisions of any indenture, instrument or agreement to which Company is a party or is subject, or by which it or its property is bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien pursuant to the terms of any such indenture, instrument or agreement. No order, consent, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any governmental or public body or authority, or any subdivision thereof, which has not heretofore been obtained or made, is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of this Security Agreement other than the filing, within the period established by applicable law, of this Security Agreement with the FCC.

3.4. Principal Location. Company's mailing address for notices hereunder, the location of its chief executive office and principal place of business and of its books and records relating to the Receivables are all disclosed in Exhibit A. Company has no other places of business except those set forth in Exhibits A and B.

3.5. Property Locations. The Equipment and Fixtures are located solely at the locations described in Exhibit B. All of said locations are owned by Company except those listed in Part B of Exhibit B.

3.6. No Other Names. Company has not conducted business under any name except the name in which it has executed this Security Agreement and the trade names listed in Exhibit A.

3.7. No Default. No Default or Event of Default exists.

3.8. Receivables. The names of the obligors, amounts owing, due dates and other information with respect to the Receivables are correctly stated in all material respects in all

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records of Company relating thereto and in all invoices and reports with respect thereto furnished to Administrative Agent by Company from time to time.

3.9. Filing Requirements. None of the Collateral is of a type where security interests or liens may be filed under any federal statute, except for patents and copyrights held by Company described in Exhibit C. The legal description and street address of the property on which any Fixtures are located is set forth in Exhibit B, together with the names and addresses of the record owner of each such property.

3.10. No Financing Statements. No financing statement describing all or any portion of the Collateral which has not lapsed or been terminated naming Company as debtor has been filed in any jurisdiction except (a) financing statements naming Administrative Agent as secured party and (b) financing statements described in Exhibit D.

3.11. Ownership of Pledged Stock. Company is the holder of record and the sole beneficial owner of each share of the Pledged Stock and the Pledged Stock constitutes 100% of the issued and outstanding stock of each Subsidiary owned by the Company. Exhibit E sets forth a complete and accurate list of the Pledged Stock and Stock Rights. No Person other than Company is the holder of record or the beneficial owner of any Stock Rights. All of the shares of Pledged

Stock have been duly and validly issued, are fully paid and non-assessable and are owned by Company free and clear of any Liens, except Permitted Liens, options, warrants, puts, calls or other rights of third persons, and restrictions, other than (a) the security interest granted to Administrative Agent hereunder and (b) restrictions on transferability imposed by applicable state and Federal Securities laws or which may arise as a result of Company being subject to the Communications Act of 1934, as amended, and the rules and regulations of the FCC thereunder.

4. COVENANTS.

From the date of this Security Agreement, and thereafter until this Security Agreement is terminated:

4.1. General.

(a) Applications, Approvals and Consents. Company will, at its expense, promptly execute and deliver, or cause the execution and delivery of, all applications, certificates, instruments, registration statements, and all other documents and papers Administrative Agent may reasonably request in connection with the obtaining of any consent, approval, registration, qualification, or authorization of the FCC or of any other Person necessary or appropriate for the effective exercise of any rights under this Security Agreement. Without limiting the generality of the foregoing, Company agrees that in the event Administrative Agent shall exercise its right to sell, transfer, or otherwise dispose of or take any other action in connection with any of the Pledged Stock or other Collateral pursuant to this Security Agreement, Company shall execute and deliver all applications, certificates, and other documents Administrative Agent may

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reasonably request and shall otherwise promptly, fully, and diligently cooperate with Administrative Agent, the Lenders and any other necessary Persons, in making any application for the prior consent or approval of the FCC or any other Person to the exercise by Administrative Agent or the Lenders of any of such rights relating to all or any part of the Pledged Stock or other Collateral. Furthermore, because Company agrees that Administrative Agent's and the Lenders' remedy at law for failure of Company to comply with the provisions of this Section 4.1(a) would be inadequate and that such failure would not be adequately compensable in damages, Company agrees that the covenants of this Section 4.1(a) may be specifically enforced.

(b) Inspection. Company will permit Administrative Agent, by its representatives and agents, to inspect the Collateral, to examine and make copies of the records of Company relating thereto, and to discuss the Collateral, and the records of Company with respect thereto with, and to be advised as to the same by, Company's officers and employees and, in the case of any Receivable, with any Person which is or may be obligated thereon, all at such reasonable times and intervals as Administrative Agent may determine, all at Company's expense.

(c) Taxes. Company will pay when due all taxes, assessments and governmental charges and levies upon the Collateral, except those which are being contested in good faith by appropriate proceedings.

(d) Records and Reports. Company will maintain complete and accurate books and records with respect to the Collateral, and furnish to Administrative Agent such reports relating to the Collateral as Administrative Agent may from time to time request.

(e) Notice of Default. Company will give prompt notice in writing to Administrative Agent of the occurrence of any Default or Event of Default and of any other development, financial or otherwise, which might materially adversely affect the Collateral or the ability of Company to perform the Obligations hereunder and under the other Loan Papers to which it is a party.

(f) Financing Statements and Other Actions. Company will execute and deliver to Administrative Agent all financing statements and other documents from time to time requested by Administrative Agent in order to maintain a first perfected security interest in the Collateral.

(g) Further Assurances. Company agrees to warrant and defend title to and ownership of the Pledged Stock and Stock Rights and the lien created by this Security Agreement against the claims of all Persons and maintain and preserve such lien at all times during the term of this Security Agreement. Company, at its expense, shall from time to time execute and deliver to Administrative Agent all such other assignments, certificates, supplemental documents, and financing statements, and shall do all other acts

or things as Administrative Agent may reasonably request in order to more fully create, evidence, perfect, continue, and preserve the priority of the lien herein created. Without limiting the generality of the foregoing, (i) Company shall, upon the request of Administrative Agent or Majority Lenders at such time as (A) a Default or Event of Default shall have occurred and be continuing or (B) the total aggregate amount of all Government Claims shall exceed 7% of all Receivables owing to Company, execute and deliver to Administrative Agent, at Company's expense, such assignments of claims or similar documents as shall be necessary or appropriate to continue or perfect the priority of the lien herein created in such Government Claims.

(h) Disposition of Collateral. Company will not lease, sell or otherwise dispose of the Collateral except as permitted by the terms of the Credit Agreement.

(i) Liens. Company will not create, incur, or suffer to exist any Lien except (i) the Lien created by this Security Agreement and (ii) those Liens permitted by the terms of the Credit Agreement.

(j) Change in Location or Name. Without giving Administrative Agent at least 30 days' prior written notice, Company will not (i) have any Equipment or Fixtures or proceeds or products thereof (other than Equipment, Fixtures or proceeds thereof disposed of as permitted by Section 4.1(h)) at a location other than a location specified in Exhibit B, (ii) maintain records relating to the Receivables at a location other than at the location specified on Exhibit A, (iii) maintain a place of business at a location other than a location specified on Exhibits A and B, or (iv) change its name or its mailing address or adopt a trade or assumed name.

(k) Other Financing Statements. Company will not sign or authorize the signing on its behalf of any financing statement naming it as debtor covering all or any portion of the Collateral, except financing statements in respect of the Liens permitted by Section 4.1(i).

#### 4.2. Receivables.

(a) Certain Agreements on Receivables. Company will not make or agree to make any discount, credit, rebate or other reduction in the original amount owing on a Receivable or accept in satisfaction of a Receivable less than the original amount thereof, except that, prior to the occurrence of an Event of Default, Company may reduce the amount of Accounts in accordance with its present policies and in the ordinary course of business.

(b) Collection of Receivables. Subject to the rights of Administrative Agent under this Security Agreement and as a secured party under applicable law, Company will collect and enforce, at Company's sole expense, all amounts due or hereafter due to Company under the Receivables.

(c) Delivery of Invoices. Upon the request of Administrative Agent after the occurrence and during the continuance of an Event of Default, Company will deliver to Administrative Agent duplicate invoices with respect to each Account bearing such language of assignment as Administrative Agent shall specify.

(d) Disclosure of Counterclaims on Receivables. If any discount, credit, agreement to make a rebate or to otherwise reduce (collectively, a "Reduction") the amount owing on a Receivable exists or if, to the knowledge of Company, any dispute, setoff, claim, counterclaim or defense (collectively, a "Claim") exists or has been asserted or threatened with respect to a Receivable, which Reduction or Claim may, singly or in the aggregate, materially adversely affect the value of the Collateral or the ability of Company to fulfill its obligations under the Loan Papers, Company will disclose such fact to Administrative Agent in writing in connection with the inspection by Administrative Agent of any record of Company relating to such Receivable and in connection with any invoice or report furnished by Company to Administrative Agent relating to such Receivable.

#### 4.3. Equipment and Fixtures.

(a) Maintenance of Goods. Company will do all things necessary to maintain, preserve, protect and keep the Equipment and Fixtures in

good repair and working condition.

(b) Insurance. Company will (i) maintain fire and extended coverage insurance on the Equipment and Fixtures containing a lender's loss payable and breach of warranty clause in favor of Administrative Agent and providing that said insurance will not be terminated except after at least 30 days' written notice from the insurance company to Administrative Agent, (ii) maintain such other insurance on the Equipment and Fixtures for the benefit of Administrative Agent as Administrative Agent shall from time to time reasonably request, and (iii) furnish to Administrative Agent upon the request of Administrative Agent from time to time the originals of all policies of insurance on the Equipment and Fixtures and certificates with respect to such insurance.

#### 4.4. Pledged Stock.

(a) Delivery of Pledged Stock. Company will deliver to Administrative Agent concurrently with the execution of this Security Agreement the certificates representing the Pledged Stock which constitutes certificated securities, endorsed in blank or accompanied by appropriate instruments of transfer or assignments executed in blank. If Company shall at any time acquire any additional shares of the capital stock of any class of the Pledged Stock or any instrument evidencing Stock Rights, whether such acquisition shall be by purchase, exchange, reclassification, dividend, or otherwise, Company shall forthwith (and without the necessity for any request or demand by Administrative Agent or any Lender) deliver the certificates representing such shares which constitutes

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certificated securities and such instrument or writing to Administrative Agent, in the same manner as described in the immediately preceding sentence.

(b) Changes in Capital Structure of Issuers. Company will not permit or suffer the issuer of any of the Pledged Stock or Stock Rights to dissolve, liquidate, retire any of its capital stock, authorize or issue any stock or rights to acquire stock not outstanding in the name of Company on the date hereof, reduce its capital or merge or consolidate with any other Person other than Company or another Wholly-Owned Subsidiary, and Company will not in any event vote any of the Pledged Stock or any Stock Rights in favor of any of the foregoing.

(c) Stock Rights. Company will deliver to Administrative Agent, promptly upon receipt, all Stock Rights (other than, unless and until a Default shall have occurred and be continuing, ordinary cash dividends received with respect to the Pledged Stock) and agrees that such Stock Rights shall be held in trust by Company for Administrative Agent until delivery thereof to Administrative Agent.

(d) Voting Rights. Upon the occurrence and during the continuance of an Event of Default, Administrative Agent may, upon prior written notice to the Company of the Administrative Agent's intention to do so, exercise all voting rights and all other ownership or consensual rights of or with respect to the Pledged Stock, but under no circumstances is Administrative Agent obligated to exercise such rights. Until the occurrence and during the continuance of an Event of Default and the giving of the aforesaid notice by Administrative Agent, the Company shall retain all voting rights to the Pledged Stock.

4.5. Government Claims. Company will, promptly upon a request therefor, notify Administrative Agent of any Government Claim.

#### 5. DEFAULT.

5.1. The occurrence of any one or more of the following events shall constitute an Event of Default:

(a) Any material representation or warranty made by or on behalf of Company to Administrative Agent or any Lender under or in connection with this Security Agreement shall be materially false on the date as of which made.

(b) The breach by Company of any of the terms or provisions of Sections 4.1(a), (e), (f), (g), (h), (j) and (k), 4.4 or 7; or the breach by Company of any of the terms or provisions of Sections 4.1(b) and (i) of this Security Agreement which is not remedied within 10 days after the giving of written notice by Administrative Agent.

(c) The breach by Company (other than a breach which constitutes a Default under Section 5.1(a) or (b)) of any of the terms or provisions of this Security Agreement which is not remedied within 30 days after the giving of written notice by Administrative Agent.

(d) Any material portion of the Collateral shall be transferred or otherwise disposed of in any manner not permitted by Section 4.1(h) or shall be lost, damaged or destroyed and not covered by insurance naming Administrative Agent as loss payee (subject to reasonable deductibles).

(e) The occurrence of any "Event of Default" under, and as defined in, the Credit Agreement.

5.2. Acceleration and Remedies. If any Event of Default occurs, then upon the election of Majority Lenders (or, automatically in the case of the occurrence of a Default under Section 8.01(g) of the Credit Agreement) the Obligations shall automatically become immediately due and payable without notice or demand of any kind. If any other Event of Default occurs, then, upon the election of Majority Lenders, the Obligations shall immediately become due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, and Administrative Agent may exercise any or all of the rights and remedies provided (i) in this Security Agreement, including, without limitation, Sections 5.2(a) and 5.2(b), (ii) to secured parties under the Uniform Commercial Code as enacted in the State of Texas or other applicable jurisdiction, as amended and (iii) any other rights afforded at law in equity or otherwise.

(a) Exercise of Rights in Pledged Stock and Stock Rights. Upon the occurrence and continuation of an Event of Default, subject to compliance with applicable law, Administrative Agent, on behalf of Lenders, shall have, subject to Section 8, the right (i) to consent in advance to any vote proposed to be cast by Company with respect to any merger, consolidation, liquidation or reorganization of any Subsidiary and, in connection therewith, to join in and become a party to any plan of recapitalization, reorganization, or readjustment (whether voluntary or involuntary) as shall seem desirable to Administrative Agent, on behalf of Lenders, to protect or further their interests in respect of the Pledged Stock and Stock Rights, (ii) to deposit the Pledged Stock and Stock Rights under any such plan, and (iii) to make any exchange, substitution, cancellation, or surrender of the Pledged Stock and Stock Rights required by any such plan and to take such action with respect to the Pledged Stock and Stock Rights as may be required by any such plan or for the accomplishment thereof and no such disposition, exchange, substitution, cancellation, or surrender shall be deemed to constitute a release of the Pledged Stock and Stock Rights from the lien pursuant to this Security Agreement.

(b) Right of Sale of Pledged Stock and Stock Rights after Default. Upon the occurrence and during the continuance of an Event of Default, subject to compliance with

applicable law, Administrative Agent, on behalf of Lenders, may, subject to Section 8, sell, without recourse to judicial proceedings, with the right to bid for and buy the Pledged Stock and Stock Rights or any part thereof, upon ten days' notice (which notice is agreed to be reasonable notice for the purposes hereof) to Company of the time and place of sale, for cash, upon credit or for future delivery, at Administrative Agent's option and in Administrative Agent's complete discretion:

(i) At public sale, including a sale at any broker's board or exchange;

(ii) At private sale in any commercially reasonable manner which will not require the Pledged Stock and Stock Rights, or any part thereof, to be registered in accordance with the Securities Act of 1933, as amended, or the rules and regulations promulgated thereunder, or any other law or regulation. Administrative Agent and Lenders are also hereby authorized, but not obligated, to take such actions, give such notices, obtain such consents, and do such other things as they may deem required or appropriate in the event of sale or disposition of any of the Pledged Stock and Stock Rights. Company understands that Administrative Agent, on behalf of Lenders, may in its discretion approach a restricted number of potential purchasers and that a sale under such circumstances may yield a lower price for the Pledged Stock and Stock Rights, or any portion thereof, than would otherwise be

obtainable if the same were registered and sold in the open market. Company agrees that in the event Administrative Agent shall so sell the Pledged Stock and Stock Rights, or any portion thereof, at such private sale or sales, Administrative Agent and Lenders shall have the right to rely upon the advice and opinion of any Person who regularly deals in or evaluates stock of the type constituting the Pledged Stock and Stock Rights as to the price obtainable in a commercially reasonable manner upon such a private sale thereof.

In the case of any sale by Administrative Agent on behalf of Lenders of the Pledged Stock and Stock Rights on credit or for future delivery, the Pledged Stock and Stock Rights sold may be retained by Administrative Agent until the selling price is paid by the purchaser, but neither Administrative Agent nor any Lender shall incur liability in case of failure of the purchaser to take up and pay for the Pledged Stock and Stock Rights so sold.

In connection with the sale of any of the Pledged Stock and Stock Rights, Administrative Agent and Lenders are authorized, but not obligated, to limit prospective purchasers to the extent deemed necessary or desirable by Administrative Agent and Lenders to render such sale exempt from the registration requirements of the Securities Act of 1933, as amended, and any applicable state securities laws. In the event that, in the opinion of Administrative Agent and Lenders, it is necessary or advisable to have such securities registered under the provisions of such Act, or any similar law relating to the registration of securities, Company agrees, at its own expense, to (i) execute and deliver all such instruments and documents, and to do or cause to be done such other acts and things, as may be necessary or, in the opinion of Administrative Agent,

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advisable to register such securities under the provisions of such Act or any applicable similar law relating to the registration of securities, and Company will use its best efforts to cause the registration statement relating thereto to become effective and to remain effective for such period as Administrative Agent shall reasonably request, and to make all amendments thereof and/or to the related prospectus which, in the opinion of Administrative Agent, are necessary or desirable, all in conformity with the requirements of such Act and the rules and regulations of the Securities and Exchange Commission applicable thereto; (ii) use its best efforts to qualify such securities under state "blue sky" or securities laws, all as reasonably requested by the Administrative Agent; and (iii) at the request of the Administrative Agent, indemnify and hold harmless Lenders, the Administrative Agent, any underwriters and accountants (and their respective employees, officers, agents, attorneys) (collectively, the "Indemnified Parties") from and against any loss, liability, claim, damage, and expense (including, without limitation, reasonable fees of counsel incurred in connection therewith) under such Act or otherwise, insofar as such loss, liability, claim, damage, or expense arises out of or is based upon any untrue statement or alleged untrue statement of any material fact furnished by Company contained in any registration statement under which such securities were registered under such Act or other securities laws, any preliminary prospectus or final prospectus contained therein, or arise out of or are based upon any omission or alleged omission by Company to state therein a material fact required to be stated or necessary to make the statements therein not misleading, such indemnification to remain operative regardless of any investigation made by or on behalf of any Indemnified Party; provided, however, that Company shall not be liable in any case to the extent that any such loss, liability, claim, damage, or expense arises out of or is based upon an untrue statement or an omission made in reliance upon and in conformity with written information furnished to Company by an Indemnified Party specifically for use in such registration statement or preliminary or final prospectus and the providing of such untrue statement or such omission resulted from the gross negligence or willful misconduct of an Indemnified Party.

5.3. Company's Obligations Upon Default. Upon the request of the Administrative Agent after the occurrence of an Event of Default and during the continuance thereof, Company will:

(a) Assembly of Collateral. Assemble and make available to the Administrative Agent the Collateral and all records relating thereto at any place or places specified by the Administrative Agent.

(b) The Administrative Agent Access. Permit the Administrative Agent, by the Administrative Agent's representatives and agents, to enter any premises where all or any part of the Collateral, or the books and records relating thereto, or both, are located, to take possession of all or any part of the Collateral and to remove all or any part of the Collateral.

5.4. Governance. All rights and remedies available to Lenders with respect to the grant, foreclosure and enforcement of the security interest and lien granted hereby and with respect to any action permitted hereunder may be exercised solely by the Administrative Agent acting with the concurrence of the Majority Lenders provided, however, that no release of all

or any portion of the Collateral from the lien created hereby shall be effective without the consent of all Lenders.

6. WAIVERS, AMENDMENTS AND REMEDIES.

No delay or omission of the Administrative Agent to exercise any right or remedy granted under this Security Agreement or under applicable law shall impair such right or remedy or be construed to be a waiver of any Default or Event of Default or an acquiescence therein, and any single or partial exercise of any such right or remedy shall not preclude other or further exercise thereof or the exercise of any other right or remedy, and no waiver, amendment or other variation of the terms, conditions or provisions of this Security Agreement whatsoever shall be valid unless in writing signed by the Administrative Agent, and then only to the extent in such writing specifically set forth. All rights and remedies contained in this Security Agreement or by law afforded shall be cumulative and all shall be available to the Administrative Agent until the Obligations have been finally paid in full.

7. PROCEEDS; COLLECTION OF RECEIVABLES.

7.1. Collection of Receivables. The Administrative Agent may at any time after the occurrence and during the continuance of an Event of Default, by giving Company written notice, elect to require that the Receivables be paid directly to the Administrative Agent. In such event Company shall, and shall permit the Administrative Agent to, promptly notify the account debtors or obligors under the Receivables of the Administrative Agent's interest therein and direct such account debtors or obligors to make payment of all amounts then or thereafter due under the Receivables directly to the Administrative Agent. Upon receipt of any such notice from Administrative Agent, Company shall thereafter hold in trust for Administrative Agent all amounts and proceeds received by it with respect to the Receivables and other Collateral and immediately and at all times thereafter deliver to Administrative Agent all such amounts and proceeds in the same form as so received, whether by cash, check, draft or otherwise, with any necessary endorsements. Administrative Agent shall hold and apply funds so received as provided by the terms of Sections 7.3 and 7.4.

