

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2003

OR

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

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

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.

(Exact name of registrant as specified in its charter)

STATE OF ALASKA  
(State or other jurisdiction of  
incorporation or organization)

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

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

99503  
(Zip Code)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act. Yes X No .

The number of shares outstanding of the registrant's classes of  
common stock as of April 30, 2003 was:  
52,037,082 shares of Class A common stock; and  
3,874,107 shares of Class B common stock.

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<TABLE>

GENERAL COMMUNICATION, INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 2003

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Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Quarterly Report, but should particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission ("SEC"). In this Quarterly Report, in addition to historical information, we state our future strategies, plans, objectives or goals and our beliefs of future events and of our future operating results, financial position and cash flows. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "project," or "continue" or the negative of those words and other comparable words. All forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance, achievements, plans and objectives to differ materially from any future results, performance, achievements, plans and objectives expressed or implied by these forward-looking statements. In evaluating those statements, you should specifically consider various factors, including those outlined below. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these statements, we claim the protection of the safe harbor for forward-looking statements provided by the Securities Reform Act. Such risks, uncertainties and other factors include but are not limited to those identified below and those further described in Part I, Item 1. Factors That May Affect Our Business and Future Results of our December 31, 2002 Form 10-K.

- o Material adverse changes in the economic conditions in the markets we serve and in general economic conditions, including the continuing impact of the current depressed telecommunications industry due to high levels of competition in the long-distance market resulting in pressures to reduce prices, an oversupply of long-haul capacity, excessive debt loads; several high-profile company failures and potentially fraudulent accounting practices by some companies;
- o The efficacy of laws enacted by Congress; rules and regulations to be adopted by the Federal Communications Commission ("FCC") and state public regulatory agencies to implement the provisions of the 1996 Telecom Act; the outcome of litigation relative thereto; and the impact of regulatory changes relating to access reform;
- o Our responses to competitive products, services and pricing, including pricing pressures, technological developments, alternative routing developments, and the ability to offer combined service packages that include long-distance, local, cable and Internet services;
- o The extent and pace at which different competitive environments develop for each segment of our business;
- o The extent and duration for which competitors from each segment of the telecommunication industries are able to offer combined or full service packages prior to our being able to do so;
- o The degree to which we experience material competitive impacts to our traditional service offerings prior to achieving adequate local service entry;
- o Competitor responses to our products and services and overall market acceptance of such products and services;

- o The outcome of our negotiations with Incumbent Local Exchange Carriers ("ILECs") and state regulatory arbitrations and approvals with respect to interconnection agreements;
- o Our ability to purchase network elements or wholesale services from ILECs at a price sufficient to permit the profitable offering of local telephone service at competitive rates;
- o Success and market acceptance for new initiatives, many of which are untested;
- o The level and timing of the growth and profitability of existing and new initiatives, particularly local telephone services expansion, Internet services expansion and wireless services;

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- o Start-up costs associated with entering new markets, including advertising and promotional efforts;
- o Risks relating to the operations of new systems and technologies and applications to support new initiatives;
- o Local conditions and obstacles;
- o The impact on our industry and indirectly on us of oversupply of capacity resulting from excessive deployment of network capacity in certain markets we do not serve;
- o Uncertainties inherent in new business strategies, new product launches and development plans, including local telephone services, Internet services, wireless services, digital video services, cable modem services, digital subscriber line services, transmission services, and yellow page directories, and the offering of these services in geographic areas with which we are unfamiliar;
- o The risks associated with technological requirements, technology substitution and changes and other technological developments;
- o Prolonged service interruptions which could affect our business;
- o Development and financing of telecommunication, local telephone, wireless, Internet and cable networks and services;
- o Future financial performance, including the availability, terms and deployment of capital; the impact of regulatory and competitive developments on capital outlays, and the ability to achieve cost savings and realize productivity improvements and the consequences of increased leverage;
- o Availability of qualified personnel;
- o Changes in, or failure, or inability, to comply with, government regulations, including, without limitation, regulations of the FCC, the Regulatory Commission of Alaska ("RCA"), and adverse outcomes from regulatory proceedings;
- o Uncertainties in federal military spending levels and military base closures in markets in which we operate;
- o The ongoing global and domestic trend towards consolidation in the telecommunications industry, which trend may be the effect of making the competitors larger and better financed and afford these competitors with extensive resources and greater geographic reach, allowing them to compete more effectively;
- o The financial, credit and economic impacts of the WorldCom, Inc. ("WorldCom") bankruptcy filing on the industry in general and on us in particular;
- o A conversion of WorldCom's bankruptcy petition to Chapter 7, unfavorable reaffirmation of our pre-filing contracts and agreements with WorldCom, or a migration of WorldCom's traffic off our network without it being replaced by other common carriers that interconnect with our network;
- o The effect on us of pricing pressures, new program offerings and market consolidation in the markets served by our major customers, WorldCom and Sprint;
- o Under Statement of Financial Accounting Standard ("SFAS") 142, we must test our intangibles for impairment at least annually, which may result in a material, non-cash write-down of goodwill and could have a material adverse impact on our results of operations and shareholders' equity; and
- o Other risks detailed from time to time in our periodic reports filed with the SEC.

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

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PART I. FINANCIAL INFORMATION  
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

<CAPTION>

ASSETS	(Unaudited) March 31, 2003	December 31, 2002
-----		
(Amounts in thousands)		
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 18,173	11,940
	-----	
Receivables:		
Trade	58,717	63,111
Employee	318	391
Other	2,493	3,093
	-----	
Less allowance for doubtful receivables	61,528	66,595
	13,929	14,010
	-----	
Net receivables	47,599	52,585
	-----	
Deferred income taxes, net	8,875	8,509
Prepaid and other current assets	8,541	9,171
Inventories	1,088	400
Property held for sale	1,037	1,037
Notes receivable with related parties	775	697
	-----	
Total current assets	86,088	84,339
	-----	
Property and equipment in service, net of depreciation	378,995	381,394
Construction in progress	13,190	16,958
	-----	
Net property and equipment	392,185	398,352
	-----	
Cable certificates, net of amortization of \$26,857 and \$26,884 at March 31, 2003 and December 31, 2002, respectively	191,159	191,132
Goodwill, net of amortization of \$7,200 at March 31, 2003 and December 31, 2002	43,284	41,972
Other intangible assets, net of amortization of \$1,178 and \$1,848 at March 31, 2003 and December 31, 2002, respectively	3,513	3,460
Deferred loan and senior notes costs, net of amortization of \$5,374 and \$4,110 at March 31, 2003 and December 31, 2002, respectively	8,900	9,961
Notes receivable with related parties	5,184	5,142
Other assets, at cost, net of amortization of \$119 and \$24 at March 31, 2003 and December 31, 2002, respectively	5,091	4,424
	-----	
Total other assets	257,131	256,091
	-----	
Total assets	\$ 735,404	738,782
	=====	

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

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(Continued)

<TABLE>

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

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) March 31, 2003	December 31, 2002
-----		
(Amounts in thousands)		
<S>	<C>	<C>
Current liabilities:		
Current maturities of obligations under long-term debt and capital leases	\$ 16,804	1,857
Accounts payable	27,528	33,605
Deferred revenue	16,628	18,290
Accrued payroll and payroll related obligations	12,823	11,821
Accrued liabilities	5,372	5,763
Accrued interest	4,819	7,938

Subscriber deposits	825	889
Total current liabilities	84,799	80,163
Long-term debt, excluding current maturities	342,700	357,700
Obligations under capital leases, excluding current maturities	43,653	44,072
Obligations under capital leases due to related party, excluding current maturities	697	703
Deferred income taxes, net of deferred income tax benefit	18,411	16,061
Other liabilities, net of accumulated accretion of \$589 and \$0 at March 31, 2003 and December 31, 2002, respectively	6,665	4,956
Total liabilities	496,925	503,655
Redeemable preferred stocks	26,907	26,907
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 52,032 and 51,795 shares at March 31, 2003 and December 31, 2002, respectively	201,216	199,903
Class B. Authorized 10,000 shares; issued 3,874 and 3,875 shares at March 31, 2003 and December 31, 2002, respectively; convertible on a share-per-share basis into Class A common stock	3,274	3,274
Less cost of 338 and 317 Class A common shares held in treasury at March 31, 2003 and December 31, 2002, respectively	(1,917)	(1,836)
Paid-in capital	11,338	11,222
Notes receivable with related parties issued upon stock option exercise	(5,650)	(5,650)
Retained earnings	3,889	1,847
Accumulated other comprehensive loss	(578)	(540)
Total stockholders' equity	211,572	208,220
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 735,404	738,782