7.2. Lockboxes. Upon request of Administrative Agent at any time after the occurrence and during the continuance of an Event of Default, Company shall execute and deliver to Administrative Agent Administrative Agent's standard form of irrevocable lockbox agreement and notify the obligors on the Receivables to make payments thereon to such lockbox.

7.3. Special Collateral Account. At any time after the occurrence and during the continuance of an Event of Default, Administrative Agent may require all cash proceeds of the Collateral (whether collected through a lockbox pursuant to Section 7.2 or otherwise) to be deposited in a special non-interest bearing cash collateral account with Administrative Agent and held there as security for the Obligations. Company hereby authorizes Administrative Agent in Administrative Agent's sole discretion to establish such a cash collateral account and acknowledges that Company shall have no control whatsoever over said account. Administrative

Agent may, at its option, and will (to the extent permitted by applicable law), at Company's written request, apply the collected balances in said cash collateral account to the payment of the Obligations whether or not the Obligations shall then be due, or hold the balances in said cash collateral account as Collateral hereunder.

7.4. Application of Proceeds. Administrative Agent shall apply the proceeds of the Collateral, including the proceeds of any sales or other disposition of the Collateral, or any part thereof, under this Section 7 or Section 5.2(b), in the following order unless a court of competent jurisdiction shall otherwise direct:

(a) First, to payment of all reasonable costs and expenses of Administrative Agent incurred in connection with the collection and enforcement of the Obligations or of the security interest granted to Administrative Agent for the benefit of Lenders pursuant to this Security Agreement;

(b) Second, to payment of that portion of the Obligations constituting accrued and unpaid interest and fees, pro rata amongst Lenders in accordance with the proportion which the accrued interest and fees constituting Obligations owing to each such Lender bears to the aggregate amount of accrued interest and fees constituting Obligations owing to all of Lenders;

(c) Third, to payment of the principal of the Obligations and net termination amounts payable in respect of the Obligations under Interest Hedge Agreements owing to Lenders or any Lender, pro rata among Lenders in accordance with the proportion which the principal amount of Obligations and net termination amounts payable in respect of the Obligations under Interest Hedge Agreements owing to each such Lender bears to the aggregate principal amount of Obligations and net termination amounts payable in respect of Obligations under Interest Hedge Agreements owing to all of Lenders; and

(d) Fourth, the balance, if any, after all of the Obligations have been satisfied, shall be remitted to Company.

#### 8. CONTROL; LIMITATION OF RIGHTS.

8.1. License. Notwithstanding anything herein to the contrary, this Security Agreement, the other Loan Papers and the transactions contemplated hereby and thereby (i) do not and will not constitute, create, or have the effect of constituting or creating, directly or indirectly, actual or practical ownership of any Subsidiary by Administrative Agent or Lenders, or control, affirmative or negative, direct or indirect, by Administrative Agent or Lenders over the management or any other aspect of the operation of any Subsidiary, which ownership and control remain exclusively and at all times in such Subsidiary and Company, and (ii) do not and will not constitute the transfer, assignment, or disposition in any manner, voluntarily or involuntarily, directly or indirectly, of any license at any time issued by the FCC to any

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Subsidiary ("License"), or the transfer of control of any such Subsidiary within the meaning of Section 310(d) of the Communications Act of 1934, as amended.

8.2. Communications Act. Notwithstanding any other provision of this Security Agreement, any foreclosure on, sale, transfer or other disposition of, or the exercise of any right to vote or consent with respect to, any of the Collateral as provided herein or any other action taken or proposed to be taken by Administrative Agent and Lenders hereunder which would affect the operational, voting, or other control of any Subsidiary, shall be pursuant to Section 310(d) of the Communications Act of 1934, as amended, to any applicable state laws and to the applicable rules and regulations thereunder and, if and to the extent required thereby, subject to the prior approval of the FCC.

8.3. Assignment. Subject to Section 8.5, if an Event of Default shall have occurred and be continuing, Company shall take any action which Administrative Agent, on behalf of Lenders, may reasonably request in order to transfer and assign to Administrative Agent, or to such one or more third parties as Administrative Agent may designate, or to a combination of the foregoing, each License. To enforce the provisions of this Section 8, Administrative Agent is empowered to request the appointment of a receiver from any court of competent jurisdiction. Such receiver shall be instructed to seek from the FCC an involuntary transfer of control of each such License for the purpose of seeking a bona fide purchaser to whom control will ultimately be transferred. Company hereby agrees to authorize such an involuntary transfer of control upon the request of the receiver so appointed and, if Company shall refuse to authorize the transfer, its approval may be required by the court. Upon the occurrence and continuance of an Event of Default, Company shall further use its best efforts to assist in obtaining approval of the FCC, if required, for any action or transactions contemplated by this Security Agreement including, without limitation, the preparation, execution and filing with the FCC of the assignor's or transferor's portion of any application or applications for consent to the assignment of any License or transfer of control necessary or appropriate under the FCC's rules and regulations for approval of the transfer or assignment of any portion of the Collateral, together with any License.

8.4. Specific Enforcement. Company acknowledges that the assignment or transfer of each License is integral to Administrative Agent's and Lenders' realization of the value of the Collateral, that there is no adequate remedy at law for failure by Company to comply with the provisions of this Section 8 and that such failure would not be adequately compensable in damages, and therefore agrees that the agreements contained in this Section 8 may be specifically enforced.

8.5. Prior Approval. Notwithstanding anything to the contrary contained in this Security Agreement or in any other Loan Paper, neither Administrative Agent nor any Lender shall, without first obtaining the approval of the FCC, take any action pursuant to this Security Agreement which would constitute or result in any assignment of a License or any change of control of any Subsidiary if such assignment or change in control would require, under then

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existing law (including the written rules and regulations promulgated by the FCC), the prior approval of the FCC.

9. GENERAL PROVISIONS.

9.1. Notice of Disposition of Collateral. Company hereby waives notice of the time and place of any public sale or the time after which any private sale or other disposition of all or any part of the Collateral. To the extent such notice may not be waived under applicable law, any notice made shall be deemed reasonable if sent to Company, addressed as set forth in Section 11, at least ten days prior to any such public sale or the time after which any such private sale or other disposition may be made.

9.2. Compromises and Collection of Collateral. Company and Administrative Agent recognize that setoffs, counterclaims, defenses and other claims may be asserted by obligors with respect to certain of the Receivables, that certain of the Receivables may be or become uncollectible in whole or in part and that the expense and probability of success in litigating a disputed Receivable may exceed the amount that reasonably may be expected to be recovered with respect to a Receivable. In view of the foregoing, Company agrees that Administrative Agent may at any time and from time to time, if an Event of Default has occurred and is continuing, compromise with the obligor on any Receivable, accept in full payment of any Receivable such amount as Administrative Agent in its sole discretion shall determine or abandon any Receivable, and any such action by Administrative Agent shall be commercially reasonable so long as Administrative Agent acts in good faith based on information known to it at the time it takes any such action.

9.3. Administrative Agent Performance of Company Obligations. Without having any obligation to do so, Administrative Agent may perform or pay any obligation in this Security Agreement which Company has agreed to perform or pay but which it has failed to so perform or pay in a timely manner after a request therefor from Administrative Agent and Company shall reimburse Administrative Agent for any amounts paid by Administrative Agent pursuant to this Section 9.3. Company's obligation to reimburse Administrative Agent pursuant to the preceding sentence shall be part of the Obligation and is payable on demand.

9.4. Authorization for Administrative Agent to Take Certain Action. Company irrevocably authorizes Administrative Agent at any time and from time to time in the sole discretion of Administrative Agent and appoints Administrative Agent as its attorney in fact to act on behalf of Company (a) to execute on behalf of Company as debtor and to file financing statements necessary or desirable in Administrative Agent's sole discretion to perfect and to maintain the perfection and priority of Administrative Agent's security interest in the Collateral, (b) in accordance with the terms of this Security Agreement, to indorse and collect any cash proceeds of the Collateral, (c) to file a carbon, photographic or other reproduction of this Security Agreement or any financing statement with respect to the Collateral as a financing statement in such offices as Administrative Agent in its sole discretion deems necessary or

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desirable to perfect and to maintain the perfection and priority of Administrative Agent's security interest in the Collateral, (d) after the occurrence of an Event of Default and during the continuance thereof, to enforce payment of the Receivables in the name of Administrative Agent or Company, and (e) to apply the proceeds of any Collateral received by Administrative Agent to the Obligations as provided in Section 7. The power of attorney provided in this Section 9.4, and each other appointment by Company of Administrative Agent or any Lender as Company's attorney-in-fact, is coupled with an interest and is irrevocable prior to final payment in full of the Obligation.

9.5. Specific Performance of Certain Covenants. Company acknowledges and agrees that a breach of any of the covenants contained herein will cause irreparable injury to Administrative Agent, that Administrative Agent has no adequate remedy at law in respect of such breaches and therefore agrees, without limiting the right of Administrative Agent to seek and obtain specific performance of other obligations of Company contained in this Security Agreement, that the covenants of Company contained in the Sections referred to in this Section 9.5 shall be specifically enforceable against Company.

9.6. Use and Possession of Certain Premises. Upon the occurrence of an Event of Default and during the continuance thereof, Administrative Agent shall be entitled to occupy and use any premises owned or leased by Company where any of the Collateral or any records relating to the Collateral are located until the Obligations are paid or the Collateral is removed therefrom, whichever first occurs, without any obligation to pay Company for such use and occupancy.

9.7. Dispositions Not Authorized. Company is not authorized to sell or otherwise dispose of the Collateral except as set forth in Section 4.1(h) and notwithstanding any course of dealing between Company and Administrative Agent or other conduct of Administrative Agent, no authorization to sell or otherwise dispose of the Collateral (except as set forth in Section 4.1(h)) shall be binding upon Administrative Agent unless such authorization is in writing signed

by Administrative Agent.

9.8. Care of Collateral. Administrative Agent shall not have any duty to assure that all certificates representing the Pledged Stock have been delivered to it or any obligation whatsoever with respect to the care, custody or protection of any certificates which may be delivered to it except only to exercise the same care in physically safekeeping such certificates as it would exercise in the ordinary course of its own business. Neither Administrative Agent nor any Lender shall be obligated to preserve or protect any rights with respect to the Pledged Stock or to receive or give any notice with respect thereto whether or not Administrative Agent or any Lender is deemed to have knowledge of such matters.

9.9. Definition of Certain Terms. Terms defined in the Article 9 of Texas Business and Commerce Code which are not otherwise defined in this Security Agreement are used in this Security Agreement as defined in the Article 9 of Texas Business and Commerce Code as in effect on the date hereof.

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9.10. Benefit of Agreement. The terms and provisions of this Security Agreement shall be binding upon and inure to the benefit of Company, Administrative Agent and Lenders and their respective successors and assigns, except that Company shall not have the right to assign its rights or obligations under this Security Agreement or any interest herein, without the prior written consent of Administrative Agent.

9.11. Survival of Representations. All representations and warranties of Company contained in this Security Agreement shall survive the execution and delivery of this Security Agreement.

9.12. Taxes and Expenses. Any taxes (including income taxes) payable or ruled payable by federal or state authority in respect of this Security Agreement shall be paid by Company, together with interest and penalties, if any. Company shall reimburse Administrative Agent for any and all out-of-pocket expenses and internal charges (including reasonable attorneys', auditors' and accountants' fees and reasonable time charges of attorneys, paralegals, auditors and accountants who may be employees of Administrative Agent) paid or incurred by Administrative Agent in connection with the preparation, execution, delivery, administration, collection and enforcement of this Security Agreement and in the audit, analysis, administration, collection, preservation or sale of the Collateral (including the expenses and charges associated with any periodic or special audit of the Collateral). The obligations of Company under this Section 9.12 shall survive termination of this Security Agreement.

9.13. Headings. The title of and section headings in this Security Agreement are for convenience of reference only, and shall not govern the interpretation of any of the terms and provisions of this Security Agreement.

9.14. Term. This Security Agreement and the Lien arising hereunder (a) shall become effective as of the date hereof upon the execution hereof, and (b) shall continue in force (and shall be reinstated if at any time all or any portion of any amounts in respect of Obligations received by Administrative Agent or any Lender are required to be returned or paid over to any Person) for so long as any Obligations, or commitment to extend any Obligations, remain outstanding.

9.15. PRIOR AGREEMENTS. THIS AGREEMENT AND THE OTHER LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

9.16. CHOICE OF LAW; CONSENT TO JURISDICTION; WAIVER OF JURY TRIAL. THIS SECURITY AGREEMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT APPLYING THE LAW OF

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CONFLICTS OF TEXAS OR ANY OTHER JURISDICTION. COMPANY HEREBY CONSENTS TO THE JURISDICTION OF ANY LOCAL, STATE, OR FEDERAL COURT LOCATED WITHIN DALLAS COUNTY, TEXAS AND WAIVES ANY OBJECTION WHICH COMPANY MAY HAVE BASED ON IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY PROCEEDING IN ANY SUCH COURT AND CONSENTS THAT ALL SERVICE OF PROCESS MAY BE MADE BY MAIL OR MESSENGER DIRECTED TO IT AT THE ADDRESS SET FORTH IN EXHIBIT A. AT THE OPTION OF Administrative Agent, COMPANY WAIVES, TO THE EXTENT PERMITTED BY LAW, TRIAL BY JURY, AND WAIVES ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF ADMINISTRATIVE AGENT. NOTHING CONTAINED IN THIS SECTION 9.16 SHALL AFFECT THE RIGHT OF ADMINISTRATIVE AGENT TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF ADMINISTRATIVE AGENT OR LENDER TO BRING ANY ACTION OR PROCEEDING AGAINST COMPANY OR ITS PROPERTY IN THE

COURTS OF ANY OTHER JURISDICTION.

9.17. Distribution of Reports. Company authorizes Administrative Agent, as Administrative Agent may elect in its sole discretion, to discuss with and furnish to any other Person or entity having an interest in the Obligations (whether as a guarantor, pledgor of collateral, participant, purchaser or otherwise) all financial statements, audit reports and other information pertaining to Company and the Subsidiaries if any, whether such information was provided by Company or prepared or obtained by Administrative Agent.

9.18. Indemnity. Company hereby agrees to assume liability for, and does hereby agree to indemnify and keep harmless Administrative Agent and each Lender, and their respective successors, assigns, agents and employees, from and against any and all liabilities, damages, penalties, suits, costs, and expenses of any kind and nature, imposed on, incurred by or asserted against Administrative Agent and each Lender, or their respective successors, assigns, agents and employees, in any way relating to or arising out of this Security Agreement, or the manufacture, purchase, acceptance, rejection, ownership, delivery, lease, possession, use, operation, condition, sale, return or other disposition of any Collateral (including, without limitation, latent and other defects, whether or not discoverable by Administrative Agent, any Lender or Company, and any claim for patent, trademark or copyright infringement and any acts or omissions which result from such Person's negligence).

9.19. Releases. Any cash dividends received by Company in accordance with the terms of Section 4.4(c) shall be deemed released from the lien of this Security Agreement and shall be held by Company (or any transferee of Company) free and clear of the lien created by this Security Agreement. Upon the sale, lease or other disposition of assets permitted by the terms of Section 4.1(h), Administrative Agent and Lenders shall, at Company's request and expense execute such partial releases as Company may reasonably request, in form and upon terms acceptable to Administrative Agent and Lenders in all respects. Upon termination of this Security Agreement in accordance with the provisions of Section 9.14, Administrative Agent and Lenders

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shall, at Company's request and expense and subject to the foregoing sentence, execute such releases as Company may reasonably request, in form and upon terms acceptable to Administrative Agent and Lenders in all respects, and shall deliver all certificates representing the Pledged Stock and other property held in respect thereof hereunder which is in Administrative Agent's possession, together with all stock powers or other instruments of transfer reasonably required to effect delivery to Company.

9.20. Waivers. Except to the extent expressly otherwise provided herein or in any Loan Paper, Company waives, to the extent permitted by applicable law, (a) any right to require either Administrative Agent or any Lender to proceed against any other Person, to exhaust their rights in any other collateral, or to pursue any other right which either Administrative Agent or any Lender may have, (b) with respect to the Obligations, presentment and demand for payment, protest, notice of protest and non-payment, and notice of the intention to accelerate, and (c) all rights of marshalling in respect of any and all of the Collateral.

9.21. Counterparts. This Security Agreement may be executed in any number of counterparts, all of which taken together shall constitute one agreement, and any of the parties hereto may execute this Security Agreement by signing any such counterpart. This Security Agreement shall be effective when it has been executed by Company and Administrative Agent.

10. Administrative Agent.

NationsBank of Texas, N.A. has been appointed Administrative Agent of Lenders hereunder pursuant to Article IX of the Credit Agreement, and Administrative Agent has agreed to act (and any successor Administrative Agent shall act) as such hereunder only on the express conditions contained in such Article IX. Any successor Administrative Agent appointed pursuant to Article IX of the Credit Agreement shall be entitled to all the rights, interests and benefits of Administrative Agent hereunder.

11. NOTICES.

11.1. Sending Notices. Any notice required or permitted to be given under this Security Agreement may be, and shall be deemed, given and sent as provided in the Credit Agreement.

11.2. Change in Address for Notices. Each of Company and Administrative Agent or any Lender may change the address for service of notice upon it by a notice in writing to the other.

12. SETOFF.

In addition to, and without limitation of, any rights of Administrative

Agent and Lenders under applicable law, if Company becomes insolvent, however evidenced, or any Event of Default occurs and is continuing, any indebtedness from Administrative Agent or Lenders to Company (including, without limitation, funds of Company on deposit with Administrative Agent

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or Lenders which have not yet been collected or which are not yet available in accordance with Administrative Agent's or Lenders' availability schedules from time to time in effect) may be offset and applied toward the payment of the Obligations, for the ratable benefit of Lenders whether or not the Obligations, or any part hereof, shall then be due.

This Security Agreement is an amendment and restatement of that certain Pledge and Security Agreement dated as of August 1, 1997 executed by the Company for the benefit of Administrative Agent and the lenders named therein (the "Original Security Agreement"), and as such, except for the Lien created thereby, amends and supersedes the Original Security Agreement in its entirety.

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IN WITNESS WHEREOF, the undersigned have executed this Security Agreement as of the date first above written.

By:
Its:

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EXHIBIT D

COMPLIANCE CERTIFICATE

To: The Lenders parties to the Credit Agreement Described Below

This Compliance Certificate is furnished pursuant to that certain Credit Agreement (as amended, restated, or otherwise modified from time to time, the "Agreement") dated as of November , 1997, among GCI Holdings, Inc. (the "Borrower"), the banks party thereto and NationsBank of Texas, N.A. as Administrative Agent for the Lenders. Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected of the Borrower;

2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Parent, the Borrower and the Restricted Subsidiaries during the accounting period covered by the attached financial statements, dated as of ;

3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below; and

4. Schedule I attached hereto sets forth financial data and computations evidencing the Borrower's compliance with certain covenants of the Agreement, all of which data and computations are true, complete and correct.

Listed below are the exceptions, if any, to paragraph 3 describing, in detail, the nature of the condition or event, the period during which it has



(vii) (i) plus the sum of (ii) plus  
(iii) plus (iv) plus (v) plus (vi) \$

(viii) Annualized Operating Cash Flow  
(Product of two times item (vii)) \$

C. The ratio of A to B :1.0

<TABLE>  
<CAPTION>

<S> <C>  
D. Permitted ratio From Closing Date-3/31/987.00 to 1.00  
4/1/98 - 3/31/99 6.50 to 1.00  
4/1/99 - 12/31/99 6.00 to 1.00  
1/1/00 and thereafter 5.50 to 1.00

</TABLE>

2. Section 7.01(b) - Senior Leverage Ratio  
A. Senior Debt (for the fiscal quarter ended  
, 19 ) of the Borrower and  
Restricted Subsidiaries

0100.0269\89091

4

(i) Debt for Borrowed Money \$

(ii) Debt having a final maturity of  
more than one year \$

(iii) Capitalized Lease obligations \$

(iv) reimbursement obligations  
relating to Letters of Credit  
(without duplication) \$

(v) Contingent Liabilities  
(without duplication) \$

(vi) Withdrawal Liabilities \$

(vii) Debt, if any, associated with  
Interest Hedge Agreements \$

(viii) payments due under Non-Complete  
Agreements \$

(ix) payments due for the deferred  
purchase price of property and  
services that are less than 90  
days old \$

(x) Senior Debt (i) plus (ii) plus  
(iii) plus (iv) plus (v) plus  
(vi) plus (vii) plus (viii) plus  
(ix) \$

B. Annualized Operating Cash Flow (for the  
two fiscal quarters ended , 19 )  
of the Borrower and the Restricted  
Subsidiaries (see 1.B. viii above)

C. The ratio of A to B :1.00

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5

<TABLE>  
<CAPTION>

<S> <C>  
D. Permitted ratio Closing Date - 3/31/99 3.50 to 1.00  
4/1/99 - 12/31/99 3.00 to 1.00  
1/1/00 - 12/31/00 2.50 to 1.00  
1/1/01 and thereafter 2.00 to 1.00

</TABLE>

3. Section 7.01(c) - Interest Coverage Ratio (1)  
A. Annualized Operating Cash Flow (for  
quarters ended , 19 ) of the  
Borrower and the Restricted Subsidiaries  
(see 1.B. viii above) \$

B. Total Interest Expense (for the four  
fiscal quarters ended , 19 ) of  
GCII, the Borrower, and the Restricted  
Subsidiaries

(i) consolidated interest expense \$

(ii)	amortization of Debt discounts	\$
(iii)	commitment fees	\$
(iv)	agency fees related to Funded Debt (excluding one-time facility fees)	\$
(v)	fees or expenses with respect to letters of credit	\$
(vi)	fees, if any, associated with interest hedge agreements	\$
(vii)	preferred stock distributions for GCII, the Borrower and Restricted Subsidiaries	\$

-----  
1 For the first three fiscal quarters after the Closing Date only, Annualized Operating Cash Flow and Total Interest Expense shall be determined by annualizing the relevant financial information of GCII, the Borrower and Restricted Subsidiaries from the Closing Date to the date of determination

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(viii)	capitalized interest	\$
(ix)	Total Interest Expense (i) plus (ii) plus (iii) plus (iv) plus (v) plus (vi) plus (vii) plus (viii)	\$

C. The ratio of A to B :1.00

<TABLE>  
<CAPTION>

D.	Permitted ratio:	<S>	<C>
		Closing Date-12/31/98	1.50 to 1.00
		1/1/99 and thereafter	2.00 to 1.00

</TABLE>

4. Section 7.01(d) Pro Forma Debt Service Coverage Ratio

A.	Annualized Operating Cash Flow (see 1.B. viii above)	\$
B.	Pro Forma Debt Service for GCII, the Borrower and its Restricted Subsidiaries	\$
(i)	Cash Total Interest Expense for the immediately succeeding four full quarters	\$
(ii)	Scheduled repayments of principal of Total Debt for the immediately succeeding four full quarters	\$

C. The ratio of A to B :1.00

D. Permitted ratio 1.25 to 1.00

5. Section 7.01(e) Fixed Charges Coverage Ratio

A.	Annualized Operating Cash Flow (see 1.B. viii above)	\$
----	--	----

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B.	Fixed Charges for the most recently completed four fiscal quarters	
(i)	cash Total Interest Expense	\$
(ii)	scheduled repayments of principal of Total Debt	\$
(iii)	cash Taxes paid by GCII, the Borrower and Restricted Subsidiaries	\$

(iv)	cash capital contributions loans or advances to Unrestricted Subsidiaries	\$
(v)	Capital Expenditures	\$
(iv)	Fixed Charges (i) plus (ii) plus (iii) plus (iv) plus (v)	\$

C. The ratio of A to B :1.00

<TABLE>  
<CAPTION>

D.	Permitted ratio	<S>	<C>	
			1/1/00 - 3/31/03	1.00 to 1.00
			4/1/93 and thereafter	1.05 to 1.00

</TABLE>

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8

6. Section 7.01(f) Capital Expenditures incurred by the Borrower and the Restricted Subsidiaries

A. Actual \$

<TABLE>  
<CAPTION>

B.	Permitted Maximum	<S>	<C>	
			Closing through 1997	\$55,000,000
			1998	\$90,000,000
			1999	\$65,000,000
			2000 and thereafter	N/A

</TABLE>

0100.0269\89091

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EXHIBIT E

CONVERSION OR CONTINUANCE NOTICE

[Date]

NationsBank of Texas, National Association,  
Administrative Agent  
NationsBank Plaza  
901 Main Street  
64th Floor  
Dallas, Texas 75202

Re: GCI Holdings, Inc.

Ladies and Gentlemen:

The undersigned refers to the Amended and Restated Credit Agreement dated as of November , 1997 (the "Credit Agreement", the terms defined therein being used herein as therein defined) between GCI Holdings, Inc. and NationsBank of Texas, National Association, as Administrative Agent for NationsBank of Texas, National Association and each lender, and each Lender, and hereby gives you notice pursuant to Section 2.09(b) of the Credit Agreement that the undersigned hereby requests Advance[s] under the Credit Agreement, and in that connection sets forth below the information relating to [each] such Advance (a "Proposed Borrowing") as required by Section 2.09(b) of the Credit Agreement:

Proposed Borrowing:

(i) The principal amount of existing LIBOR Advance to be [converted] [continued] is \$ .

(ii) The Business Day of such Proposed Borrowing is , 199 .

(iii) The Type of Advance[s] comprising such Proposed Borrowing is [are] LIBOR Advance [to the extent of an aggregate amount of \$ ].

[(iv) The initial Interest Period for each LIBOR Advance made as part of such Proposed Borrowing is months.]

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(A) the conditions precedent specified in Sections 4.01 and 4.02 of the Credit Agreement have been satisfied with respect to the Proposed Borrowing and will remain satisfied on the date of such Proposed Borrowing;

(B) the representations and warranties specified in Article V of the Credit Agreement are true and correct in all material respects as though made on and as of such date; and

(C) no event has occurred and is continuing or would result from such Proposed Borrowing, which constitutes a Default or Event of Default.

Very truly yours,

GCI HOLDINGS, INC.

By: \_\_\_\_\_, President

50443  
0100.0269

-2-  
EXHIBIT F

BORROWING NOTICE

[Date]

NationsBank of Texas, N.A.,  
Administrative Agent  
NationsBank Plaza  
901 Main Street  
64th Floor  
Dallas, Texas 75202

Re: GCI Holdings, Inc.

Ladies and Gentlemen:

The undersigned refers to the Amended and Restated Credit Agreement dated as of November , 1997 (the "Credit Agreement", the terms defined therein being used herein as therein defined) among GCI Holdings, Inc. and NationsBank of Texas, N.A., as Administrative Agent for NationsBank of Texas, N.A. and each lender, and each Lender, and hereby gives you notice pursuant to Section 2.02(a) of the Credit Agreement that the undersigned hereby requests Borrowing[s] under the Credit Agreement, and in that connection sets forth below the information relating to [each] such Advance (a "Proposed Borrowing") as required by Section 2.02(a) of the Credit Agreement:

Proposed Borrowing:

- (i) The Business Day of such Proposed Borrowing is \_\_\_\_\_, 19 .
- (ii) The Type of Advance[s] comprising such Proposed Borrowing is [are] [Base Advance [to the extent of an aggregate amount of \$ ]] [LIBOR Advance [to the extent of an aggregate amount of \$ ]].
- (iii) The aggregate amount of such Proposed Borrowing is \$ \_\_\_\_\_ .
- (iv) The initial Interest Period for each LIBOR Advance made as part of such Proposed Borrowing is \_\_\_\_\_ .

The undersigned hereby certifies that the following statements

are true on the date hereof, and will be true on the date of the Proposed Borrowing, before and after giving effect thereto and to the application of the proceeds therefrom:

(A) the conditions precedent specified in Sections 4.01 and 4.02 of the Credit Agreement have been satisfied with respect to the Proposed Borrowing and will remain satisfied on the date of such Proposed Borrowing;

(B) the representations and warranties specified in Article V of the Credit Agreement are true and correct in all material respects as though made on and as of such date; and

(C) the Advances are permitted to be incurred pursuant to the terms of the Indenture providing for the Senior Notes; and

(D) no event has occurred and is continuing or would result from such Proposed Borrowing, which constitutes a Default or Event of Default.

Very truly yours,

GCI HOLDINGS, INC.

By: \_\_\_\_\_, President

50448  
0100.0269

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EXHIBIT G

THE INDEBTEDNESS EVIDENCED OR SECURED BY THIS INSTRUMENT IS SUBORDINATED TO OTHER INDEBTEDNESS PURSUANT TO, AND TO THE EXTENT PROVIDED IN, AND IS OTHERWISE SUBJECT TO THE TERMS OF THE SUBORDINATION AGREEMENT DATED AS OF \_\_\_\_\_, 1997 AMONG ALASKA UNITED FIBER SYSTEM PARTNERSHIP, GCI HOLDINGS, INC., GCI TRANSPORT CO., INC., AND CREDIT LYONNAIS NEW YORK BRANCH AS ADMINISTRATIVE AGENT

INTERCOMPANY PROMISSORY NOTE

FOR VALUE RECEIVED, ALASKA UNITED FIBER SYSTEM PARTNERSHIP, an Alaskan general partnership (hereinafter called "Maker"), promises to pay on [demand (if this Note is executed after the Final Maturity Date)\the Final Maturity Date (if this Note is executed before the Final Maturity Date)] (as that term is defined in the Credit and Security Agreement dated as of November 14, 1997 between Maker, Credit Lyonnais New York Branch, as Administrative Agent, NationsBank of Texas, N.A., as Syndication Agent, and TD Securities (USA), Inc., as Documentation Agent (as amended, restated, or otherwise modified from time to time, the "AUSP Credit Agreement")) or such earlier date as all of the Obligations (as defined in the AUSP Credit Agreement) become due and payable (whether by acceleration, prepayment in full, scheduled reduction or otherwise) (the "Maturity Date"), to the order of GCI HOLDINGS, INC., an Alaskan corporation ("Payee"), at its principal offices at Anchorage, Alaska in lawful money of the United States of America, the principal sum of DOLLARS AND NO/100 (\$ \_\_\_\_\_) or such lesser sum as shall be due and payable from time to time hereunder. The unpaid principal balance of this Note, from time to time outstanding, shall bear interest from the date hereof until payment in full at the per annum rate equal to the per annum interest rate then in effect with respect to Payee under its credit facilities with NationsBank of Texas, N.A., as Administrative Agent, Credit Lyonnais New York Branch, as Documentation Agent, and TD Securities (USA), Inc., as Syndication Agent, and other lenders party to the Amended and Restated Credit Agreements, dated as of November 14, 1997 (as amended, restated or otherwise modified from time to time, the "Holdings Credit Agreement"), but shall never exceed the maximum rate of interest permitted from time to time by applicable law, including Tex. Civ. Stat. Ann. Article 5069--1.04 (and as the same may be incorporated by reference in other Texas statutes) (hereinafter designated "Maximum Rate"). Accrued interest hereunder shall be due and payable together with the outstanding principal amount of this Note on the Maturity Date.

All past due principal shall bear interest at the Maximum Rate until paid. Interest paid or agreed to be paid shall not exceed the Maximum Rate, and



Its:

Pay to the order of NationsBank of Texas, N.A., as Administrative Agent.

GCI HOLDINGS, INC.

By:  
Its:

98800  
0100.0269

-3-

EXHIBIT H

GCI HOLDINGS, INC.

Officer's Certificate

The undersigned hereby certifies that he is the duly appointed of GCI Holdings, Inc., an Alaskan corporation ("Company"), and that he is authorized to execute this Certificate on behalf of the Company in connection with the \$200,000,000 and \$50,000,000 Amended and Restated Credit Agreements of even date herewith, between the Company, NationsBank of Texas, N.A., individually and as Administrative Agent, and the lenders named therein (collectively, the "Credit Agreement"). Terms are used herein as defined in the Credit Agreement. The undersigned further certifies as follows:

1. Attached hereto as Exhibit A are true, accurate and complete copies of the resolutions duly adopted by the Company's Board of Directors approving and authorizing that certain credit facility among Alaska United Fiber System Partnership, Credit Lyonnais New York Branch as Administrative Agent, NationsBank of Texas, N.A. as Syndication Agent and TD Securities (USA), Inc. as Syndication Agent, dated , 1997 (the "AUSP Financing").

2. Attached hereto as Exhibit B are true, accurate and complete copies of the agreements set forth below in effect as of the closing date of the AUSP Financing:

- a. Credit and Security Agreement dated as of , 1997, among Alaska United Fiber System Partnership as Borrower, and the Lenders referred to therein, and Credit Lyonnais New York Branch as Administrative Agent, NationsBank of Texas, N.A. as Syndication Agent and TD Securities (USA) Inc. as Documentation Agent.
- b. Completion Guaranty dated as of , 1997, by GCI Holdings, Inc., as Guarantor in favor of Credit Lyonnais New York Branch as Administrative Agent for the Lenders referred to therein.
- c. Subordination Agreement dated as of , 1997, among Alaska United Fiber System Partnership, GCI Holdings, Inc., GCI Transport Co., Inc., and Credit Lyonnais New York Branch as Administrative Agent for the Lenders referred to therein.
- d. Operation and Maintenance Contract dated as of , 1997, between Alaska United Fiber System Partnership and GCI Communication Corp.
- e. Depositary Agreement dated as of , 1997, between Alaska United Fiber System Partnership and Credit Lyonnais New York Branch as Administrative Agent for the Lenders referred to therein.
- f. Form of Intercompany Notes by Alaska United Fiber System Partnership to the GCI Holdings, Inc.
- g. Lease Agreement dated as of , 1997, between GCI Communication Corp. as Lessee, and Alaska United Fiber System Partnership as Lessor.
- h. Lease Guaranty Agreement dated as of , 1997, among GCI Holdings, Inc., Alaska United Fiber System Partnership and Credit Lyonnais New York Branch as

Administrative Agent.

- i. Operating Keep Well Agreement dated as of \_\_\_\_\_, 1997, among GCI Holdings, Inc., Alaska United Fiber System Partnership, and Credit Lyonnais New York Branch as Administrative Agent.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the \_\_\_\_\_ day of \_\_\_\_\_, 1997.

GCI HOLDINGS, INC.

By:  
Name:  
Title:

99542  
100.269

EXHIBIT 21.1  
<TABLE>

SUBSIDIARIES OF THE REGISTRANT

<CAPTION>

ENTITY	JURISDICTION OF ORGANIZATION	NAME UNDER WHICH SUBSIDIARY DOES BUSINESS
<S>	<C>	<C>
Alaska United Fiber System Partnership	Alaska	Alaska United Fiber System Partnership, Alaska United Fiber System
General Communication, Inc.	Alaska	General Communication, Inc., GCI
Fiber Hold Co., Inc.	Alaska	Fiber Hold Co., Inc., Fiber Hold Company
GCI Communication Corp.	Alaska	GCC, GCI Communication Corp.
GCI Communication Services, Inc.	Alaska	GCI Communication Services
GCI, Inc.	Alaska	GCI, GCI, Inc.
GCI Leasing Co., Inc.	Alaska	GCI Leasing, GCI Leasing Co.
GCI Cable, Inc.	Alaska	GCI Cable, GCI Cable, Inc.
GCI Cable/Juneau, Inc.	Alaska	GCI Cable/Juneau, GCI Cable/Juneau, Inc.
GCI Cable/Fairbanks, Inc.	Alaska	GCI Cable/Fairbanks, GCI Cable/Fairbanks, Inc.
GCI Cable Holdings, Inc.	Alaska	GCI Cable Holdings, GCI Cable Holdings, Inc.
GCI Fiber Co., Inc.	Alaska	GCI Fiber Co., Inc., GCI Fiber Company
GCI Holdings, Inc.	Alaska	GCI Holdings, Inc.
GCI Satellite Co., Inc.	Alaska	GCI Satellite Co., Inc., GCI Satellite Company
GCI Transport Co., Inc.	Alaska	GCI Transport Co., Inc., GCI Transport Company

</TABLE>

EXHIBIT 23.1

The Board of Directors  
General Communication, Inc.:

We consent to incorporation by reference in the registration statements on Form S-8 (No. 3360728, No. 33-60222) of General Communication, Inc. of our report dated March 4, 1998, relating to the consolidated balance sheets of General Communication, Inc. and subsidiaries as of December 31, 1997 and 1996, 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, 1997, and the related schedule, which report appears in the December 31, 1997, annual report on Form 10-K of General Communication, Inc.

/s/  
KPMG Peat Marwick LLP  
Anchorage, AK  
March 25, 1998

<TABLE> <S> <C>

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<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1997 AND THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000808461

<NAME> GENERAL COMMUNICATION, INC.

<MULTIPLIER> 1,000

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<ARTICLE> 5

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THIS SCHEDULE CONTAINS RESTATED SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1996 AND THE CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000808461

<NAME> GENERAL COMMUNICATION, INC.

<MULTIPLIER> 1,000

<S>	<C>
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THIS SCHEDULE CONTAINS RESTATED 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.

</LEGEND>

<CIK> 0000808461

<NAME> GENERAL COMMUNICATION, INC.

<MULTIPLIER> 1,000

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BYLAWS  
OF  
GCI TRANSPORT CO., INC.

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ARTICLE I  
OFFICES

The principal office of GCI Transport Co., Inc. (the "Corporation") shall be located in Anchorage, Alaska. The Corporation may have such other offices, either within or without the State of Alaska, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

The registered office of the Corporation required by the Alaska Corporations Code to be maintained in the State of Alaska may be, but need not be, identical with the principal office in the State of Alaska, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II  
SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting. The annual meeting of the Shareholders shall be held in the month of June of each year, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the election of Directors shall not be held on the day designated for the annual meeting of the Shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Shareholders as soon thereafter as it conveniently may be held.

(a) Meetings of the Shareholders shall be presided over by the President or by any officer or Director or person selected at any time by the President to act as Chairman, or if he is not present or available or makes no selection, then by the Chairman of the Board of Directors. If neither the President nor the Chairman of the Board of Directors is present and no selection has been made, a Chairman should be chosen by a majority in interest of the Shareholders present in person or by proxy at the meeting and entitled to vote thereat.

(b) The Secretary of the meeting shall be the Secretary of the Corporation or an Assistant Secretary, or if none of such officers is present, any person appointed by the Chairman of the meeting.

Section 2. Special Meetings. Special meetings of the Shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting.

-1-

Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Alaska, as the place of meeting called by the Board of Directors. A waiver of notice signed by all Shareholders entitled to vote at a meeting may designate any place, either within or without the State of Alaska, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Alaska.

Section 4. Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty (20) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the

persons calling the meeting, to each Shareholder of record entitled to vote at such meeting. If mailed, the notice is considered delivered when deposited with postage prepaid in the United States mail addressed to the shareholder at the address of the shareholder as it appears on the stock transfer book of the corporation, or, if the shareholder has filed with the secretary of the corporation a written request that notice be mailed to a different address, addressed to the shareholder at the new address.

Section 5. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining Shareholders entitled to notice of or to vote at any meeting of Shareholders or any adjournment thereof, or Shareholders entitled to receive payment of a dividend, or in order to make a determination of Shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, seventy (70) days. If the stock transfer books shall be closed for the purpose of determining Shareholders entitled to notice of or to vote at a meeting of Shareholders, such books shall be closed for at least twenty (20) days immediately preceding such meeting.

Instead of closing the stock transfer books, the Board of Directors may fix a date as the record date for any such determination of Shareholders. This record date shall be not more than sixty (60) days, and in case of a meeting of Shareholders not less than twenty (20) days, prior to the date on which the particular action requiring such determination of Shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of Shareholders entitled to notice of or to vote at a meeting of Shareholders, or Shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring the dividend is adopted is, as the case may be, the record date for the determination of Shareholders. When a determination of Shareholders entitled to vote at any meeting of Shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

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Section 6. Voting Lists. At least twenty (20) days before each meeting of the Shareholders, the officer or agent having charge of the stock transfer books for shares of the Corporation shall make a complete list of the Shareholders entitled to vote at each meeting of Shareholders or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be kept on file at the registered office of the corporation and is subject to inspection by a Shareholder or the agent or attorney of a Shareholder at any time during the usual business hours for a period of twenty (20) days before the meeting. Such list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Shareholder during the whole time of the meeting.

Section 7. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Shareholders. If a quorum is present, the affirmative vote of the majority of shares represented at the meeting and entitled to vote on the subject matter is the act of the Shareholders unless the vote of a greater number or voting by class is required by the articles of incorporation, bylaws or the Alaska Corporations Code.

The Shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken other than adjournment is approved by at least a majority of shares required to constitute a quorum.

If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Proxies. At all meetings of Shareholders, a Shareholder may vote in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. A proxy continues in full force and effect until revoked by the person executing it, however, no proxy shall be valid after eleven (11) months from the date of its execution, unless such proxy qualifies as an irrevocable proxy as defined within AS 10.06.418(e).

Section 9. Voting of Shares. An outstanding share, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of Shareholders, except as may be otherwise provided in the articles of incorporation.

Section 10. Voting of Shares by Certain Holders.

(a) Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provisions, as the board of directors of such corporation may determine.

(b) Shares held by an administrator, executor, guardian or conservator may be voted by such person, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

(c) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer into his name if authority to transfer the shares is contained in an appropriate order of the court by which such receiver was appointed.

(d) A Shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(e) Neither treasury shares, nor shares of its own stock held by the Corporation in a fiduciary capacity, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of the other corporation is held by the Corporation, may be voted at a meeting or counted in determining the total number of outstanding shares.