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

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<TABLE>

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

<CAPTION>

	Three Months Ended March 31,	
	2003	2002
	-----	-----
	(Amounts in thousands, except per share amounts)	
<S>	<C>	<C>
Revenues	\$ 92,777	88,210
Cost of sales and services	30,248	31,237
Selling, general and administrative expenses	32,993	31,301
Bad debt expense	597	581
Depreciation, amortization and accretion expense	13,501	13,958
Operating income	15,438	11,133
	-----	-----
Other income (expense):		
Interest expense	(9,154)	(6,591)
Amortization of loan and senior notes fees	(1,073)	(757)
Interest income	166	73
Other expense, net	(10,061)	(7,275)
	-----	-----
Net income before income taxes and cumulative effect of a change in accounting principle	5,377	3,858
Income tax expense	2,282	1,646
	-----	-----
Net income before cumulative effect of a change in accounting principle	3,095	2,212
Cumulative effect of a change in accounting principle, net of income tax benefit of \$367	(544)	---

Net income	\$	2,551	2,212
Basic and diluted net income per common share:			
Net income before cumulative effect of a change in accounting principle	\$	0.05	0.03
Cumulative effect of a change in accounting principle, net of income tax benefit of \$367		(0.01)	---
Net income	\$	0.04	0.03

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
THREE MONTHS ENDED MARCH 31, 2003 AND 2002

<CAPTION>

	Class A	Class B	Class A Shares		Notes Receivable Issued to	Retained	Accumulated Other
Comprehensive (Unaudited) (Amounts in thousands) Total	Common Stock	Common Stock	Held in Treasury	Paid-in Capital	Related Parties	Earnings (Deficit)	Income (Loss)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 2001 202,392	\$195,647	3,281	(1,659)	10,474	(2,588)	(2,771)	8
Components of comprehensive income:							
Net income 2,212	---	---	---	---	---	2,212	---
Change in fair value of cash flow hedge, net of change in income tax liability of \$67 105	---	---	---	---	---	---	105
Comprehensive income 2,317							
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes 255	---	---	---	255	---	---	---
Shares issued under stock option plan 14	2,985	---	---	---	(2,971)	---	---
Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant 103	---	---	---	103	---	---	---
Purchase of treasury stock (177)	---	---	(177)	---	---	---	---
Preferred stock dividends (509)	---	---	---	---	---	(509)	---
Balances at March 31, 2002 204,395	\$198,632	3,281	(1,836)	10,832	(5,559)	(1,068)	113
Balances at December 31, 2002 208,220	\$199,903	3,274	(1,836)	11,222	(5,650)	1,847	(540)
Components of comprehensive income:							
Net income 2,551	---	---	---	---	---	2,551	---
Change in fair value of cash flow hedge, net of change in income tax benefit of \$70 (38)	---	---	---	---	---	---	(38)
Comprehensive income 2,513							

Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	2	---	---	---
Shares issued under stock option plan	1	---	---	---	---	---	---
Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant	---	---	---	114	---	---	---
Shares issued per G.C. Cablevision, Inc. acquisition agreement	1,312	---	---	---	---	---	---
Purchase of treasury stock (81)	---	---	(81)	---	---	---	---
Preferred stock dividends (509)	---	---	---	---	---	(509)	---
-----							
Balances at March 31, 2003	\$201,216	3,274	(1,917)	11,338	(5,650)	3,889	(578)
211,572							

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

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<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