Section 11. Informal Action by Shareholders. Any action required to be taken at a meeting of the Shareholders, or any other action which may be taken at a meeting of the Shareholders, may be taken without a meeting by written consent, identical in content setting out the action taken, signed by all of the Shareholders entitled to vote on the action.

ARTICLE III  
BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors.

Section 2. Number, Tenure and Qualifications. The number of Directors of the Corporation shall be not less than one (1) nor more than nine (9); unless the Corporation, now or at any time in the future, has three (3) or more Shareholders in which case the Corporation shall have not fewer than three (3) directors; or unless the Corporation has

only two (2) Shareholders, in which case the Corporation shall have at least two (2) directors. Each Director shall hold office until the next annual meeting of Shareholders and until his successor shall have been elected and qualified. Directors need not be residents of the State of Alaska or Shareholders of the Corporation. The initial number of Directors shall be four (4).

Section 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of the Shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Alaska, for the holding of additional regular meetings without other notice than such resolution.

Section 4. Special Meetings.

(a) Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, a Vice President, the Secretary, or a Director or such person authorized to call the meeting may fix the time and place for holding the meeting, either inside or outside the State of Alaska.

(b) Notice of any special meeting shall be given at least ten (10) days prior thereto by written notice delivered personally or mailed to each Director at his business address, or at least seventy-two (72) hours before the meeting by electronic means, personal messenger, or comparable person-to-person communication. If mailed by certified mail, such notice shall be deemed to be delivered when deposited in the United States mail properly addressed, with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not

lawfully called or convened. Neither the business to be transacted nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 5. Quorum. A majority of the presently qualified Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice; provided, further, that where there are only two Directors, both shall be necessary to constitute a quorum.

Section 6. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7. Attendance at Meetings. The Board of Directors may conduct a meeting of the Board by communicating simultaneously with each other by means of

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conference telephones or similar communications equipment and any action taken at such meeting shall not be invalidated by reason of the fact that the respective members of the Board were not assembled together in one place at the time of taking such action or conducting such business.

Section 8. Vacancies. Where a vacancy created by the removal of a Director is pursuant to AS 10.06.460 or 10.06.463, such vacancies occurring on the Board may be filled only by a vote of the Shareholders. Any other vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of Directors may be filled by election by the Board of Directors for a term of office continuing only until the next election of Directors by the Shareholders. In no case may a vacancy continue longer than six (6) months or until the next annual meeting, whichever occurs first.

Section 9. Compensation. By resolution of the Board of Directors, each Director may be paid his or her expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a stated salary as Director or a fixed sum for attendance at each meeting of the Board of Directors or both. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 10. Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his/her dissent shall be entered in the minutes of the meeting or unless he/she shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 11. Removal of Directors. Any Director may be removed with or without cause, at any time, by a vote of the Shareholders holding a majority of the shares then issued and outstanding, at any special meeting called for that purpose, or at the annual meeting. Except as otherwise prescribed by statute, a Director may be removed for cause by a vote of the majority of the entire board. Prior to vote by the Board on the question of removal of any Director for cause, such Director must be given written notice of the reasons for such action.

Section 12. Resignation. A Director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of the

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resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 13. Voting by Interested Directors. No Director may vote upon any matter in which he has an adverse or personal interest, unless such interest has been fully disclosed to the Board of Directors and the Board of Directors, by majority of vote without the interested Director voting, permits such interested Director to vote.

Section 14. Action by Directors Without a Meeting. Action required or permitted to be taken by the Board or a committee designated by the Board may be taken without a meeting on written consents, identical in consent, setting out the action taken and signed by all the members of the Board or the committee.

The written consents shall be filed with the minutes. The consents have the same effect as an unanimous vote.

ARTICLE IV  
OFFICERS

Section 1. Number. The officers of the Corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

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Section 5. President. The President shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present, preside at all meetings of the Shareholders and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice Presidents. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 7. The Secretary. The Secretary shall:

(a) keep the minutes of the proceedings of the Shareholders and of the Board of Directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized;

(d) keep a register of the post office address of each Shareholder which shall be furnished to the Secretary by such Shareholder;

(e) sign with the President, or a Vice President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors;

(f) have general charge of the stock transfer books of the Corporation;  
and

(g) in general perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. The Treasurer . The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Corporation;

(b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected; and

(c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the President or a Vice President certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President of the Board of Directors.

Section 10. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

#### ARTICLE V

#### LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS AND AGENTS OF THE CORPORATION

Section 1. Limitation of Liability. No person shall be liable to the Corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken in good faith, as a Director, member of a Committee or Officer of the Corporation, if such person exercised or used the same degree of care and skill, including reasonable inquiry, as a prudent person would have exercised or used under the circumstances in the conduct

of his/her own affairs. Without limitation on the foregoing, any such person shall be deemed to have exercised or used such degree of care and skill if such action were taken or omitted in reliance in good faith upon advice of counsel for the Corporation, or the books of account or other records of the Corporation, or reports or information made or furnished to the Corporation by any officials, accountants, engineers, agents or employees of the Corporation, or by an independent Certified Public Accountant or auditor, engineer, appraiser, or other expert employed by the Corporation and selected with reasonable care by the Board of Directors, by any such committee or by an authorized officer of the Corporation.

Section 2. Right of Indemnification. Each Director, member of a Committee, Officer, Agent and Employee of the Corporation, and each former director, member of a committee, officer, agent and employee of the Corporation, and any person who may have served at its request as a director, officer, agent or employee of another Corporation in which it is a creditor, and his heirs and personal representative shall be indemnified by the Corporation against all loss or damage suffered and all costs and expenses imposed upon or incurred by him in connection with or arising out of any action, suit or proceedings (whether civil or criminal in nature) in which he may be involved, to which he may be a party by reason of being or having been (or his personal representative or estate having been) such director, member of a committee, officer, agent or employee, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in performance of his duty; provided, however, that the Corporation shall be given reasonable notice of the institution of such action, suit or proceedings; and in the event the same shall be settled in whole or in part, the Corporation or its counsel shall consent to such settlement if it be determined by its counsel or found by a majority of the Board of Directors then in office and not involved in such controversy, that such settlement is to the best interest of the Corporation and

that the person to be indemnified was not guilty of negligence or misconduct in performance of duty.

Indemnification (unless ordered by the court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the director, officer, employee or committee member has met the applicable standard of conduct. This determination shall be made (a) by the Board of Directors, by a majority vote of a quorum consisting of directors who were not parties to the action or proceeding; or (b) by independent legal counsel in a written opinion, either (i) if such a quorum is not obtainable, or (ii) if a quorum of disinterested directors so requests such a written opinion; or (c) by approval of the outstanding shares.

Section 3. Rights Cumulative. The provisions of this Article V shall not be deemed exclusive or in limitation of, but shall be cumulative of and in addition to any other limitations of liability, indemnities, and rights to which such Director, member of a Committee, Officer, Agent or other person may be entitled under Alaska Statute, these

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Bylaws or pursuant to any agreement or resolution of the Board of Directors or of the Shareholders, or otherwise.

#### ARTICLE VI CONTRACTS, LOANS, CHECKS, DEPOSITS AND COMPENSATION

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

#### ARTICLE VII CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or one of its employees. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person or entity to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled; except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

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All shares issued by the Corporation shall contain a legend on the certificates stating substantially the following:

The shares represented by this certificate have not been registered under any federal or state securities law. They have been acquired for investment and may not be transferred without an effective registration statement pursuant to such laws or an opinion of counsel satisfactory to the corporation that registration is not required.

Section 2. Transfer of Shares. Transfer of any shares of the Corporation shall be done in compliance with all federal, state and local securities laws, and any transfer of in violation thereof is void. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by its legal representative, who shall furnish proper evidence of authority to transfer filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The entity or person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

ARTICLE VIII  
TAXABLE YEAR AND ACCOUNTING PERIOD

The taxable year and accounting period of the Corporation shall begin on January 1 and end on December 31, unless changed by resolution of the Board of Directors.

ARTICLE IX  
DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in cash, property, or its own shares, except when the Corporation is insolvent, or when the dividend would render the Corporation insolvent, or when the dividend is contrary to restrictions contained in the Articles of Incorporation.

ARTICLE X  
CORPORATE SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of incorporation and the words "Corporate Seal."

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ARTICLE XI  
WAIVER OF NOTICE

Whenever any notice is required to be given to any Shareholder or Director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Alaska Corporation Code, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XII  
AMENDMENTS

Except as may be provided in the Articles, these Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors.

ARTICLE XIII  
EXECUTIVE COMMITTEE

Section 1. Appointment. The Board of Directors, by resolution adopted by a majority of the full board, may designate two (2) or more of its members to constitute an Executive Committee. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

Section 2. Authority. Except as limited by the Articles or AS 10.06.468, the Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee.

Section 3. Tenure and Qualifications. Each member of the Executive Committee shall hold office until the next regular annual meeting of the Board of Directors following his designation and until his successor is designated as a member of the Executive Committee and is elected and qualified.

Section 4. Meetings. Regular meetings of the Executive Committee may be held without notice at such times and places as the Executive Committee may fix from time to time by resolution. Special meetings of the Executive Committee may be called by any member thereof upon not less than five (5) days' notice, stating the place, date and hour of the meeting, which notice may be written or oral, and if mailed by certified mail, shall be deemed to be delivered when deposited in the United States mail addressed to the member of the Executive

Committee at his business address, postage prepaid. Any member of the Executive Committee may waive notice of any meeting, and no notice of

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any meeting need be given to any member thereof who attends in person. The notice of a meeting of the Executive Committee need not state the business proposed to be transacted at the meeting.

Section 5. Quorum. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the Executive Committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 6. Action Without a Meeting. Any action that may be taken by the Executive Committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so to be taken, shall be signed by all of the members of the Executive Committee before such action be taken further. The Executive Committee can validly conduct a meeting by communicating simultaneously with each other by means of conference telephones or similar communications equipment.

Section 7. Vacancies. Any vacancy in the Executive Committee may be filled by a resolution adopted by a majority of the full Board of Directors.

Section 8. Resignations and Removal. Any member of the Executive Committee may be removed at any time, with or without cause, by resolution adopted by a majority of the full Board of Directors. Any member of the Executive Committee may resign from the Executive Committee at any time by giving written notice to the President or Secretary of the Corporation and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Procedure. The Executive Committee shall elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these Bylaws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its information at the meeting thereof held next after the proceedings shall have been taken.

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ARTICLE XIV  
CONDUCT OF MEETINGS

All meetings conducted under these Bylaws shall be governed in accordance with Roberts Rules of Order.

We, the undersigned, hereby certify that the foregoing Bylaws for governing the operation and management of GCI Transport Co., Inc., were duly adopted by the Directors by unanimous written consent, effective as of July 29, 1997.

/s/  
John M. Lowber, Secretary

APPROVED:

/s/  
Ronald A. Duncan, President

ARTICLES OF INCORPORATION  
OF  
GCI TRANSPORT CO., INC.

We, the undersigned natural persons over the age of eighteen (18) years, acting as incorporators of a corporation under the Alaska Corporation Code, AS 10.06, do hereby adopt the following Articles of Incorporation for such corporation.

ARTICLE I - Name

The name of the corporation ("Corporation") is: GCI Transport Co., Inc.

ARTICLE II - Purposes and Powers

The purposes for which the Corporation is specifically organized are the acquisition of transponders on a satellite, and the construction and operation of a fiber optic network linking certain cities in the State of Alaska with the 48 contiguous United States.

The Corporation shall have and may exercise all of the general powers of a natural person, including those provided in AS 10.06.010, as amended.

ARTICLE III - Registered Office and Agent

The address of the Corporation's registered office and the name of its registered agent is Hartig, Rhodes, Norman, Mahoney & Edwards, P.C., 717 "K" Street, Anchorage, AK 99501.

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ARTICLE IV - Capital

The Corporation shall have the authority to issue ten thousand (10,000) shares of no par value stock. These shares shall be common voting shares, each share having one (1) vote.

ARTICLE V - No Preemptive Rights

Pursuant to AS 10.06.210(a)(1)(B), no holder of any stock of the Corporation shall be entitled to purchase, subscribe for or otherwise acquire, as a matter of right, any new or additional shares of stock, of any class, in the Corporation, any options or warrants to purchase, subscribe for or otherwise acquire any new or additional shares in the Corporation, or any shares, bonds, notes, debentures, or other securities convertible into or carrying options or warrants to purchase, subscribe for or otherwise acquire any such shares.

ARTICLE VI - No Cumulative Voting

Pursuant to AS 10.06.420(d), shareholders shall not cumulate their votes, but must vote shares held by them for as many persons as there are directors to be elected.

ARTICLE VII - Power to Redeem Shares

Pursuant to AS 10.06.325, the Corporation has the power on majority vote of the shareholders, to redeem, in whole or in part, any class of outstanding shares.

ARTICLE VIII - Quorum of Shareholders

A quorum for the conducting of any shareholder business shall be fifty-one percent (51%) of all outstanding shares that are entitled to vote.

ARTICLE IX - Initial Directors

The initial number of directors of the Corporation shall be four (4). The names and addresses of the initial directors, who shall serve until the first annual meeting of shareholders or until their successors are elected and qualified are as follows:

Ronald A. Duncan  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

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John M. Lowber  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

Wilson Hughes  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

Donne F. Fisher  
Tele-Communications, Inc.  
4643 S. Ulster, Suite 400  
Denver, CO 80237

The number of directors may be increased or decreased from time to time by an amendment of the Bylaws; but no decrease shall have the effect of shortening the term of any incumbent director. The directors may fill any vacancy on the board created by reason of removal or retiring of any director.

#### ARTICLE X - Alien Affiliates

The Corporation is not affiliated with any nonresident alien or a corporation whose place of incorporation is outside the United States (as defined in AS 10.06.990(2) and (3)).

#### ARTICLE XI - Liability of Directors

The directors of the Corporation shall not be liable to the Corporation for monetary damages for a breach of fiduciary duty except for:

1. A breach of a director's duty of loyalty to the Corporation;
2. Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; or
3. A transaction from which the director derives an improper personal benefit.

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#### ARTICLE XII - Bylaws

The initial Bylaws of the Corporation shall be adopted by the Board of Directors, and the power to alter, amend or repeal the Bylaws shall be reserved to the board. The Bylaws may contain any provision for the regulation and management of the affairs of the Corporation not inconsistent with the Alaska Corporation Code or with these Articles of Incorporation.

#### ARTICLE XIII - Duration

The duration of the Corporation shall be perpetual.

#### ARTICLE XIV - Effective Date

These Articles will be effective upon filing.

#### ARTICLE XV - Special Provisions

1. The Corporation shall not engage in any dissolution, liquidation, merger, consolidation or sale, transfer, assignment, lease, conveyance or other disposal of all or substantially all of its property in any one transaction or series of transactions as long as any indebtedness under the Fiber Construction Facility by the Alaska United Fiber System Partnership remains outstanding, other than (a) any such transaction with or into GCI, Inc., or any of its Restricted Subsidiaries otherwise effected in accordance with the terms of that Indenture of 1997, between GCI, Inc., and the Bank of New York, as trustee ("Indenture"), (b) any such transaction with or into another Unrestricted Subsidiary and (c) any such transaction which, assuming for purposes of this clause (c) only that such Unrestricted Subsidiary were a Restricted Subsidiary, would comply with the covenant entitled "Limitation on Asset Sales" in the Indenture; provided, however, that any Net Available Cash derived therefrom may also be used to prepay, repay or purchase indebtedness under such Fiber Construction Facility.

As used herein, "Restricted Subsidiaries" means (i) any Subsidiary of GCI, Inc., on or after the issue date for the Indenture notes, unless such Subsidiary shall have been designated an Unrestricted Subsidiary as permitted or required pursuant to the definition of "Unrestricted Subsidiary" and (ii) an Unrestricted Subsidiary which is redesignated as a Restricted

Subsidiary as permitted pursuant to the definition of "Unrestricted Subsidiary."

"Subsidiary" of GCI, Inc., means any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organized or acquired, of which at least a majority of the total voting power of the voting stock is held by GCI, Inc.

"Unrestricted Subsidiary" means (a) the Corporation, GCI Satellite Co., Inc., GCI Fiber Co., Inc., Fiber Hold Co., Inc., and Alaska United Fiber System Partnership and (b) any Subsidiary of an Unrestricted Subsidiary.

"Net Available Cash" from an Asset Sale means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of indebtedness or other obligations relating to such properties or assets or received in any other non cash form) in each case net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Sale, and in each case net of all payments made on any indebtedness (a) which is secured by any assets subject to such Asset Sale, in accordance with the terms of any lien upon or other security agreement of any kind with respect to such assets, or (b) which must (1) by its terms, or in order to obtain a necessary consent to such Asset Sale (except, in the case of this clause (b), indebtedness that is pari passu with or subordinated to the Indenture notes), or (2) by applicable law be repaid out of the proceeds from such Asset Sale, and net of all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale.

"Asset Sale" means any transfer, conveyance, sale, lease or other disposition (including, without limitation, dispositions pursuant to any consolidation or merger or a sale and leaseback transaction) by the Corporation in any single transaction or series of transactions of (a) shares of capital stock or other ownership interests in another person (including capital stock of Unrestricted Subsidiaries); or (b) any other property of the Corporation; provided, however, that the term "Asset Sale" shall not include: (i) the sale or transfer of temporary cash investments, inventory, accounts

receivable or other property (including, without limitation, the lease of excess satellite transponder capacity and the lease of excess fiber capacity) in the ordinary course of business; (ii) the liquidation of property received in settlement of debts owing to the Corporation as a result of foreclosure, perfection or enforcement of any lien or debt, which debts were owing to the Corporation in the ordinary course of business; (iii) the sale or transfer of any property by the Corporation or to any of the Restricted Subsidiaries; (iv) a disposition in the form of a restricted payment permitted to be made pursuant to "--Certain Covenants--Limitation on Restricted Payments" in the Indenture; or (v) a disposition (taken together with any other dispositions in a single transaction or series of related transactions) with a fair market value and a sale price of less than \$5 million.

2. The Corporation's board of directors shall consist of not less than one outside director.

IN WITNESS WHEREOF, I have signed these Articles this 22 day of July, 1997.

/S/  
Robert B. Flint

IN WITNESS WHEREOF, I have signed these Articles this 22ND day of July, 1997.

/S/  
Bonnie J. Paskvan

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

Robert B. Flint says on oath or affirms that he has read the foregoing Articles of Incorporation of GCI Satellite Co., Inc., and believes all statements made in the document are true and correct.

/S/  
Notary Public in and for the State  
of Alaska  
My commission expires: 4-11-2001

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STATE OF ALASKA                    )  
  ) ss.  
THIRD JUDICIAL DISTRICT         )

Bonnie J. Paskvan says on oath or affirms that she has read the foregoing Articles of Incorporation of GCI Satellite Co., Inc., and believes all statements made in the document are true and correct.

/S/  
Notary Public in and for the State  
of Alaska  
My commission expires: 4-11-2001

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BYLAWS  
OF  
FIBER HOLD CO., INC.

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ARTICLE I  
OFFICES

The principal office of Fiber Hold Co., Inc. (the "Corporation") shall be located in Anchorage, Alaska. The Corporation may have such other offices, either within or without the State of Alaska, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

The registered office of the Corporation required by the Alaska Corporations Code to be maintained in the State of Alaska may be, but need not be, identical with the principal office in the State of Alaska, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II  
SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting. The annual meeting of the Shareholders shall be held in the month of June of each year, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the election of Directors shall not be held on the day designated for the annual meeting of the Shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Shareholders as soon thereafter as it conveniently may be held.

(a) Meetings of the Shareholders shall be presided over by the President or by any officer or Director or person selected at any time by the President to act as Chairman, or if he is not present or available or makes no selection, then by the Chairman of the Board of Directors. If neither the President nor the Chairman of the Board of Directors is present and no selection has been made, a Chairman should be chosen by a majority in interest of the Shareholders present in person or by proxy at the meeting and entitled to vote thereat.

(b) The Secretary of the meeting shall be the Secretary of the Corporation or an Assistant Secretary, or if none of such officers is present, any person appointed by the Chairman of the meeting.

Section 2. Special Meetings. Special meetings of the Shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting.

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Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Alaska, as the place of meeting called by the Board of Directors. A waiver of notice signed by all Shareholders entitled to vote at a meeting may designate any place, either within or without the State of Alaska, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Alaska.

Section 4. Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty (20)

nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the persons calling the meeting, to each Shareholder of record entitled to vote at such meeting. If mailed, the notice is considered delivered when deposited with postage prepaid in the United States mail addressed to the shareholder at the address of the shareholder as it appears on the stock transfer book of the corporation, or, if the shareholder has filed with the secretary of the corporation a written request that notice be mailed to a different address, addressed to the shareholder at the new address.

Section 5. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining Shareholders entitled to notice of or to vote at any meeting of Shareholders or any adjournment thereof, or Shareholders entitled to receive payment of a dividend, or in order to make a determination of Shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, seventy (70) days. If the stock transfer books shall be closed for the purpose of determining Shareholders entitled to notice of or to vote at a meeting of Shareholders, such books shall be closed for at least twenty (20) days immediately preceding such meeting.