	(Unaudited)	
	Three Months Ended	
	March 31,	
	2003	2002
	-----	
	(Amounts in thousands)	
<S>	<C>	<C>
Operating activities:		
Net income	\$ 2,551	2,212
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion expense	13,501	13,958
Deferred income tax expense	2,282	1,646
Amortization of loan and senior notes fees	1,073	757
Cumulative effect of a change in accounting principle, net of income tax benefit of \$367	544	---
Bad debt expense, net of write-offs	(81)	124
Deferred compensation and compensatory stock options	249	251
Other noncash income and expense items	(120)	110
Change in operating assets and liabilities	(5,651)	(6,809)
	-----	-----
Net cash provided by operating activities	14,348	12,249
	-----	-----
Investing activities:		
Purchases of property and equipment	(6,474)	(16,069)
Payment of deposit	(721)	---
Notes receivable issued to related parties	(22)	(5,669)
Payments received on notes receivable with related parties	22	3,587
Purchases of other assets	(201)	(428)
	-----	-----
Net cash used by investing activities	(7,396)	(18,579)
	-----	-----
Financing activities:		
Repayments of capital lease obligations	(478)	(86)
Long-term borrowings - bank debt	---	9,000
Payment of preferred stock dividend	(148)	(150)
Payment of debt issuance costs	(12)	(130)
Purchase of treasury stock	(81)	(177)
Proceeds from common stock issuance	---	14
	-----	-----
Net cash provided (used) by financing activities	(719)	8,601
	-----	-----
Net increase in cash and cash equivalents	6,233	2,271
Cash and cash equivalents at beginning of period	11,940	11,097
	-----	-----
Cash and cash equivalents at end of period	\$ 18,173	13,368
	=====	=====

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

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

The accompanying unaudited interim condensed consolidated financial statements include the accounts of General Communication, Inc. ("GCI") and its subsidiaries and have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. They should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2002, filed as part of our annual report on Form 10-K. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for interim periods are not necessarily indicative of the results that may be expected for an entire year or any other period.

(1) Business and Summary of Significant Accounting Principles

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

(a) Business

GCI, an Alaska corporation, was incorporated in 1979. We offer the following services:

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

(b) Principles of Consolidation

The consolidated financial statements include the accounts of GCI, GCI's subsidiary GCI, Inc., GCI, Inc.'s subsidiary GCI Holdings, Inc., GCI Holdings, Inc.'s subsidiaries GCI Communication Corp., GCI Cable, Inc., GCI Transport Co., Inc., GCI Fiber Communication Co., Inc., GCI Fiber Co., Inc. and Fiber Hold Co., Inc. and GCI Fiber Co., Inc.'s and Fiber Hold Co., Inc.'s partnership Alaska United Fiber System Partnership, GCI Communication Corp.'s subsidiaries Potter View Development Co., Inc., Wok 1, Inc. and Wok 2, Inc. and GCI Transport Co., Inc.'s subsidiary GCI Satellite Co., Inc. All subsidiaries are wholly-owned at March 31, 2003.

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

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

(c) Earnings per Common Share

<TABLE>

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

<CAPTION>

	Three Months Ended March 31,			Three Months Ended March 31,		
	2003			2002		
	Income	Shares	Per-share	Income	Shares	Per-share
	(Num-	(Denom-		(Num-	(Denom-	



	erator)	inator)	Amounts	erator)	inator)	Amounts
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net income before cumulative effect of a change in accounting principle, net of deferred tax benefit of \$367	\$ 3,095			\$ 2,212		
Less preferred stock dividends:						
Series B	361			361		
Series C	148			148		
Basic EPS:						
Net income before cumulative effect of a change in accounting principle, net of deferred tax benefit of \$367, available to common stockholders	2,586	55,367	\$ .05	1,703	54,828	\$ .03
Effect of Dilutive Securities:						
Unexercised stock options	---	293	---	---	928	---
Diluted EPS:						
Net income before cumulative effect of a change in accounting principle, net of deferred tax benefit of \$367, available to common stockholders	\$ 2,586	55,660	\$ .05	\$ 1,703	55,756	\$ .03

</TABLE>  
<TABLE>

Common equivalent shares outstanding which are anti-dilutive for purposes of calculating EPS for the three months ended March 31, 2003 and 2002, are not included in the diluted EPS calculations, and consist of the following (shares, in thousands):

<CAPTION>

	Three Months Ended March 31,	
	2003	2002
<S>	<C>	<C>
Series B redeemable preferred stock	3,062	3,062
Series C redeemable preferred stock	833	833
Anti-dilutive common shares outstanding	3,895	3,895

</TABLE>

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

<TABLE>

Weighted average shares associated with outstanding stock options for the three months ended March 31, 2003 and 2002 which have been excluded from the diluted EPS calculations because the options' exercise price was greater than the average market price of the common shares consist of the following (shares, in thousands):

<CAPTION>

	Three Months Ended March 31,	
	2003	2002
<S>	<C>	<C>
Weighted average shares associated with outstanding stock options	4,510	239

</TABLE>

(d) Common Stock

<TABLE>

Following is the statement of common stock at March 31, 2003 and 2002 (shares, in thousands):

<CAPTION>

	Class A	Class B
<S>	<C>	<C>
Balances at December 31, 2001	50,967	3,883
Shares issued under stock option plan	480	---
Balances at March 31, 2002	51,447	3,883
Balances at December 31, 2002	51,795	3,875
Class B shares converted to Class A	1	(1)
Shares issued under stock option plan	13	---

Shares issued per G.C. Cablevision, Inc. acquisition agreement	223	---
Balances at March 31, 2002	52,032	3,874

</TABLE>

(e) Redeemable Preferred Stocks

<TABLE>

Redeemable preferred stocks at March 31, 2003 and 2002 consist of  
(amounts in thousands):

<CAPTION>

	2003	2002
<S>	<C>	<C>
Series B	\$ 16,907	16,907
Series C	10,000	10,000
	\$ 26,907	26,907

</TABLE>

<TABLE>

We have 1,000,000 shares of preferred stock authorized with the  
following shares issued (shares, in thousands):

<CAPTION>

	Series B	Series C
<S>	<C>	<C>
Balances at December 31, 2001 and 2002 and March 31, 2002 and 2003	17	10

</TABLE>

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(Continued)

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

As of March 31, 2003, the combined aggregate amount of preferred  
stock mandatory redemption requirements follow (amounts in  
thousands):

Years ending March 31:	
2004	\$ ---
2005	---
2006	10,150
2007	---
2008	---
	-----
	\$ 10,150
	=====

Series B

The redemption amount of our convertible redeemable accreting  
Series B preferred stock at March 31, 2003 and December 31, 2002  
was \$17,509,000 and \$17,148,000, respectively. The difference  
between the carrying and redemption amounts is due to accrued  
dividends which are included in Accrued Liabilities.

Series C

The redemption amount of our convertible redeemable accreting  
Series C preferred stock on March 31, 2003 and December 31, 2002  
was \$10,000,000.

(f) Asset Retirement Obligations

On January 1, 2003 we adopted SFAS No. 143, "Accounting for Asset  
Retirement Obligations". SFAS No. 143 provides accounting and  
reporting standards for costs associated with the retirement of  
long-lived assets. This statement requires entities to record the  
fair value of a liability for an asset retirement obligation in the  
period in which it is incurred. When the liability is initially  
recorded, the entity capitalizes a cost by increasing the carrying  
amount of the related long-lived asset. Over time, the liability is  
accreted to its present value each period, and the capitalized cost  
is depreciated over the useful life of the related asset. Upon  
settlement of the liability, an entity either settles the  
obligation for its recorded amount or incurs a gain or loss upon  
settlement. Upon adoption, we recorded the cumulative effect of  
accretion and depreciation expense as a cumulative effect of a  
change in accounting principle of approximately \$544,000, net of  
income tax benefit of \$367,000.

Assets that have been recorded for purposes of settling asset  
retirement obligations have a fair value of approximately  
\$1,107,000 at March 31, 2003.

Following is a reconciliation of the beginning and ending aggregate carrying amount of our asset retirement obligations at March 31, 2003 (amounts in thousands):

Balance at December 31, 2002	\$	---
Liability recognized upon adoption of SFAS No. 143		1,565
Accretion expense for the three months ended March 31, 2003		128
		-----
Balance at March 31, 2003	\$	1,693
		=====

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(Continued)

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

Following is the amount of the liability for asset retirement obligations as if SFAS No. 143 had been applied at December 31, 2001 (amounts in thousands):

Balance at December 31, 2001	\$	1,350
		=====
Balance at March 31, 2002	\$	1,565
		=====
Balance at March 31, 2003	\$	1,693
		=====

(g) Payments Received from Suppliers

On March 20, 2003 the SEC issued Emerging Issues Task Force ("EITF") Issue No. 02-16, "Accounting by a Reseller for Cash Consideration Received from a Vendor" ("EITF No. 02-16"). We have applied EITF No. 02-16 prospectively for arrangements entered into or modified after December 31, 2002. Our cable services segment occasionally receives reimbursements for costs to promote suppliers' services, called cooperative advertising arrangements. The supplier payment is classified as a reduction of selling, general and administrative expenses if it reimburses specific, incremental and identifiable costs incurred to resell the suppliers' services. Excess consideration, if any, is classified as a reduction of cost of sales and services.