Instead of closing the stock transfer books, the Board of Directors may fix a date as the record date for any such determination of Shareholders. This record date shall be not more than sixty (60) days, and in case of a meeting of Shareholders not less than twenty (20) days, prior to the date on which the particular action requiring such determination of Shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of Shareholders entitled to notice of or to vote at a meeting of Shareholders, or Shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring the dividend is adopted is, as the case may be, the record date for the determination of Shareholders. When a determination of Shareholders entitled to vote at any meeting of Shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

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Section 6. Voting Lists. At least twenty (20) days before each meeting of the Shareholders, the officer or agent having charge of the stock transfer books for shares of the Corporation shall make a complete list of the Shareholders entitled to vote at each meeting of Shareholders or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be kept on file at the registered office of the corporation and is subject to inspection by a Shareholder or the agent or attorney of a Shareholder at any time during the usual business hours for a period of twenty (20) days before the meeting. Such list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Shareholder during the whole time of the meeting.

Section 7. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Shareholders. If a quorum is present, the affirmative vote of the majority of shares represented at the meeting and entitled to vote on the subject matter is the act of the Shareholders unless the vote of a greater number or voting by class is required by the articles of incorporation, bylaws or the Alaska Corporations Code.

The Shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken other than adjournment is approved by at least a majority of shares required to constitute a quorum.

If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Proxies. At all meetings of Shareholders, a Shareholder may vote in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. A proxy continues in full force and effect until revoked by the person executing it, however, no proxy shall be valid after eleven (11) months from the date of its execution, unless such proxy qualifies as an irrevocable proxy as defined within AS 10.06.418(e).

Section 9. Voting of Shares. An outstanding share, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of Shareholders, except as may be otherwise provided in the articles of

incorporation.

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Section 10. Voting of Shares by Certain Holders .

(a) Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provisions, as the board of directors of such corporation may determine.

(b) Shares held by an administrator, executor, guardian or conservator may be voted by such person, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

(c) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer into his name if authority to transfer the shares is contained in an appropriate order of the court by which such receiver was appointed.

(d) A Shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(e) Neither treasury shares, nor shares of its own stock held by the Corporation in a fiduciary capacity, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of the other corporation is held by the Corporation, may be voted at a meeting or counted in determining the total number of outstanding shares.

Section 11. Informal Action by Shareholders. Any action required to be taken at a meeting of the Shareholders, or any other action which may be taken at a meeting of the Shareholders, may be taken without a meeting by written consent, identical in content setting out the action taken, signed by all of the Shareholders entitled to vote on the action.

ARTICLE III  
BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors.

Section 2. Number, Tenure and Qualifications. The number of Directors of the Corporation shall be not less than one (1) nor more than nine (9); unless the Corporation, now or at any time in the future, has three (3) or more Shareholders in which case the Corporation shall have not fewer than three (3) directors; or unless the Corporation has

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only two (2) Shareholders, in which case the Corporation shall have at least two (2) directors. Each Director shall hold office until the next annual meeting of Shareholders and until his successor shall have been elected and qualified. Directors need not be residents of the State of Alaska or Shareholders of the Corporation. The initial number of Directors shall be four (4).

Section 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of the Shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Alaska, for the holding of additional regular meetings without other notice than such resolution.

Section 4. Special Meetings.

(a) Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, a Vice President, the Secretary, or a Director or such person authorized to call the meeting may fix the time and place for holding the meeting, either inside or outside the State of Alaska.

(b) Notice of any special meeting shall be given at least ten (10) days prior thereto by written notice delivered personally or mailed to each Director at his business address, or at least seventy-two (72) hours before the meeting by electronic means, personal messenger, or comparable person-to-person communication. If mailed by certified mail, such notice shall be deemed to be delivered when deposited in the United States mail properly addressed, with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose

of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 5. Quorum. A majority of the presently qualified Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice; provided, further, that where there are only two Directors, both shall be necessary to constitute a quorum.

Section 6. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7. Attendance at Meetings. The Board of Directors may conduct a meeting of the Board by communicating simultaneously with each other by means of

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conference telephones or similar communications equipment and any action taken at such meeting shall not be invalidated by reason of the fact that the respective members of the Board were not assembled together in one place at the time of taking such action or conducting such business.

Section 8. Vacancies. Where a vacancy created by the removal of a Director is pursuant to AS 10.06.460 or 10.06.463, such vacancies occurring on the Board may be filled only by a vote of the Shareholders. Any other vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of Directors may be filled by election by the Board of Directors for a term of office continuing only until the next election of Directors by the Shareholders. In no case may a vacancy continue longer than six (6) months or until the next annual meeting, whichever occurs first.

Section 9. Compensation. By resolution of the Board of Directors, each Director may be paid his or her expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a stated salary as Director or a fixed sum for attendance at each meeting of the Board of Directors or both. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 10. Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his/her dissent shall be entered in the minutes of the meeting or unless he/she shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 11. Removal of Directors. Any Director may be removed with or without cause, at any time, by a vote of the Shareholders holding a majority of the shares then issued and outstanding, at any special meeting called for that purpose, or at the annual meeting. Except as otherwise prescribed by statute, a Director may be removed for cause by a vote of the majority of the entire board. Prior to vote by the Board on the question of removal of any Director for cause, such Director must be given written notice of the reasons for such action.

Section 12. Resignation. A Director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of the

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resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 13. Voting by Interested Directors. No Director may vote upon any matter in which he has an adverse or personal interest, unless such interest has been fully disclosed to the Board of Directors and the Board of Directors, by majority of vote without the interested Director voting, permits such interested Director to vote.

Section 14. Action by Directors Without a Meeting. Action required or permitted to be taken by the Board or a committee designated by the Board may be taken without a meeting on written consents, identical in consent, setting out the action taken and signed by all the members of the Board or the committee. The written consents shall be filed with the minutes. The consents have the same

effect as an unanimous vote.

ARTICLE IV  
OFFICERS

Section 1. Number. The officers of the Corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

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Section 5. President. The President shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present, preside at all meetings of the Shareholders and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice Presidents. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 7. The Secretary. The Secretary shall:

(a) keep the minutes of the proceedings of the Shareholders and of the Board of Directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized;

(d) keep a register of the post office address of each Shareholder which shall be furnished to the Secretary by such Shareholder;

(e) sign with the President, or a Vice President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors;

(f) have general charge of the stock transfer books of the Corporation;  
and

(g) in general perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. The Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Corporation;

(b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected; and

(c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the President or a Vice President certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President of the Board of Directors.

Section 10. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

ARTICLE V  
LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS AND  
AGENTS OF THE CORPORATION

Section 1. Limitation of Liability. No person shall be liable to the Corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken in good faith, as a Director, member of a Committee or Officer of the Corporation, if such person exercised or used the same degree of care and skill, including reasonable inquiry, as a prudent person would have exercised or used under the circumstances in the conduct

of his/her own affairs. Without limitation on the foregoing, any such person shall be deemed to have exercised or used such degree of care and skill if such action were taken or omitted in reliance in good faith upon advice of counsel for the Corporation, or the books of account or other records of the Corporation, or reports or information made or furnished to the Corporation by any officials, accountants, engineers, agents or employees of the Corporation, or by an independent Certified Public Accountant or auditor, engineer, appraiser, or other expert employed by the Corporation and selected with reasonable care by the Board of Directors, by any such committee or by an authorized officer of the Corporation.

Section 2. Right of Indemnification. Each Director, member of a Committee, Officer, Agent and Employee of the Corporation, and each former director, member of a committee, officer, agent and employee of the Corporation, and any person who may have served at its request as a director, officer, agent or employee of another Corporation in which it is a creditor, and his heirs and personal representative shall be indemnified by the Corporation against all loss or damage suffered and all costs and expenses imposed upon or incurred by him in connection with or arising out of any action, suit or proceedings (whether civil or criminal in nature) in which he may be involved, to which he may be a party by reason of being or having been (or his personal representative or estate having been) such director, member of a committee, officer, agent or employee, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in performance of his duty; provided, however, that the Corporation shall be given reasonable notice of the institution of such action, suit or proceedings; and in the event the same shall be settled in whole or in part, the Corporation or its counsel shall consent to such settlement if it be determined by its counsel or found by a majority of the Board of Directors then in office and not involved in such controversy, that such settlement is to the best interest of the Corporation and that the person to be indemnified was not guilty of negligence or misconduct in performance of duty.

Indemnification (unless ordered by the court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the director, officer, employee or committee member has met the applicable standard of conduct. This determination shall be made (a) by the Board of Directors, by a majority vote of a quorum consisting of directors who were not parties to the action or proceeding; or (b) by independent legal counsel in a written opinion, either (i) if such a quorum is not obtainable, or (ii) if a quorum of disinterested directors so requests such a written opinion; or (c) by approval of the outstanding shares.

Section 3. Rights Cumulative. The provisions of this Article V shall not be deemed exclusive or in limitation of, but shall be cumulative of and in addition to any other limitations of liability, indemnities, and rights to which such Director, member of a Committee, Officer, Agent or other person may be entitled under Alaska Statute, these

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Bylaws or pursuant to any agreement or resolution of the Board of Directors or of the Shareholders, or otherwise.

#### ARTICLE VI CONTRACTS, LOANS, CHECKS, DEPOSITS AND COMPENSATION

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

#### ARTICLE VII CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or one of its employees. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person or entity to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled; except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

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All shares issued by the Corporation shall contain a legend on the certificates stating substantially the following:

The shares represented by this certificate have not been registered under any federal or state securities law. They have been acquired for investment and may not be transferred without an effective registration statement pursuant to such laws or an opinion of counsel satisfactory to the corporation that registration is not required.

Section 2. Transfer of Shares. Transfer of any shares of the Corporation shall be done in compliance with all federal, state and local

securities laws, and any transfer of in violation thereof is void. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by its legal representative, who shall furnish proper evidence of authority to transfer filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The entity or person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

ARTICLE VIII  
TAXABLE YEAR AND ACCOUNTING PERIOD

The taxable year and accounting period of the Corporation shall begin on January 1 and end on December 31, unless changed by resolution of the Board of Directors.

ARTICLE IX  
DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in cash, property, or its own shares, except when the Corporation is insolvent, or when the dividend would render the Corporation insolvent, or when the dividend is contrary to restrictions contained in the Articles of Incorporation.

ARTICLE X  
CORPORATE SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of incorporation and the words "Corporate Seal."

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ARTICLE XI  
WAIVER OF NOTICE

Whenever any notice is required to be given to any Shareholder or Director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Alaska Corporation Code, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XII  
AMENDMENTS

Except as may be provided in the Articles, these Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors.

ARTICLE XIII  
EXECUTIVE COMMITTEE

Section 1. Appointment. The Board of Directors, by resolution adopted by a majority of the full board, may designate two (2) or more of its members to constitute an Executive Committee. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

Section 2. Authority. Except as limited by the Articles or AS 10.06.468, the Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee.

Section 3. Tenure and Qualifications. Each member of the Executive Committee shall hold office until the next regular annual meeting of the Board of Directors following his designation and until his successor is designated as a member of the Executive Committee and is elected and qualified.

Section 4. Meetings. Regular meetings of the Executive Committee may be held without notice at such times and places as the Executive Committee may fix from time to time by resolution. Special meetings of the Executive Committee may be called by any member thereof upon not less than five (5) days' notice, stating the place, date and hour of the meeting, which notice may be written or oral, and if mailed by certified mail, shall be deemed to be delivered when deposited in the United States mail addressed to the member of the Executive Committee at his business address, postage prepaid. Any member of the Executive Committee may waive notice of any meeting, and no notice of

any meeting need be given to any member thereof who attends in person. The notice of a meeting of the Executive Committee need not state the business proposed to be transacted at the meeting.

Section 5. Quorum. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the Executive Committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 6. Action Without a Meeting. Any action that may be taken by the Executive Committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so to be taken, shall be signed by all of the members of the Executive Committee before such action be taken further. The Executive Committee can validly conduct a meeting by communicating simultaneously with each other by means of conference telephones or similar communications equipment.

Section 7. Vacancies. Any vacancy in the Executive Committee may be filled by a resolution adopted by a majority of the full Board of Directors.

Section 8. Resignations and Removal. Any member of the Executive Committee may be removed at any time, with or without cause, by resolution adopted by a majority of the full Board of Directors. Any member of the Executive Committee may resign from the Executive Committee at any time by giving written notice to the President or Secretary of the Corporation and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Procedure. The Executive Committee shall elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these Bylaws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its information at the meeting thereof held next after the proceedings shall have been taken.

ARTICLE XIV  
CONDUCT OF MEETINGS

All meetings conducted under these Bylaws shall be governed in accordance with Roberts Rules of Order.

We, the undersigned, hereby certify that the foregoing Bylaws for governing the operation and management of Fiber Hold Co., Inc., were duly adopted by the Directors by unanimous written consent, effective as of July 29, 1997.

/s/  
John M. Lowber, Secretary

APPROVED:

/s/  
Ronald A. Duncan, President

ARTICLES OF INCORPORATION  
OF  
FIBER HOLD CO., INC.

We, the undersigned natural persons over the age of eighteen (18) years, acting as incorporators of a corporation under the Alaska Corporation Code, AS 10.06, do hereby adopt the following Articles of Incorporation for such corporation.

ARTICLE I - Name

The name of the corporation ("Corporation") is: FIBER HOLD CO., INC.

ARTICLE II - Purposes and Powers

The purposes for which the Corporation is specifically organized are the acquisition of transponders on a satellite, and the construction and operation of a fiber optic network linking certain cities in the State of Alaska with the 48 contiguous United States.

The Corporation shall have and may exercise all of the general powers of a natural person, including those provided in AS 10.06.010, as amended.

ARTICLE III - Registered Office and Agent

The address of the Corporation's registered office and the name of its registered agent is Hartig, Rhodes, Norman, Mahoney & Edwards, P.C., 717 "K" Street, Anchorage, AK 99501.

ARTICLE IV - Capital

The Corporation shall have the authority to issue ten thousand (10,000) shares of no par value stock. These shares shall be common voting shares, each share having one (1) vote.

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ARTICLE V - No Preemptive Rights

Pursuant to AS 10.06.210(a)(1)(B), no holder of any stock of the Corporation shall be entitled to purchase, subscribe for or otherwise acquire, as a matter of right, any new or additional shares of stock, of any class, in the Corporation, any options or warrants to purchase, subscribe for or otherwise acquire any new or additional shares in the Corporation, or any shares, bonds, notes, debentures, or other securities convertible into or carrying options or warrants to purchase, subscribe for or otherwise acquire any such shares.

ARTICLE VI - No Cumulative Voting

Pursuant to AS 10.06.420(d), shareholders shall not cumulate their votes, but must vote shares held by them for as many persons as there are directors to be elected.

ARTICLE VII - Power to Redeem Shares

Pursuant to AS 10.06.325, the Corporation has the power on majority vote of the shareholders, to redeem, in whole or in part, any class of outstanding shares.

ARTICLE VIII - Quorum of Shareholders

A quorum for the conducting of any shareholder business shall be fifty-one percent (51%) of all outstanding shares that are entitled to vote.

ARTICLE IX - Initial Directors

The initial number of directors of the Corporation shall be four (4). The names and addresses of the initial directors, who shall serve until the first annual meeting of shareholders or until their successors are elected and qualified are as follows:

Ronald A. Duncan  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

John M. Lowber  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

Wilson Hughes  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

Donne F. Fisher  
Tele-Communications, Inc.  
4643 S. Ulster, Suite 400  
Denver, CO 80237

The number of directors may be increased or decreased from time to time by an amendment of the Bylaws; but no decrease shall have the effect of shortening the term of any incumbent director. The directors may fill any vacancy on the board created by reason of removal or retiring of any director.

ARTICLE X - Alien Affiliates

The Corporation is not affiliated with any nonresident alien or a corporation whose place of incorporation is outside the United States (as defined in AS 10.06.990(2) and (3)).

ARTICLE XI - Liability of Directors

The directors of the Corporation shall not be liable to the Corporation for monetary damages for a breach of fiduciary duty except for:

1. A breach of a director's duty of loyalty to the Corporation;
2. Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; or
3. A transaction from which the director derives an improper personal benefit.

ARTICLE XII - Bylaws

The initial Bylaws of the Corporation shall be adopted by the Board of Directors, and the power to alter, amend or repeal the Bylaws shall be reserved to the board. The Bylaws may contain any provision for the regulation and management of the affairs of the Corporation not inconsistent with the Alaska Corporation Code or with these Articles of Incorporation.

ARTICLE XIII - Duration

The duration of the Corporation shall be perpetual.

ARTICLE XIV - Effective Date

These Articles will be effective upon filing.

ARTICLE XV - Special Provisions

1. The Corporation shall not engage in any dissolution, liquidation, merger, consolidation or sale, transfer, assignment, lease, conveyance or other disposal of all or substantially all of its property in any one transaction or series of transactions as long as any indebtedness under the Fiber Construction Facility by the Alaska United Fiber System Partnership remains outstanding, other than (a) any such transaction with or into GCI, Inc., or any of its Restricted Subsidiaries otherwise effected in accordance with the terms of that Indenture of 1997, between GCI, Inc., and the Bank of New York, as trustee ("Indenture"), (b) any such transaction with or into another Unrestricted Subsidiary and (c) any such transaction which, assuming for purposes of this clause (c) only that such Unrestricted Subsidiary were a Restricted Subsidiary, would comply with the covenant entitled "Limitation on Asset Sales" in the Indenture; provided, however, that any Net Available Cash derived therefrom may also be used to prepay, repay or purchase indebtedness under such Fiber Construction Facility.

As used herein, "Restricted Subsidiaries" means (i) any Subsidiary of GCI, Inc., on or after the issue date for the Indenture notes, unless such Subsidiary shall have been designated an Unrestricted Subsidiary as permitted or required pursuant to the definition of "Unrestricted Subsidiary" and (ii) an Unrestricted Subsidiary which is redesignated as a Restricted

"Subsidiary" of GCI, Inc., means any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organized or acquired, of which at least a majority of the total voting power of the voting stock is held by GCI, Inc.

"Unrestricted Subsidiary" means (a) the Corporation, GCI Satellite Co., Inc., GCI Fiber Co., Inc., Fiber Hold Co., Inc., and Alaska United Fiber System Partnership and (b) any Subsidiary of an Unrestricted Subsidiary.

"Net Available Cash" from an Asset Sale means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of indebtedness or other obligations relating to such properties or assets or received in any other non cash form) in each case net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Sale, and in each case net of all payments made on any indebtedness (a) which is secured by any assets subject to such Asset Sale, in accordance with the terms of any lien upon or other security agreement of any kind with respect to such assets, or (b) which must (1) by its terms, or in order to obtain a necessary consent to such Asset Sale (except, in the case of this clause (b), indebtedness that is pari passu with or subordinated to the Indenture notes), or (2) by applicable law be repaid out of the proceeds from such Asset Sale, and net of all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale.

"Asset Sale" means any transfer, conveyance, sale, lease or other disposition (including, without limitation, dispositions pursuant to any consolidation or merger or a sale and leaseback transaction) by the Corporation in any single transaction or series of transactions of (a) shares of capital stock or other ownership interests in another person (including capital stock of Unrestricted Subsidiaries); or (b) any other property of the Corporation; provided, however, that the term "Asset Sale" shall not include: (i) the sale or transfer of temporary cash investments, inventory, accounts

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receivable or other property (including, without limitation, the lease of excess satellite transponder capacity and the lease of excess fiber capacity) in the ordinary course of business; (ii) the liquidation of property received in settlement of debts owing to the Corporation as a result of foreclosure, perfection or enforcement of any lien or debt, which debts were owing to the Corporation in the ordinary course of business; (iii) the sale or transfer of any property by the Corporation or to any of the Restricted Subsidiaries; (iv) a disposition in the form of a restricted payment permitted to be made pursuant to "--Certain Covenants--Limitation on Restricted Payments" in the Indenture; or (v) a disposition (taken together with any other dispositions in a single transaction or series of related transactions) with a fair market value and a sale price of less than \$5 million.

2. The Corporation's board of directors shall consist of not less than one outside director.

IN WITNESS WHEREOF, I have signed these Articles this 22 day of July, 1997.

/s/  
Robert B. Flint

IN WITNESS WHEREOF, I have signed these Articles this 22nd day of July, 1997.

/s/  
Bonnie J. Paskvan

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

Robert B. Flint says on oath or affirms that he has read the foregoing Articles of Incorporation of Fiber Hold Co., Inc., and believes all statements made in the document are true and correct.

/s/  
Notary Public in and for the State  
of Alaska  
My commission expires: 4-11-2001

STATE OF ALASKA                    )  
  ) ss.  
THIRD JUDICIAL DISTRICT         )

Bonnie J. Paskvan says on oath or affirms that she has read the foregoing Articles of Incorporation of Fiber Hold Co., Inc., and believes all statements made in the document are true and correct.

/s/  
Notary Public in and for the State  
of Alaska  
My commission expires: 4-11-2001

BYLAWS  
OF  
GCI FIBER CO., INC.

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ARTICLE I  
OFFICES

The principal office of GCI Fiber Co., Inc. (the "Corporation") shall be located in Anchorage, Alaska. The Corporation may have such other offices, either within or without the State of Alaska, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

The registered office of the Corporation required by the Alaska Corporations Code to be maintained in the State of Alaska may be, but need not be, identical with the principal office in the State of Alaska, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II  
SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting. The annual meeting of the Shareholders shall be held in the month of June of each year, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the election of Directors shall not be held on the day designated for the annual meeting of the Shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Shareholders as soon thereafter as it conveniently may be held.

(a) Meetings of the Shareholders shall be presided over by the President or by any officer or Director or person selected at any time by the President to act as Chairman, or if he is not present or available or makes no selection, then by the Chairman of the Board of Directors. If neither the President nor the Chairman of the Board of Directors is present and no selection has been made, a Chairman should be chosen by a majority in interest of the Shareholders present in person or by proxy at the meeting and entitled to vote thereat.

(b) The Secretary of the meeting shall be the Secretary of the Corporation or an Assistant Secretary, or if none of such officers is present, any person appointed by the Chairman of the meeting.

Section 2. Special Meetings. Special meetings of the Shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting.

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Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Alaska, as the place of meeting called by the Board of Directors. A waiver of notice signed by all Shareholders entitled to vote at a meeting may designate any place, either within or without the State of Alaska, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Alaska.

Section 4. Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty (20) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the persons calling the meeting, to each Shareholder of record entitled to vote at

such meeting. If mailed, the notice is considered delivered when deposited with postage prepaid in the United States mail addressed to the shareholder at the address of the shareholder as it appears on the stock transfer book of the corporation, or, if the shareholder has filed with the secretary of the corporation a written request that notice be mailed to a different address, addressed to the shareholder at the new address.

Section 5. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining Shareholders entitled to notice of or to vote at any meeting of Shareholders or any adjournment thereof, or Shareholders entitled to receive payment of a dividend, or in order to make a determination of Shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, seventy (70) days. If the stock transfer books shall be closed for the purpose of determining Shareholders entitled to notice of or to vote at a meeting of Shareholders, such books shall be closed for at least twenty (20) days immediately preceding such meeting.

Instead of closing the stock transfer books, the Board of Directors may fix a date as the record date for any such determination of Shareholders. This record date shall be not more than sixty (60) days, and in case of a meeting of Shareholders not less than twenty (20) days, prior to the date on which the particular action requiring such determination of Shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of Shareholders entitled to notice of or to vote at a meeting of Shareholders, or Shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring the dividend is adopted is, as the case may be, the record date for the determination of Shareholders. When a determination of Shareholders entitled to vote at any meeting of Shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

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Section 6. Voting Lists. At least twenty (20) days before each meeting of the Shareholders, the officer or agent having charge of the stock transfer books for shares of the Corporation shall make a complete list of the Shareholders entitled to vote at each meeting of Shareholders or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be kept on file at the registered office of the corporation and is subject to inspection by a Shareholder or the agent or attorney of a Shareholder at any time during the usual business hours for a period of twenty (20) days before the meeting. Such list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Shareholder during the whole time of the meeting.

Section 7. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Shareholders. If a quorum is present, the affirmative vote of the majority of shares represented at the meeting and entitled to vote on the subject matter is the act of the Shareholders unless the vote of a greater number or voting by class is required by the articles of incorporation, bylaws or the Alaska Corporations Code.

The Shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken other than adjournment is approved by at least a majority of shares required to constitute a quorum.

If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Proxies. At all meetings of Shareholders, a Shareholder may vote in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. A proxy continues in full force and effect until revoked by the person executing it, however, no proxy shall be valid after eleven (11) months from the date of its execution, unless such proxy qualifies as an irrevocable proxy as defined within AS 10.06.418(e).

Section 9. Voting of Shares. An outstanding share, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of Shareholders, except as may be otherwise provided in the articles of incorporation.

Section 10. Voting of Shares by Certain Holders.

(a) Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provisions, as the board of directors of such corporation may determine.

(b) Shares held by an administrator, executor, guardian or conservator may be voted by such person, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

(c) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer into his name if authority to transfer the shares is contained in an appropriate order of the court by which such receiver was appointed.

(d) A Shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(e) Neither treasury shares, nor shares of its own stock held by the Corporation in a fiduciary capacity, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of the other corporation is held by the Corporation, may be voted at a meeting or counted in determining the total number of outstanding shares.

Section 11. Informal Action by Shareholders . Any action required to be taken at a meeting of the Shareholders, or any other action which may be taken at a meeting of the Shareholders, may be taken without a meeting by written consent, identical in content setting out the action taken, signed by all of the Shareholders entitled to vote on the action.

ARTICLE III  
BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors.

Section 2. Number, Tenure and Qualifications. The number of Directors of the Corporation shall be not less than one (1) nor more than nine (9); unless the Corporation, now or at any time in the future, has three (3) or more Shareholders in which case the Corporation shall have not fewer than three (3) directors; or unless the Corporation has

only two (2) Shareholders, in which case the Corporation shall have at least two (2) directors. Each Director shall hold office until the next annual meeting of Shareholders and until his successor shall have been elected and qualified. Directors need not be residents of the State of Alaska or Shareholders of the Corporation. The initial number of Directors shall be four (4).

Section 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of the Shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Alaska, for the holding of additional regular meetings without other notice than such resolution.

Section 4. Special Meetings.

(a) Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, a Vice President, the Secretary, or a Director or such person authorized to call the meeting may fix the time and place for holding the meeting, either inside or outside the State of Alaska.

(b) Notice of any special meeting shall be given at least ten (10) days prior thereto by written notice delivered personally or mailed to each Director at his business address, or at least seventy-two (72) hours before the meeting by electronic means, personal messenger, or comparable person-to-person communication. If mailed by certified mail, such notice shall be deemed to be delivered when deposited in the United States mail properly addressed, with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 5. Quorum. A majority of the presently qualified Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice; provided, further, that where there are only two Directors, both shall be necessary to constitute a quorum.

Section 6. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7. Attendance at Meetings. The Board of Directors may conduct a meeting of the Board by communicating simultaneously with each other by means of

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conference telephones or similar communications equipment and any action taken at such meeting shall not be invalidated by reason of the fact that the respective members of the Board were not assembled together in one place at the time of taking such action or conducting such business.

Section 8. Vacancies. Where a vacancy created by the removal of a Director is pursuant to AS 10.06.460 or 10.06.463, such vacancies occurring on the Board may be filled only by a vote of the Shareholders. Any other vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of Directors may be filled by election by the Board of Directors for a term of office continuing only until the next election of Directors by the Shareholders. In no case may a vacancy continue longer than six (6) months or until the next annual meeting, whichever occurs first.

Section 9. Compensation. By resolution of the Board of Directors, each Director may be paid his or her expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a stated salary as Director or a fixed sum for attendance at each meeting of the Board of Directors or both. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 10. Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his/her dissent shall be entered in the minutes of the meeting or unless he/she shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 11. Removal of Directors. Any Director may be removed with or without cause, at any time, by a vote of the Shareholders holding a majority of the shares then issued and outstanding, at any special meeting called for that purpose, or at the annual meeting. Except as otherwise prescribed by statute, a Director may be removed for cause by a vote of the majority of the entire board. Prior to vote by the Board on the question of removal of any Director for cause, such Director must be given written notice of the reasons for such action.

Section 12. Resignation. A Director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of the

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resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 13. Voting by Interested Directors. No Director may vote upon any matter in which he has an adverse or personal interest, unless such interest has been fully disclosed to the Board of Directors and the Board of Directors, by majority of vote without the interested Director voting, permits such interested Director to vote.

Section 14. Action by Directors Without a Meeting. Action required or permitted to be taken by the Board or a committee designated by the Board may be taken without a meeting on written consents, identical in consent, setting out the action taken and signed by all the members of the Board or the committee. The written consents shall be filed with the minutes. The consents have the same effect as an unanimous vote.

Section 1. Number. The officers of the Corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

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Section 5. President. The President shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present, preside at all meetings of the Shareholders and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice Presidents. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 7. The Secretary. The Secretary shall:

(a) keep the minutes of the proceedings of the Shareholders and of the Board of Directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized;

(d) keep a register of the post office address of each Shareholder which shall be furnished to the Secretary by such Shareholder;

(e) sign with the President, or a Vice President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors;

(f) have general charge of the stock transfer books of the Corporation;  
and

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(g) in general perform all duties incident to the office of the

Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. The Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Corporation;

(b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected; and

(c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the President or a Vice President certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President of the Board of Directors.

Section 10. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

ARTICLE V  
LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS AND  
AGENTS OF THE CORPORATION

Section 1. Limitation of Liability. No person shall be liable to the Corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken in good faith, as a Director, member of a Committee or Officer of the Corporation, if such person exercised or used the same degree of care and skill, including reasonable inquiry, as a prudent person would have exercised or used under the circumstances in the conduct

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of his/her own affairs. Without limitation on the foregoing, any such person shall be deemed to have exercised or used such degree of care and skill if such action were taken or omitted in reliance in good faith upon advice of counsel for the Corporation, or the books of account or other records of the Corporation, or reports or information made or furnished to the Corporation by any officials, accountants, engineers, agents or employees of the Corporation, or by an independent Certified Public Accountant or auditor, engineer, appraiser, or other expert employed by the Corporation and selected with reasonable care by the Board of Directors, by any such committee or by an authorized officer of the Corporation.

Section 2. Right of Indemnification. Each Director, member of a Committee, Officer, Agent and Employee of the Corporation, and each former director, member of a committee, officer, agent and employee of the Corporation, and any person who may have served at its request as a director, officer, agent or employee of another Corporation in which it is a creditor, and his heirs and personal representative shall be indemnified by the Corporation against all loss or damage suffered and all costs and expenses imposed upon or incurred by him in connection with or arising out of any action, suit or proceedings (whether civil or criminal in nature) in which he may be involved, to which he may be a party by reason of being or having been (or his personal representative or estate having been) such director, member of a committee, officer, agent or employee, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in performance of his duty; provided, however, that the Corporation shall be given reasonable notice of the institution of such action, suit or proceedings; and in the event the same shall be settled in whole or in part, the Corporation or its counsel shall consent to such settlement if it be determined by its counsel or found by a majority of the Board of Directors then in office and not involved in such controversy, that such settlement is to the best interest of the Corporation and that the person to be indemnified was not guilty of negligence or misconduct in performance of duty.

Indemnification (unless ordered by the court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the director,

officer, employee or committee member has met the applicable standard of conduct. This determination shall be made (a) by the Board of Directors, by a majority vote of a quorum consisting of directors who were not parties to the action or proceeding; or (b) by independent legal counsel in a written opinion, either (i) if such a quorum is not obtainable, or (ii) if a quorum of disinterested directors so requests such a written opinion; or (c) by approval of the outstanding shares.

Section 3. Rights Cumulative. The provisions of this Article V shall not be deemed exclusive or in limitation of, but shall be cumulative of and in addition to any other limitations of liability, indemnities, and rights to which such Director, member of a Committee, Officer, Agent or other person may be entitled under Alaska Statute, these

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Bylaws or pursuant to any agreement or resolution of the Board of Directors or of the Shareholders, or otherwise.

ARTICLE VI  
CONTRACTS, LOANS, CHECKS, DEPOSITS AND COMPENSATION

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VII  
CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or one of its employees. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person or entity to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled; except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

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All shares issued by the Corporation shall contain a legend on the certificates stating substantially the following:

The shares represented by this certificate have not been registered under any federal or state securities law. They have been acquired for investment and may not be transferred without an effective registration statement pursuant to such laws or an opinion of counsel satisfactory to the corporation that registration is not required.

Section 2. Transfer of Shares. Transfer of any shares of the Corporation shall be done in compliance with all federal, state and local securities laws, and any transfer of in violation thereof is void. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by its legal representative, who shall furnish proper evidence of authority to transfer filed with the Secretary

of the Corporation, and on surrender for cancellation of the certificate for such shares. The entity or person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

ARTICLE VIII  
TAXABLE YEAR AND ACCOUNTING PERIOD

The taxable year and accounting period of the Corporation shall begin on January 1 and end on December 31, unless changed by resolution of the Board of Directors.

ARTICLE IX  
DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in cash, property, or its own shares, except when the Corporation is insolvent, or when the dividend would render the Corporation insolvent, or when the dividend is contrary to restrictions contained in the Articles of Incorporation.

ARTICLE X  
CORPORATE SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of incorporation and the words "Corporate Seal."

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ARTICLE XI  
WAIVER OF NOTICE

Whenever any notice is required to be given to any Shareholder or Director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Alaska Corporation Code, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XII  
AMENDMENTS

Except as may be provided in the Articles, these Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors.

ARTICLE XIII  
EXECUTIVE COMMITTEE

Section 1. Appointment. The Board of Directors, by resolution adopted by a majority of the full board, may designate two (2) or more of its members to constitute an Executive Committee. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

Section 2. Authority. Except as limited by the Articles or AS 10.06.468, the Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee.

Section 3. Tenure and Qualifications. Each member of the Executive Committee shall hold office until the next regular annual meeting of the Board of Directors following his designation and until his successor is designated as a member of the Executive Committee and is elected and qualified.

Section 4. Meetings. Regular meetings of the Executive Committee may be held without notice at such times and places as the Executive Committee may fix from time to time by resolution. Special meetings of the Executive Committee may be called by any member thereof upon not less than five (5) days' notice, stating the place, date and hour of the meeting, which notice may be written or oral, and if mailed by certified mail, shall be deemed to be delivered when deposited in the United States mail addressed to the member of the Executive Committee at his business address, postage prepaid. Any member of the Executive Committee may waive notice of any meeting, and no notice of

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any meeting need be given to any member thereof who attends in person. The notice of a meeting of the Executive Committee need not state the business proposed to be transacted at the meeting.

Section 5. Quorum. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the Executive Committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 6. Action Without a Meeting. Any action that may be taken by the Executive Committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so to be taken, shall be signed by all of the members of the Executive Committee before such action be taken further. The Executive Committee can validly conduct a meeting by communicating simultaneously with each other by means of conference telephones or similar communications equipment.

Section 7. Vacancies. Any vacancy in the Executive Committee may be filled by a resolution adopted by a majority of the full Board of Directors.

Section 8. Resignations and Removal. Any member of the Executive Committee may be removed at any time, with or without cause, by resolution adopted by a majority of the full Board of Directors. Any member of the Executive Committee may resign from the Executive Committee at any time by giving written notice to the President or Secretary of the Corporation and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Procedure. The Executive Committee shall elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these Bylaws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its information at the meeting thereof held next after the proceedings shall have been taken.

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ARTICLE XIV  
CONDUCT OF MEETINGS

All meetings conducted under these Bylaws shall be governed in accordance with Roberts Rules of Order.

We, the undersigned, hereby certify that the foregoing Bylaws for governing the operation and management of GCI Fiber Co., Inc., were duly adopted by the Directors by unanimous written consent, effective as of July 29, 1997.

/s/  
John M. Lowber, Secretary

APPROVED:

/s/  
Ronald A. Duncan, President

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ARTICLES OF INCORPORATION

OF

GCI FIBER CO., INC.

We, the undersigned natural persons over the age of eighteen (18) years, acting as incorporators of a corporation under the Alaska Corporation Code, AS 10.06, do hereby adopt the following Articles of Incorporation for such corporation.

ARTICLE I - Name

The name of the corporation ("Corporation") is: GCI Fiber Co., Inc.

ARTICLE II - Purposes and Powers

The purposes for which the Corporation is specifically organized are the acquisition of transponders on a satellite, and the construction and operation of a fiber optic network linking certain cities in the State of Alaska with the 48 contiguous United States.

The Corporation shall have and may exercise all of the general powers of a natural person, including those provided in AS 10.06.010, as amended.

ARTICLE III - Registered Office and Agent

The address of the Corporation's registered office and the name of its registered agent is Hartig, Rhodes, Norman, Mahoney & Edwards, P.C., 717 "K" Street, Anchorage, AK 99501.

ARTICLE IV - Capital

The Corporation shall have the authority to issue ten thousand (10,000) shares of no par value stock. These shares shall be common voting shares, each share having one (1) vote.

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ARTICLE V - No Preemptive Rights

Pursuant to AS 10.06.210(a)(1)(B), no holder of any stock of the Corporation shall be entitled to purchase, subscribe for or otherwise acquire, as a matter of right, any new or additional shares of stock, of any class, in the Corporation, any options or warrants to purchase, subscribe for or otherwise acquire any new or additional shares in the Corporation, or any shares, bonds, notes, debentures, or other securities convertible into or carrying options or warrants to purchase, subscribe for or otherwise acquire any such shares.

ARTICLE VI - No Cumulative Voting

Pursuant to AS 10.06.420(d), shareholders shall not cumulate their votes, but must vote shares held by them for as many persons as there are directors to be elected.

ARTICLE VII - Power to Redeem Shares

Pursuant to AS 10.06.325, the Corporation has the power on majority vote of the shareholders, to redeem, in whole or in part, any class of outstanding shares.

ARTICLE VIII - Quorum of Shareholders

A quorum for the conducting of any shareholder business shall be fifty-one percent (51%) of all outstanding shares that are entitled to vote.

ARTICLE IX - Initial Directors

The initial number of directors of the Corporation shall be four (4). The names and addresses of the initial directors, who shall serve until the first annual meeting of shareholders or until their successors are elected and qualified are as follows:

Ronald A. Duncan  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

John M. Lowber  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

Wilson Hughes  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

Donne F. Fisher  
Tele-Communications, Inc.  
4643 S. Ulster, Suite 400  
Denver, CO 80237

The number of directors may be increased or decreased from time to time by an amendment of the Bylaws; but no decrease shall have the effect of shortening the term of any incumbent director. The directors may fill any vacancy on the board created by reason of removal or retiring of any director.

ARTICLE X - Alien Affiliates

The Corporation is not affiliated with any nonresident alien or a corporation whose place of incorporation is outside the United States (as defined in AS 10.06.990(2) and (3)).

ARTICLE XI - Liability of Directors

The directors of the Corporation shall not be liable to the Corporation for monetary damages for a breach of fiduciary duty except for:

1. A breach of a director's duty of loyalty to the Corporation;
2. Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; or
3. A transaction from which the director derives an improper personal benefit.

ARTICLE XII - Bylaws

The initial Bylaws of the Corporation shall be adopted by the Board of Directors, and the power to alter, amend or repeal the Bylaws shall be reserved to the board. The Bylaws may contain any provision for the regulation and management of the affairs of the Corporation not inconsistent with the Alaska Corporation Code or with these Articles of Incorporation.

ARTICLE XIII - Duration

The duration of the Corporation shall be perpetual.

ARTICLE XIV - Effective Date

These Articles will be effective upon filing.

ARTICLE XV - Special Provisions

1. The Corporation shall not engage in any dissolution, liquidation, merger, consolidation or sale, transfer, assignment, lease, conveyance or other disposal of all or substantially all of its property in any one transaction or series of transactions as long as any indebtedness under the Fiber Construction Facility by the Alaska United Fiber System Partnership remains outstanding, other than (a) any such transaction with or into GCI, Inc., or any of its Restricted Subsidiaries otherwise effected in accordance with the terms of that Indenture of 1997, between GCI, Inc., and the Bank of New York, as trustee ("Indenture"), (b) any such transaction with or into another Unrestricted Subsidiary and (c) any such transaction which, assuming for purposes of this clause (c) only that such Unrestricted Subsidiary were a Restricted Subsidiary, would comply with the covenant entitled "Limitation on Asset Sales" in the Indenture; provided, however, that any Net Available Cash derived therefrom may also be used to prepay, repay or purchase indebtedness under such Fiber Construction Facility.

As used herein, "Restricted Subsidiaries" means (i) any Subsidiary of GCI, Inc., on or after the issue date for the Indenture notes, unless such Subsidiary shall have been designated an Unrestricted Subsidiary as permitted or required pursuant to the definition of "Unrestricted Subsidiary" and (ii) an Unrestricted Subsidiary which is redesignated as a Restricted

Subsidiary as permitted pursuant to the definition of "Unrestricted Subsidiary."

"Subsidiary" of GCI, Inc., means any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organized or acquired, of which at least a majority of the total voting power of the voting stock is held by GCI, Inc.

"Unrestricted Subsidiary" means (a) the Corporation, GCI Satellite Co., Inc., GCI Fiber Co., Inc., Fiber Hold Co., Inc., and Alaska United Fiber System Partnership and (b) any Subsidiary of an Unrestricted Subsidiary.