Occasionally our cable services segment enters into a binding arrangement with a supplier in which we receive a rebate dependent upon us meeting a specified goal. We recognize the rebate as a reduction of cost of sales and services systematically as we make progress toward the specified goal. If earning the rebate is not probable and reasonably estimable, it is recognized only when the goal is met.

(h) Costs Associated with Exit or Disposal Activities

On January 1, 2003 we adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities". Upon adoption of SFAS No. 146, enterprises may only record exit or disposal costs when they are incurred and can be measured at fair value. The recorded liability will be subsequently adjusted for changes in estimated cash flows. SFAS 146 revises accounting for specified employee and contract terminations that are part of restructuring activities. Adoption of SFAS No. 146 did not have a material effect on our results of operations, financial position and cash flows.

(i) Stock Option Plan

At March 31, 2003, we had one stock-based employee compensation plan. We account for this plan under the recognition and measurement principles of Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations. We use the intrinsic-value method and compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. We have adopted SFAS No. 123, "Accounting for Stock-Based Compensation," which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, SFAS No. 123 also allows entities to continue to apply the provisions of APB Opinion No. 25.

We have adopted SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure". This Statement amends SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, this Statement amends the disclosure requirements of SFAS No. 123 to require

prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
Notes to Interim Condensed Consolidated Financial Statements  
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on reported results. We have elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure as required by SFAS No. 148.

<TABLE>

Stock-based employee compensation cost is reflected over the options' vesting period of generally 5 years and compensation cost for options granted prior to January 1, 1996 is not considered. The following table illustrates the effect on net income and EPS for the three months ended March 31, 2003 and 2002, if we had applied the fair-value recognition provisions of SFAS No. 123 to stock-based employee compensation (amounts in thousands, except per share amounts):

<CAPTION>

	Three Months Ended March 31,	
	2003	2002
<S>	<C>	<C>
Net income, as reported	\$ 2,551	2,212
Total stock-based employee compensation expense included in reported net income, net of related tax effects	23	59
Total stock-based employee compensation expense under the fair-value based method for all awards, net of related tax effects	(474)	(575)
Pro forma net income	\$ 2,100	1,696
Basic and diluted net income per common share, as reported	\$ 0.04	0.03
Basic and diluted net income per common share, pro forma	\$ 0.03	0.02

</TABLE>

(j) Concentrations of Credit Risk

Financial instruments that potentially subject us to concentrations of credit risk are primarily cash and cash equivalents and accounts receivable. Excess cash is invested in high quality short-term liquid money instruments issued by highly rated financial institutions. At March 31, 2003 and December 31, 2002, substantially all of our cash and cash equivalents were invested in short-term liquid money instruments at one highly rated financial institution.

We have two major customers, WorldCom and Sprint Corporation. There is increased risk associated with these customers' accounts receivable balances. Our remaining customers are located primarily throughout Alaska. Because of this geographic concentration, our growth and operations depend upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resources industries, and in particular oil production, as well as tourism, government, and United States military spending. Though limited to one geographical area and except for WorldCom and Sprint, the concentration of credit risk with respect to our receivables is minimized due to the large number of customers, individually small balances, and short payment terms.

(k) Reclassifications

Reclassifications have been made to the 2002 financial statements to make them comparable with the 2003 presentation.

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

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

<TABLE>

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

<CAPTION>

	Three month periods ended March 31,	
	2003	2002
<S>	<C>	<C>

Decrease in accounts receivables	\$ 5,066	519
Increase in inventories	(688)	(559)
Decrease in prepaid and other current assets	630	588
Decrease in accounts payable	(6,075)	(1,189)
Increase (decrease) in deferred revenues	(1,662)	267
Increase (decrease) in accrued payroll and payroll related obligations	1,002	(4,702)
Decrease in accrued interest	(3,119)	(3,616)
Increase (decrease) in accrued liabilities	(391)	1,081
Increase (decrease) in subscriber deposits	(64)	286
Increase (decrease) in components of other long-term liabilities	(350)	516
	-----	-----
	\$ (5,651)	(6,809)
	=====	=====

</TABLE>

We paid interest totaling approximately \$12,273,000 and \$10,207,000 during the three months ended March 31, 2003 and 2002, respectively.

Effective March 31, 2001 we acquired the assets and customer base of G.C. Cablevision, Inc. Upon acquisition the seller received shares of GCI Class A common stock with a future payment in additional shares contingent upon the market price of our common stock on March 31, 2003. At March 31, 2003 the market price condition was not met and approximately 222,600 shares of GCI Class A common stock were issued.

(3) Intangible Assets

Cable certificates are allocated to our cable services segment. Goodwill is primarily allocated to the cable services segment and the remaining amount is not allocated to a reportable segment, but is included in the All Other category in note 4.

Goodwill allocated to the cable services segment increased \$1,312,000 due to the issuance of 222,600 shares of GCI Class A common stock per the G.C. Cablevision, Inc. acquisition agreement as further described in note 2. Cable certificates accumulated amortization decreased \$27,000 at March 31, 2003 as compared to December 31, 2002, due to an adjustment of the amortization previously recognized.

Amortization expense for amortizable intangible assets was \$173,000 and \$208,000 for the three months ended March 31, 2003 and 2002, respectively.

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(Continued)

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

Amortization expense for amortizable intangible assets for each of the five succeeding fiscal years is estimated to be (amounts in thousands):

Years ending December 31,	
2003	\$ 417
2004	\$ 470
2005	\$ 338
2006	\$ 334
2007	\$ 273

No intangible assets have been impaired based upon impairment testing performed as of December 31, 2002 and no indicators of impairment have occurred since the impairment testing was performed.

(4) Industry Segments Data

Our reportable segments are business units that offer different products. The reportable segments are each managed separately and offer distinct products with different production and delivery processes.

We have four reportable segments as follows:

Long-distance services. We offer a full range of common carrier long-distance services to commercial, government, other telecommunications companies and residential customers, through our networks of fiber optic cables, digital microwave, and fixed and transportable satellite earth stations and our SchoolAccess(TM) offering to rural school districts and a similar offering to rural hospitals and health clinics.

Cable services. We provide cable television services to residential, commercial and government users in the State of Alaska. Our cable systems serve 33 communities and areas in Alaska, including the state's three largest urban areas, Anchorage, Fairbanks and Juneau. We offer digital cable television services in Anchorage, Fairbanks, Juneau, Kenai and Soldotna and retail cable modem service (through our Internet

services segment) in all of our locations in Alaska except Ketchikan and Kotzebue. We plan to offer cable modem service in Ketchikan in 2003, and plan to continue to expand our product offerings as plant upgrades are completed in other communities in Alaska.

Local access services. We offer facilities based competitive local exchange services in Anchorage, Fairbanks and Juneau and plan to provide similar competitive local exchange services in other locations pending regulatory approval and subject to availability of capital.

Internet services. We offer wholesale and retail Internet services. We offer cable modem service as further described under Cable services above. Our undersea fiber optic cable allows us to offer enhanced services with high-bandwidth requirements.

Included in the "All Other" category in the tables that follow are our managed services, product sales and cellular telephone services. None of these business units has ever met the quantitative thresholds for determining reportable segments. Also included in the All Other category are corporate related expenses including information technology, accounting, legal and regulatory, human resources and other general and administrative expenses.

We evaluate performance and allocate resources based on (1) earnings or loss from operations before depreciation, amortization, net interest expense and income taxes, and (2) operating income or loss.

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

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in note 1. Intersegment sales are recorded at cost plus an agreed upon intercompany profit.

We earn all revenues through sales of services and products within the United States of America. All of our long-lived assets are located within the United States of America, except approximately 75% of our undersea fiber optic cable system which transits international waters.