"Net Available Cash" from an Asset Sale means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of indebtedness or other obligations relating to such properties or assets or received in any other non cash form) in each case net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Sale, and in each case net of all payments made on any indebtedness (a) which is secured by any assets subject to such Asset Sale, in accordance with the terms of any lien upon or other security agreement of any kind with respect to such assets, or (b) which must (1) by its terms, or in order to obtain a necessary consent to such Asset Sale (except, in the case of this clause (b), indebtedness that is pari passu with or subordinated to the Indenture notes), or (2) by applicable law be repaid out of the proceeds from such Asset Sale, and net of all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale.

"Asset Sale" means any transfer, conveyance, sale, lease or other disposition (including, without limitation, dispositions pursuant to any consolidation or merger or a sale and leaseback transaction) by the Corporation in any single transaction or series of transactions of (a) shares of capital stock or other ownership interests in another person (including capital stock of Unrestricted Subsidiaries); or (b) any other property of the Corporation; provided, however, that the term "Asset Sale" shall not include: (i) the sale or transfer of temporary cash investments, inventory, accounts

receivable or other property (including, without limitation, the lease of excess satellite transponder capacity and the lease of excess fiber capacity) in the ordinary course of business; (ii) the liquidation of property received in settlement of debts owing to the Corporation as a result of foreclosure, perfection or enforcement of any lien or debt, which debts were owing to the Corporation in the ordinary course of business; (iii) the sale or transfer of any property by the Corporation or to any of the Restricted Subsidiaries; (iv) a disposition in the form of a restricted payment permitted to be made pursuant to "--Certain Covenants--Limitation on Restricted Payments" in the Indenture; or (v) a disposition (taken together with any other dispositions in a single transaction or series of related transactions) with a fair market value and a sale price of less than \$5 million.

2. The Corporation's board of directors shall consist of not less than one outside director.

IN WITNESS WHEREOF, I have signed these Articles this 22 day of July, 1997.

/s/  
Robert B. Flint

IN WITNESS WHEREOF, I have signed these Articles this 22nd day of July, 1997.

/s/  
Bonnie J. Paskvan

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

Robert B. Flint says on oath or affirms that he has read the foregoing Articles of Incorporation of GCI Fiber Co., Inc., and believes all statements made in the document are true and correct.

/s/  
Notary Public in and for the  
State of Alaska

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STATE OF ALASKA                    )  
  ) ss.  
THIRD JUDICIAL DISTRICT         )

Bonnie J. Paskvan says on oath or affirms that she has read the foregoing Articles of Incorporation of GCI Fiber Co., Inc., and believes all statements made in the document are true and correct.

/s/  
Notary Public in and for the  
State of Alaska  
My commission expires: 4-11-2001

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BYLAWS  
OF  
GCI SATELLITE CO., INC.

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ARTICLE I  
OFFICES

The principal office of GCI Satellite Co., Inc. (the "Corporation") shall be located in Anchorage, Alaska. The Corporation may have such other offices, either within or without the State of Alaska, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

The registered office of the Corporation required by the Alaska Corporations Code to be maintained in the State of Alaska may be, but need not be, identical with the principal office in the State of Alaska, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II  
SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting. The annual meeting of the Shareholders shall be held in the month of June of each year, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the election of Directors shall not be held on the day designated for the annual meeting of the Shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Shareholders as soon thereafter as it conveniently may be held.

(a) Meetings of the Shareholders shall be presided over by the President or by any officer or Director or person selected at any time by the President to act as Chairman, or if he is not present or available or makes no selection, then by the Chairman of the Board of Directors. If neither the President nor the Chairman of the Board of Directors is present and no selection has been made, a Chairman should be chosen by a majority in interest of the Shareholders present in person or by proxy at the meeting and entitled to vote thereat.

(b) The Secretary of the meeting shall be the Secretary of the Corporation or an Assistant Secretary, or if none of such officers is present, any person appointed by the Chairman of the meeting.

Section 2. Special Meetings. Special meetings of the Shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting.

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Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Alaska, as the place of meeting called by the Board of Directors. A waiver of notice signed by all Shareholders entitled to vote at a meeting may designate any place, either within or without the State of Alaska, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Alaska.

Section 4. Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty (20) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the persons calling the meeting, to each Shareholder of record entitled to vote at

such meeting. If mailed, the notice is considered delivered when deposited with postage prepaid in the United States mail addressed to the shareholder at the address of the shareholder as it appears on the stock transfer book of the corporation, or, if the shareholder has filed with the secretary of the corporation a written request that notice be mailed to a different address, addressed to the shareholder at the new address.

Section 5. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining Shareholders entitled to notice of or to vote at any meeting of Shareholders or any adjournment thereof, or Shareholders entitled to receive payment of a dividend, or in order to make a determination of Shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, seventy (70) days. If the stock transfer books shall be closed for the purpose of determining Shareholders entitled to notice of or to vote at a meeting of Shareholders, such books shall be closed for at least twenty (20) days immediately preceding such meeting.

Instead of closing the stock transfer books, the Board of Directors may fix a date as the record date for any such determination of Shareholders. This record date shall be not more than sixty (60) days, and in case of a meeting of Shareholders not less than twenty (20) days, prior to the date on which the particular action requiring such determination of Shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of Shareholders entitled to notice of or to vote at a meeting of Shareholders, or Shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring the dividend is adopted is, as the case may be, the record date for the determination of Shareholders. When a determination of Shareholders entitled to vote at any meeting of Shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

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Section 6. Voting Lists. At least twenty (20) days before each meeting of the Shareholders, the officer or agent having charge of the stock transfer books for shares of the Corporation shall make a complete list of the Shareholders entitled to vote at each meeting of Shareholders or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be kept on file at the registered office of the corporation and is subject to inspection by a Shareholder or the agent or attorney of a Shareholder at any time during the usual business hours for a period of twenty (20) days before the meeting. Such list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Shareholder during the whole time of the meeting.

Section 7. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Shareholders. If a quorum is present, the affirmative vote of the majority of shares represented at the meeting and entitled to vote on the subject matter is the act of the Shareholders unless the vote of a greater number or voting by class is required by the articles of incorporation, bylaws or the Alaska Corporations Code.

The Shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken other than adjournment is approved by at least a majority of shares required to constitute a quorum.

If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Proxies. At all meetings of Shareholders, a Shareholder may vote in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. A proxy continues in full force and effect until revoked by the person executing it, however, no proxy shall be valid after eleven (11) months from the date of its execution, unless such proxy qualifies as an irrevocable proxy as defined within AS 10.06.418(e).

Section 9. Voting of Shares. An outstanding share, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of Shareholders, except as may be otherwise provided in the articles of incorporation.

Section 10. Voting of Shares by Certain Holders.

(a) Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provisions, as the board of directors of such corporation may determine.

(b) Shares held by an administrator, executor, guardian or conservator may be voted by such person, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

(c) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer into his name if authority to transfer the shares is contained in an appropriate order of the court by which such receiver was appointed.

(d) A Shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(e) Neither treasury shares, nor shares of its own stock held by the Corporation in a fiduciary capacity, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of the other corporation is held by the Corporation, may be voted at a meeting or counted in determining the total number of outstanding shares.

Section 11. Informal Action by Shareholders. Any action required to be taken at a meeting of the Shareholders, or any other action which may be taken at a meeting of the Shareholders, may be taken without a meeting by written consent, identical in content setting out the action taken, signed by all of the Shareholders entitled to vote on the action.

ARTICLE III  
BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors.

Section 2. Number, Tenure and Qualifications. The number of Directors of the Corporation shall be not less than one (1) nor more than nine (9); unless the Corporation, now or at any time in the future, has three (3) or more Shareholders in which case the Corporation shall have not fewer than three (3) directors; or unless the Corporation has

only two (2) Shareholders, in which case the Corporation shall have at least two (2) directors. Each Director shall hold office until the next annual meeting of Shareholders and until his successor shall have been elected and qualified. Directors need not be residents of the State of Alaska or Shareholders of the Corporation. The initial number of Directors shall be four (4).

Section 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of the Shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Alaska, for the holding of additional regular meetings without other notice than such resolution.

Section 4. Special Meetings.

(a) Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, a Vice President, the Secretary, or a Director or such person authorized to call the meeting may fix the time and place for holding the meeting, either inside or outside the State of Alaska.

(b) Notice of any special meeting shall be given at least ten (10) days prior thereto by written notice delivered personally or mailed to each Director at his business address, or at least seventy-two (72) hours before the meeting by electronic means, personal messenger, or comparable person-to-person communication. If mailed by certified mail, such notice shall be deemed to be delivered when deposited in the United States mail properly addressed, with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 5. Quorum. A majority of the presently qualified Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice; provided, further, that where there are only two Directors, both shall be necessary to constitute a quorum.

Section 6. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7. Attendance at Meetings. The Board of Directors may conduct a meeting of the Board by communicating simultaneously with each other by means of

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conference telephones or similar communications equipment and any action taken at such meeting shall not be invalidated by reason of the fact that the respective members of the Board were not assembled together in one place at the time of taking such action or conducting such business.

Section 8. Vacancies. Where a vacancy created by the removal of a Director is pursuant to AS 10.06.460 or 10.06.463, such vacancies occurring on the Board may be filled only by a vote of the Shareholders. Any other vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of Directors may be filled by election by the Board of Directors for a term of office continuing only until the next election of Directors by the Shareholders. In no case may a vacancy continue longer than six (6) months or until the next annual meeting, whichever occurs first.

Section 9. Compensation. By resolution of the Board of Directors, each Director may be paid his or her expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a stated salary as Director or a fixed sum for attendance at each meeting of the Board of Directors or both. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 10. Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his/her dissent shall be entered in the minutes of the meeting or unless he/she shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 11. Removal of Directors. Any Director may be removed with or without cause, at any time, by a vote of the Shareholders holding a majority of the shares then issued and outstanding, at any special meeting called for that purpose, or at the annual meeting. Except as otherwise prescribed by statute, a Director may be removed for cause by a vote of the majority of the entire board. Prior to vote by the Board on the question of removal of any Director for cause, such Director must be given written notice of the reasons for such action.

Section 12. Resignation. A Director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of the

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resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 13. Voting by Interested Directors. No Director may vote upon any matter in which he has an adverse or personal interest, unless such interest has been fully disclosed to the Board of Directors and the Board of Directors, by majority of vote without the interested Director voting, permits such interested Director to vote.

Section 14. Action by Directors Without a Meeting. Action required or permitted to be taken by the Board or a committee designated by the Board may be taken without a meeting on written consents, identical in consent, setting out the action taken and signed by all the members of the Board or the committee. The written consents shall be filed with the minutes. The consents have the same effect as an unanimous vote.

Section 1. Number. The officers of the Corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary.

Section 2. Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

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Section 5. President. The President shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present, preside at all meetings of the Shareholders and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice Presidents. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 7. The Secretary. The Secretary shall:

(a) keep the minutes of the proceedings of the Shareholders and of the Board of Directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized;

(d) keep a register of the post office address of each Shareholder which shall be furnished to the Secretary by such Shareholder;

(e) sign with the President, or a Vice President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors;

(f) have general charge of the stock transfer books of the Corporation;  
and

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(g) in general perform all duties incident to the office of the

Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. The Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Corporation;

(b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected; and

(c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the President or a Vice President certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President of the Board of Directors.

Section 10. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

ARTICLE V  
LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS AND  
AGENTS OF THE CORPORATION

Section 1. Limitation of Liability. No person shall be liable to the Corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken in good faith, as a Director, member of a Committee or Officer of the Corporation, if such person exercised or used the same degree of care and skill, including reasonable inquiry, as a prudent person would have exercised or used under the circumstances in the conduct

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of his/her own affairs. Without limitation on the foregoing, any such person shall be deemed to have exercised or used such degree of care and skill if such action were taken or omitted in reliance in good faith upon advice of counsel for the Corporation, or the books of account or other records of the Corporation, or reports or information made or furnished to the Corporation by any officials, accountants, engineers, agents or employees of the Corporation, or by an independent Certified Public Accountant or auditor, engineer, appraiser, or other expert employed by the Corporation and selected with reasonable care by the Board of Directors, by any such committee or by an authorized officer of the Corporation.

Section 2. Right of Indemnification. Each Director, member of a Committee, Officer, Agent and Employee of the Corporation, and each former director, member of a committee, officer, agent and employee of the Corporation, and any person who may have served at its request as a director, officer, agent or employee of another Corporation in which it is a creditor, and his heirs and personal representative shall be indemnified by the Corporation against all loss or damage suffered and all costs and expenses imposed upon or incurred by him in connection with or arising out of any action, suit or proceedings (whether civil or criminal in nature) in which he may be involved, to which he may be a party by reason of being or having been (or his personal representative or estate having been) such director, member of a committee, officer, agent or employee, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in performance of his duty; provided, however, that the Corporation shall be given reasonable notice of the institution of such action, suit or proceedings; and in the event the same shall be settled in whole or in part, the Corporation or its counsel shall consent to such settlement if it be determined by its counsel or found by a majority of the Board of Directors then in office and not involved in such controversy, that such settlement is to the best interest of the Corporation and that the person to be indemnified was not guilty of negligence or misconduct in performance of duty.

Indemnification (unless ordered by the court) shall be made by the Corporation only as authorized in the specific case upon a determination

that indemnification is proper in the circumstances because the director, officer, employee or committee member has met the applicable standard of conduct. This determination shall be made (a) by the Board of Directors, by a majority vote of a quorum consisting of directors who were not parties to the action or proceeding; or (b) by independent legal counsel in a written opinion, either (i) if such a quorum is not obtainable, or (ii) if a quorum of disinterested directors so requests such a written opinion; or (c) by approval of the outstanding shares.

Section 3. Rights Cumulative. The provisions of this Article V shall not be deemed exclusive or in limitation of, but shall be cumulative of and in addition to any other limitations of liability, indemnities, and rights to which such Director, member of a Committee, Officer, Agent or other person may be entitled under Alaska Statute, these

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Bylaws or pursuant to any agreement or resolution of the Board of Directors or of the Shareholders, or otherwise.

ARTICLE VI  
CONTRACTS, LOANS, CHECKS, DEPOSITS AND COMPENSATION

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VII  
CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or one of its employees. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person or entity to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled; except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

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All shares issued by the Corporation shall contain a legend on the certificates stating substantially the following:

The shares represented by this certificate have not been registered under any federal or state securities law. They have been acquired for investment and may not be transferred without an effective registration statement pursuant to such laws or an opinion of counsel satisfactory to the corporation that registration is not required.

Section 2. Transfer of Shares. Transfer of any shares of the Corporation shall be done in compliance with all federal, state and local securities laws, and any transfer of in violation thereof is void. Transfer of shares of the Corporation shall be made only on the stock transfer books of the

Corporation by the holder of record thereof or by its legal representative, who shall furnish proper evidence of authority to transfer filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The entity or person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

ARTICLE VIII  
TAXABLE YEAR AND ACCOUNTING PERIOD

The taxable year and accounting period of the Corporation shall begin on January 1 and end on December 31, unless changed by resolution of the Board of Directors.

ARTICLE IX  
DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in cash, property, or its own shares, except when the Corporation is insolvent, or when the dividend would render the Corporation insolvent, or when the dividend is contrary to restrictions contained in the Articles of Incorporation.

ARTICLE X  
CORPORATE SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of incorporation and the words "Corporate Seal."

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ARTICLE XI  
WAIVER OF NOTICE

Whenever any notice is required to be given to any Shareholder or Director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Alaska Corporation Code, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XII  
AMENDMENTS

Except as may be provided in the Articles, these Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors.

ARTICLE XIII  
EXECUTIVE COMMITTEE

Section 1. Appointment. The Board of Directors, by resolution adopted by a majority of the full board, may designate two (2) or more of its members to constitute an Executive Committee. The designation of such committee and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

Section 2. Authority. Except as limited by the Articles or AS 10.06.468, the Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee.

Section 3. Tenure and Qualifications. Each member of the Executive Committee shall hold office until the next regular annual meeting of the Board of Directors following his designation and until his successor is designated as a member of the Executive Committee and is elected and qualified.

Section 4. Meetings. Regular meetings of the Executive Committee may be held without notice at such times and places as the Executive Committee may fix from time to time by resolution. Special meetings of the Executive Committee may be called by any member thereof upon not less than five (5) days' notice, stating the place, date and hour of the meeting, which notice may be written or oral, and if mailed by certified mail, shall be deemed to be delivered when deposited in the United States mail addressed to the member of the Executive Committee at his business address, postage prepaid. Any member of the Executive Committee may waive notice of any meeting, and no notice of

notice of a meeting of the Executive Committee need not state the business proposed to be transacted at the meeting.

Section 5. Quorum. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the Executive Committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 6. Action Without a Meeting. Any action that may be taken by the Executive Committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so to be taken, shall be signed by all of the members of the Executive Committee before such action be taken further. The Executive Committee can validly conduct a meeting by communicating simultaneously with each other by means of conference telephones or similar communications equipment.

Section 7. Vacancies. Any vacancy in the Executive Committee may be filled by a resolution adopted by a majority of the full Board of Directors.

Section 8. Resignations and Removal. Any member of the Executive Committee may be removed at any time, with or without cause, by resolution adopted by a majority of the full Board of Directors. Any member of the Executive Committee may resign from the Executive Committee at any time by giving written notice to the President or Secretary of the Corporation and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Procedure. The Executive Committee shall elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these Bylaws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its information at the meeting thereof held next after the proceedings shall have been taken.

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ARTICLE XIV  
CONDUCT OF MEETINGS

All meetings conducted under these Bylaws shall be governed in accordance with Roberts Rules of Order.

We, the undersigned, hereby certify that the foregoing Bylaws for governing the operation and management of GCI Satellite Co., Inc., were duly adopted by the Directors by unanimous written consent, effective as of July 29, 1997.

/s/  
John M. Lowber, Secretary

APPROVED:

/s/  
Ronald A. Duncan, President

ARTICLES OF INCORPORATION  
OF  
GCI SATELLITE CO., INC.

We, the undersigned natural persons over the age of eighteen (18) years, acting as incorporators of a corporation under the Alaska Corporation Code, AS 10.06, do hereby adopt the following Articles of Incorporation for such corporation.

ARTICLE I - Name

The name of the corporation ("Corporation") is: GCI SATELLITE Co., Inc.

ARTICLE II - Purposes and Powers

The purposes for which the Corporation is specifically organized are the acquisition of transponders on a satellite, and the construction and operation of a fiber optic network linking certain cities in the State of Alaska with the 48 contiguous United States.

The Corporation shall have and may exercise all of the general powers of a natural person, including those provided in AS 10.06.010, as amended.

ARTICLE III - Registered Office and Agent

The address of the Corporation's registered office and the name of its registered agent is Hartig, Rhodes, Norman, Mahoney & Edwards, P.C., 717 "K" Street, Anchorage, AK 99501.

ARTICLE IV - Capital

The Corporation shall have the authority to issue ten thousand (10,000) shares of no par value stock. These shares shall be common voting shares, each share having one (1) vote.

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ARTICLE V - No Preemptive Rights

Pursuant to AS 10.06.210(a)(1)(B), no holder of any stock of the Corporation shall be entitled to purchase, subscribe for or otherwise acquire, as a matter of right, any new or additional shares of stock, of any class, in the Corporation, any options or warrants to purchase, subscribe for or otherwise acquire any new or additional shares in the Corporation, or any shares, bonds, notes, debentures, or other securities convertible into or carrying options or warrants to purchase, subscribe for or otherwise acquire any such shares.

ARTICLE VI - No Cumulative Voting

Pursuant to AS 10.06.420(d), shareholders shall not cumulate their votes, but must vote shares held by them for as many persons as there are directors to be elected.

ARTICLE VII - Power to Redeem Shares

Pursuant to AS 10.06.325, the Corporation has the power on majority vote of the shareholders, to redeem, in whole or in part, any class of outstanding shares.

ARTICLE VIII - Quorum of Shareholders

A quorum for the conducting of any shareholder business shall be fifty-one percent (51%) of all outstanding shares that are entitled to vote.

ARTICLE IX - Initial Directors

The initial number of directors of the Corporation shall be four (4). The names and addresses of the initial directors, who shall serve until the first annual meeting of shareholders or until their successors are elected and qualified are as follows:

Ronald A. Duncan  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

John M. Lowber  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

Wilson Hughes  
2550 Denali Street, Suite 1000  
Anchorage, AK 99503

Donne F. Fisher  
Tele-Communications, Inc.  
4643 S. Ulster, Suite 400  
Denver, CO 80237

The number of directors may be increased or decreased from time to time by an amendment of the Bylaws; but no decrease shall have the effect of shortening the term of any incumbent director. The directors may fill any vacancy on the board created by reason of removal or retiring of any director.

ARTICLE X - Alien Affiliates

The Corporation is not affiliated with any nonresident alien or a corporation whose place of incorporation is outside the United States (as defined in AS 10.06.990(2) and (3)).

ARTICLE XI - Liability of Directors

The directors of the Corporation shall not be liable to the Corporation for monetary damages for a breach of fiduciary duty except for:

1. A breach of a director's duty of loyalty to the Corporation;
2. Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; or
3. A transaction from which the director derives an improper personal benefit.

ARTICLE XII - Bylaws

The initial Bylaws of the Corporation shall be adopted by the Board of Directors, and the power to alter, amend or repeal the Bylaws shall be reserved to the board. The Bylaws may contain any provision for the regulation and management of the affairs of the Corporation not inconsistent with the Alaska Corporation Code or with these Articles of Incorporation.

ARTICLE XIII - Duration

The duration of the Corporation shall be perpetual.

ARTICLE XIV - Effective Date

These Articles will be effective upon filing.

ARTICLE XV - Special Provisions

1. The Corporation shall not engage in any dissolution, liquidation, merger, consolidation or sale, transfer, assignment, lease, conveyance or other disposal of all or substantially all of its property in any one transaction or series of transactions as long as any indebtedness under the Fiber Construction Facility by the Alaska United Fiber System Partnership remains outstanding, other than (a) any such transaction with or into GCI, Inc., or any of its Restricted Subsidiaries otherwise effected in accordance with the terms of that Indenture of 1997, between GCI, Inc., and the Bank of New York, as trustee ("Indenture"), (b) any such transaction with or into another Unrestricted Subsidiary and (c) any such transaction which, assuming for purposes of this clause (c) only that such Unrestricted Subsidiary were a Restricted Subsidiary, would comply with the covenant entitled "Limitation on Asset Sales" in the Indenture; provided, however, that any Net Available Cash derived therefrom may also be used to prepay, repay or purchase indebtedness under such Fiber Construction Facility.

As used herein, "Restricted Subsidiaries" means (i) any Subsidiary of GCI, Inc., on or after the issue date for the Indenture notes, unless such Subsidiary shall have been designated an Unrestricted Subsidiary as permitted or required pursuant to the definition of "Unrestricted Subsidiary" and (ii) an Unrestricted Subsidiary which is redesignated as a Restricted

Subsidiary as permitted pursuant to the definition of "Unrestricted Subsidiary."

"Subsidiary" of GCI, Inc., means any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organized or acquired, of which at least a majority of the total voting power of the voting stock is held by GCI, Inc.

"Unrestricted Subsidiary" means (a) the Corporation, GCI Satellite Co., Inc., GCI Fiber Co., Inc., Fiber Hold Co., Inc., and Alaska United Fiber System Partnership and (b) any Subsidiary of an Unrestricted Subsidiary.

"Net Available Cash" from an Asset Sale means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of indebtedness or other obligations relating to such properties or assets or received in any other non cash form) in each case net of all legal, title and recording tax expenses, commissions and other fees and expenses incurred, and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Sale, and in each case net of all payments made on any indebtedness (a) which is secured by any assets subject to such Asset Sale, in accordance with the terms of any lien upon or other security agreement of any kind with respect to such assets, or (b) which must (1) by its terms, or in order to obtain a necessary consent to such Asset Sale (except, in the case of this clause (b), indebtedness that is pari passu with or subordinated to the Indenture notes), or (2) by applicable law be repaid out of the proceeds from such Asset Sale, and net of all distributions and other payments required to be made to minority interest holders in Subsidiaries or joint ventures as a result of such Asset Sale.

"Asset Sale" means any transfer, conveyance, sale, lease or other disposition (including, without limitation, dispositions pursuant to any consolidation or merger or a sale and leaseback transaction) by the Corporation in any single transaction or series of transactions of (a) shares of capital stock or other ownership interests in another person (including capital stock of Unrestricted Subsidiaries); or (b) any other property of the Corporation; provided, however, that the term "Asset Sale" shall not include: (i) the sale or transfer of temporary cash investments, inventory, accounts

receivable or other property (including, without limitation, the lease of excess satellite transponder capacity and the lease of excess fiber capacity) in the ordinary course of business; (ii) the liquidation of property received in settlement of debts owing to the Corporation as a result of foreclosure, perfection or enforcement of any lien or debt, which debts were owing to the Corporation in the ordinary course of business; (iii) the sale or transfer of any property by the Corporation or to any of the Restricted Subsidiaries; (iv) a disposition in the form of a restricted payment permitted to be made pursuant to "--Certain Covenants--Limitation on Restricted Payments" in the Indenture; or (v) a disposition (taken together with any other dispositions in a single transaction or series of related transactions) with a fair market value and a sale price of less than \$5 million.

2. The Corporation's board of directors shall consist of not less than one outside director.

IN WITNESS WHEREOF, I have signed these Articles this 22 day of July, 1997.

/s/  
Robert B. Flint

IN WITNESS WHEREOF, I have signed these Articles this 22nd day of July, 1997.

/s/  
Bonnie J. Paskvan

STATE OF ALASKA )  
 ) ss.  
THIRD JUDICIAL DISTRICT )

Robert B. Flint says on oath or affirms that he has read the foregoing Articles of Incorporation of GCI Satellite Co., Inc., and believes all statements made in the document are true and correct.

/s/  
Notary Public in and for the State  
of Alaska

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STATE OF ALASKA                    )  
  ) ss.  
THIRD JUDICIAL DISTRICT         )

Bonnie J. Paskvan says on oath or affirms that she has read the foregoing Articles of Incorporation of GCI Satellite Co., Inc., and believes all statements made in the document are true and correct.

/s/  
Notary Public in and for the State  
of Alaska  
My commission expires: 4-11-2001

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## PARTNERSHIP AGREEMENT

THIS PARTNERSHIP AGREEMENT ("Agreement") is made effective as of the 29th day of July, 1997, by and between GCI FIBER CO., INC., of 2550 Denali Street, Suite 1000, Anchorage, AK 99503-2781 and FIBER HOLD CO., INC., of 2550 Denali Street, Suite 1000, Anchorage, AK 99503-2781 (collectively, the "Partners" and individually, a "Partner").

## 1. NAME.

The parties hereby form a partnership under the name Alaska United Fiber System Partnership, as an Alaska General Partnership, under the Alaska Uniform Partnership Act, A.S. 32.05 (the "Partnership").

## 2. TERM.

The Partnership shall commence on the 1st day of August, 1997, and shall continue until terminated under the provisions of this Agreement.

## 3. PURPOSE.

The Partnership's purpose is limited to conducting the business contemplated by the Fiber Construction Agreements (as defined below), which include the Construction and Term Loan Facility, by and among Credit Lyonnais New York Branch, NationsBank of Texas, N.A. and Toronto Dominion (USA) Inc. (collectively, the "Fiber Construction Facility Banks"), as agents, certain lenders and the Partnership ("Fiber Construction Facility"), for the financing of an undersea fiber optic cable connecting Anchorage, Fairbanks and Juneau, Alaska with the contiguous United States ("System"); the Completion Guarantee between GCI Holdings, Inc., and the Partnership, for the advancement of funds for the construction of the System; the Operating Keep-Well

Agreement between GCI Holdings, Inc., and the Partnership, for the advancement of funds for (i) any operating expenses, including interest and principal payments on Indebtedness, in excess of the Partnership's Revenues, and (ii) any unpaid amount on the Fiber Construction Facility when due at stated maturity or upon acceleration, the Operating Keep-Well Agreement between GCI Transport Co., Inc., and the Partnership, for the advancement of funds for the same purposes as the Operating Keep-Well Agreement with GCI Holdings, Inc.; the Operating and Maintenance Contract between GCI Communication Corp. and the Partnership, for the operation and maintenance of the System; and the Lease Contract and related guarantee by and among GCI Communication Corp., as lessee, and GCI Holdings, Inc., as guarantor, and the Partnership, as lessor, for a lease of up to forty-five (45%) percent of the System's output capacity. All of the above agreements, collectively, comprise the "Fiber Construction Agreements," all as set forth therein and as may be amended, supplemented or modified from time-to-time.

## 4. LOCATION OF PRINCIPAL OFFICE.

(a) The principal office of the business shall be located at Anchorage, Alaska, and the Partners may establish additional offices at such other place or places as the Partners deem desirable.

(b) The registered agent for the Partnership shall be Hartig, Rhodes, Norman, Mahoney & Edwards, P.C., 717 K Street, Anchorage, AK 99501-3397.

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## 5. CAPITAL; PROFIT AND LOSS.

(a) It is understood and agreed that all working capital of the Partnership shall be contributed by the Partners in proportion to the respective interests of each in the capital accounts of the Partnership.

(b) The original contribution of each Partner to the Partnership capital is:

Fiber Hold Co., Inc.	\$ 500.00
GCI Fiber Co., Inc.	\$ 500.00
TOTAL:	\$1,000.00

(c) An individual capital account shall be maintained for each Partner. The capital account shall consist of the Partner's original capital contribution increased by additional contributions to capital and decreased by its share of Partnership losses and by distributions to it in reduction of its capital.

(d) No interest shall be paid to any Partner on any contribution to capital so long as the contributions are in proportion to its interest in the Partnership.

(e) If any Partner, pursuant to the request of the other Partners, contributes capital to the Partnership, otherwise than as provided in Section 5(b), such contribution shall be considered as a loan to the Partnership, and the contributing Partner shall be entitled to ten and one half

percent (10.5%) interest, or such other percent of interest as shall be agreed upon in writing by the Partners, on such contributions, until such contributions have been repaid. Such loans shall be repaid by the Partnership upon demand by the contributing Partner. If any Partner is required by the Partnership's creditors to pay any of the Partnership's debts with such Partner's own separate assets, thereby contributing capital to the Partnership, it shall be considered as being made

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pursuant to request of the other Partners for the purpose of this Section. All such loans shall, at the contributing Partner's option, be evidenced by demand notes.

(f) If those Partners holding a majority of the capital interests of the Partnership agree that each Partner shall increase its capital contribution to the Partnership, each Partner must increase its capital contribution or suffer a proportionate diminishment of its capital account.

(g) The Partnership's profits and losses shall be allocated to the Partners in proportion to their respective capital accounts.

6. GENERAL MANAGER.

Once each year a General Manager of the Partnership shall be elected by a vote of the Partners who own a majority in interest of the total capital accounts of all Partners. The General Manager shall have physical possession of the Partnership's books, records, deeds and papers. It shall give such notices to the Partners as may from time to time be required or deemed advisable and shall perform the Partnership's necessary administrative functions.

7. MEETINGS.

Regular meetings of the Partnership shall be held at least one (1) time each year or more often as determined by the Partnership. Notice of the time and place of these regular meetings shall be given in writing by the General Manager to each Partner at least three (3) days before such meeting. Special meetings may be called by the General Manager on such notice as it may determine.

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8. BOOKS AND RECORDS.

Adequate accounting records of all Partnership business shall be kept and these shall be open to inspection by any of the Partners at all reasonable times. The Partnership shall maintain its accounting records and shall report for income tax purposes on the accrual basis of accounting. At the end of each year, the General Manager or its agent shall furnish a complete accounting of the Partnership's affairs to each Partner, together with such appropriate information as may be required by each Partner for the purpose of preparing its income tax return for that year.

9. MANAGEMENT.

Each Partner shall have an equal voice in the management of the Partnership's business. No Partner shall receive any compensation for services rendered to the Partnership, unless otherwise agreed in writing by all the Partners.

10. ADDITIONAL PARTNERS.

Additional persons may be admitted as Partners only with the unanimous consent of all Partners.

11. ANNUAL ACCOUNT AND VALUATION.

As soon as practicable after the end of each year, the General Manager shall prepare a general account and valuation, considering the Partnership's stock in trade, credits, property, effects, debts, assets and liabilities, and all transactions and matters usually comprehended in a general account. Such account and valuation shall be reviewed, agreed to and signed by all the Partners, and, when so signed, shall be binding on all the Partners, except that, if any manifest error be detected and pointed out by any

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Partner to the others within thirty (30) days after such signature, such error shall be promptly corrected.

Immediately after the signing of such account and valuation, the Partners shall vote on the withdrawal of all or any part of the net profits of the business for the previous year.

12. WITHDRAWAL.

A Partner may withdraw from the Partnership upon giving written notice to all other Partners in accordance with the provisions of

Section 20. Such withdrawal shall be effective one hundred twenty (120) days from the date of notice. For a period of sixty (60) days from the date of notice, the other Partner shall have the option, on behalf of the Partnership or on their own proportionate behalves, to purchase the Partnership interest of the withdrawing Partner. The exercise of such option must be in writing. If the option is properly exercised closing shall take place one hundred twenty (120) days from the date of notice to withdraw ("Closing Date"). Payment of the Purchase Price (as defined in Section 13) shall be in cash. If the other Partners do not exercise such option to purchase, the Partnership shall be terminated and dissolved in accordance with the provisions of Section 16.

13. PURCHASE PRICE.

(a) The purchase price of a Partner's interest in the Partnership under Section 11 shall be equal to that Partner's pro-rata share, based on its then-current capital account balance) of the last valuation signed and agreed to as provided in Section 11 ("Purchase Price"); said valuation shall be final and binding on all Partners.

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(b) It is the Partners' intention that all amounts payable under this Section to a withdrawing Partner shall be considered payments made in liquidation of the interest of the withdrawing Partner in accordance with ss. 736(b) of the Internal Revenue Code and not payment of income under ss. 736(a) of the Internal Revenue Code, as may be amended from time-to-time.

14. ALTERNATE PAYMENT OF PURCHASE PRICE UPON WITHDRAWAL.

The Purchase Price due from the Partnership or each purchasing Partner, as the case may be ("Purchaser"), at the election of the Purchaser and in lieu of payment in full at the time of purchase of the withdrawing Partner's interest, may be paid to said withdrawing Partner as follows:

(a) Twenty percent (20%) in cash on the Closing Date;and,

(b) the balance by the execution and delivery of a promissory note dated as of the Closing Date, in the principal amount of the unpaid portion of the Purchase Price, payable with interest at ten and one half percent (10.5%) per annum, in equal monthly installments over five (5) years from the Closing Date. Such note shall provide for the privilege of prepayment at any time without penalty, and shall recite that any remaining installments shall be accelerated and due at the option of the holder if all or part of the principal or interest due on such note remains unpaid for fifteen (15) days after it becomes due.

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15. CONTINUATION.

If the Partnership interest of a withdrawing Partner is purchased in accordance with an option to purchase granted under the provisions of Section 12, the Partnership shall not terminate but shall continue, after an appropriate adjustment is made in the capital accounts of the remaining Partners, in accordance with the provisions of this Agreement.

16. DISSOLUTION.

The Partnership may be dissolved and terminated upon the vote or agreement of Partners who own a majority of the amount of the Partnership's capital accounts. The Partnership shall be dissolved and terminated upon the failure of the Partnership and the remaining Partners to exercise an option to purchase granted under the provisions of Section 12. Upon such dissolution, the Partners shall promptly wind up the Partnership's affairs and by distributing all remaining assets in cash or in kind, or partly in cash and partly in kind, to the Partners, in the ratio of their respective capital accounts on the date of dissolution.

17. RESTRICTIONS ON PARTNERS.

No Partner, without the consent of all other Partners, shall:

(a) Sell, assign, mortgage, grant a security interest, or pledge its interest in the Partnership, except in connection with the Fiber Construction Agreements;

(b) Borrow or lend money on behalf of the Partnership, except as set forth in the Fiber Construction Agreements;

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(c) Assign, transfer, pledge, compromise, or release any claim of the Partnership except for full payment; or arbitrate, or consent to the arbitration of any of its disputes or controversies;

(d) Use the Partnership's name, credit, or property for any

purpose other than a proper Partnership purpose;

(e) Do any act detrimental to the Partnership business or which would make it impossible to carry on that business.

18. INDEMNITY.

The Partnership shall indemnify and hold all withdrawing Partners harmless from all of the Partnership's obligations and debts where such withdrawing Partner may be jointly or severally liable thereon, accrued or incurred during the term of the Partnership.

19. BANKING.

All funds of the Partnership are to be deposited in its name and in such checking account or accounts as shall be designated by a majority of the Partners or by the General Manager, if such authority shall be delegated to it.

20. NOTICES.

All notices required or permitted to be given under the terms of this Agreement shall be made in writing personally delivered to the addressee or sent by certified mail, postage prepaid, to the addressee at the address first listed above, or to such other address as a party, from time to time, may furnish in writing.

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21. AMENDMENTS.

This Agreement may be amended only upon the written consent of all Partners.

22. SPECIAL PROVISIONS.

(a) The Partnership shall not engage in any dissolution, liquidation, merger, consolidation or sale, transfer, assignment, lease, conveyance or other disposal of all or substantially all of its property in any one transaction or series of transactions as long as any indebtedness under the Fiber Construction Facility remains outstanding, other than (a) any such transaction with or into GCI, Inc., or any of its Restricted Subsidiaries otherwise effected in accordance with the terms of that Indenture of 1997, between GCI, Inc., and the Bank of New York, as trustee ("Indenture"), (b) any such transaction with or into another Unrestricted Subsidiary and (c) any such transaction which, assuming for purposes of this clause (c) only that such Unrestricted Subsidiary were a Restricted Subsidiary, would comply with the covenant entitled "Limitation on Asset Sales" in the Indenture; provided, however, that any Net Available Cash derived therefrom may also be used to prepay, repay or purchase indebtedness under such Fiber Construction Facility.

As used herein, "Restricted Subsidiaries" means (i) any Subsidiary of GCI, Inc., on or after the issue date for the Indenture notes, unless such Subsidiary shall have been designated an Unrestricted Subsidiary as permitted or required pursuant to the definition of "Unrestricted Subsidiary" and (ii) an Unrestricted Subsidiary which is redesignated as a Restricted Subsidiary as permitted pursuant to the definition of "Unrestricted Subsidiary."

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"Subsidiary" of GCI, Inc., means any corporation, partnership, joint venture, association or other business entity, whether now existing or hereafter organized or acquired, of which at least a majority of the total voting power of the voting stock is held by GCI, Inc.

"Unrestricted Subsidiary" means (a) GCI Transport Co., Inc., GCI Satellite Co., Inc., GCI Fiber Co., Inc., Fiber Hold Co., Inc., and the Partnership and (b) any Subsidiary of an Unrestricted Subsidiary.

"Net Available Cash" from an Asset Sale means cash payments received therefrom (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of indebtedness or other obligations relating to such properties or assets or received in any other fees and expenses incurred, and all federal, state, provincial, foreign and local taxes required to be accrued as a liability under GAAP, as a consequence of such Asset Sale, and in each case net of all payments made on any indebtedness (a) which is secured by any assets subject to such Asset Sale, in accordance with the terms of any lien upon or other security agreement of any kind with respect to such assets, or (b) which must (1) by its terms, or in order to obtain a necessary consent to such Asset Sale (except, in the case of this clause (b), indebtedness that is pari passu with or subordinated to the Indenture notes), or (2) by applicable law be repaid out of the proceeds from such Asset Sale, and net of all distributions and other payments required to be made to minority

interest holders in Subsidiaries or joint ventures as a result of such Asset Sale.

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"Asset Sale" means any transfer, conveyance, sale, lease or other disposition (including, without limitation, dispositions pursuant to any consolidation or merger or a sale and leaseback transaction) by the Partnership in any single transaction or series of transactions of (a) shares of capital stock or other ownership interests in another person (including capital stock of Unrestricted Subsidiaries); or (b) any other property of the Partnership; provided, however, that the term "Asset Sale" shall not include: (i) the sale or transfer of temporary cash investments, inventory, accounts receivable or other property (including, without limitation, the lease of excess satellite transponder capacity and the lease of excess fiber capacity) in the ordinary course of business; (ii) the liquidation of property received in settlement of debts owing to the Partnership as a result of foreclosure, perfection or enforcement of any lien or debt, which debts were owing to the Partnership in the ordinary course of business; (iii) the sale or transfer of any property by the Partnership or to any of the Restricted Subsidiaries; (iv) a disposition in the form of a restricted payment permitted to be made pursuant to "--Certain Covenants--Limitation on Restricted Payments" in the Indenture; or (v) a disposition (taken together with any other dispositions in a single transaction or series of related transactions) with a fair market value and a sale price of less than \$5 million.

(b) The Partnership shall have not be less than one (1) outside director on the board of directors of one (1) of its corporate general partners.

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IN WITNESS WHEREOF, the Partners have signed this Partnership Agreement effective as of the date first above written.

GCI FIBER CO., INC.

FIBER HOLD CO., INC.

By: /s/  
Name: John M. Lowber  
Its: Secretary/Treasurer

By: /s/  
Name: John M. Lowber  
Its: Secretary/Treasurer

STATE OF ALASKA            )  
                                  )ss  
THIRD JUDICIAL DISTRICT    )

The foregoing instrument was acknowledged before me this 7-30, 1997 by John M. Lowber, the Secretary/Treasurer of GCI Fiber Co., Inc., an Alaska corporation, on behalf of the corporation.

/s/  
Notary Public for the State of Alaska  
My Commission Expires: January 17, 2001

STATE OF ALASKA            )  
                                  )ss  
THIRD JUDICIAL DISTRICT    )

The foregoing instrument was acknowledged before me this 7-30, 1997 by John M. Lowber, the Secretary/Treasurer of Fiber Hold Co., Inc., an Alaska corporation, on behalf of the corporation.

/s/  
Notary Public for the State of Alaska  
My Commission Expires: January 17, 2001

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