<TABLE>

Summarized financial information for our reportable segments for the three months ended March 31, 2003 and 2002 follows (amounts in thousands):

<CAPTION>

	Reportable Segments						
	Long-Distance Services	Cable Services	Local Access Services	Internet Services	Total Reportable Segments	All Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	2003						
Revenues:							
Intersegment	\$ 3,603	636	2,623	3,074	9,936	186	10,122
External	48,486	23,438	8,426	4,590	84,940	7,837	92,777
Total revenues	\$ 52,089	24,074	11,049	7,664	94,876	8,023	102,899
Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes	\$ 25,600	11,219	841	454	38,114	(8,550)	29,564
Operating income (loss)	\$ 21,161	6,453	374	(1,395)	26,593	(10,530)	16,063

</TABLE>

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

<TABLE>

<CAPTION>

		Reportable Segments						
		Long- Distance Services	Cable Services	Local Access Services	Internet Services	Total Reportable Segments	All Other	Total
<S>	2002	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues:								
	Intersegment	\$ 5,329	496	2,673	2,143	10,641	186	10,827
	External	50,068	21,346	7,308	3,573	82,295	5,915	88,210
-----								
	Total revenues	\$ 55,397	21,842	9,981	5,716	92,936	6,101	99,037
=====								
Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes								
		\$ 24,593	9,884	844	(2,935)	32,386	(7,071)	25,315
=====								
	Operating income (loss)	\$ 18,652	5,713	34	(3,825)	20,574	(9,217)	11,357
=====								

</TABLE>

<TABLE>

A reconciliation of reportable segment revenues to consolidated revenues follows (amounts in thousands):

<CAPTION>

		2003	2002
Three months ended March 31,			
<S>		<C>	<C>
	Reportable segment revenues	\$ 94,876	92,936
	Plus All Other revenues	8,023	6,101
	Less intersegment revenues eliminated in consolidation	10,122	10,827
		-----	-----
	Consolidated revenues	\$ 92,777	88,210
		=====	=====

</TABLE>

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(Continued)

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements  
(Unaudited)

<TABLE>

A reconciliation of reportable segment earnings from operations before depreciation, amortization, net interest expense and income taxes to consolidated net income before income taxes and cumulative effect of a change in accounting principle follows (amounts in thousands):

<CAPTION>

		2003	2002
Three months ended March 31,			
<S>		<C>	<C>
	Reportable segment earnings from operations before depreciation, amortization, net interest expense and income taxes	\$ 38,114	32,386
	Less All Other loss from operations before depreciation, amortization, net interest expense and income taxes	8,550	7,071
	Less intersegment contribution eliminated in consolidation	625	224
		-----	-----
	Consolidated earnings from operations before depreciation, amortization, net interest expense and income taxes	28,939	25,091
	Less depreciation and amortization expense	13,501	13,958
		-----	-----
	Consolidated operating income	15,438	11,133
	Less other expense, net	10,061	7,275
		-----	-----
	Consolidated net income before income taxes and cumulative effect of a change in accounting principle	\$ 5,377	3,858
		=====	=====

</TABLE>

<TABLE>

A reconciliation of reportable segment operating income to consolidated net income before income taxes and cumulative effect of a change in accounting principle follows (amounts in thousands):

<CAPTION>

		2003	2002
Three months ended March 31,			
<S>		<C>	<C>
	Reportable segment operating income	\$ 26,593	20,574

Less All Other operating loss	10,530	9,217
Less intersegment contribution eliminated in consolidation	625	224
	-----	-----
Consolidated operating income	15,438	11,133
Less other expense, net	10,061	7,275
	-----	-----
Consolidated net income before income taxes and cumulative effect of a change in accounting principle	\$ 5,377	3,858
	=====	=====

</TABLE>

(5) Commitments and Contingencies

Litigation and Disputes

We are routinely involved in various lawsuits, billing disputes, legal proceedings and regulatory matters that have arisen in the normal course of business.

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

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(Continued)

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

Court. On February 11, 2003, the Alaska Supreme Court heard oral argument. One of the principal issues in dispute concerns the assignment of the burden of proof. In accordance with instructions from the Alaska Superior Court, the APUC assigned the burden to ACS at the remand proceeding. At the oral argument, several Justices expressed concern with the assignment of the burden. At this time, we cannot reasonably predict what the outcome of the case will be or even what relief the Court might order if it were to find that the burden of proof was improperly assigned to ACS. An adverse decision from the Court, however, has the potential to disrupt our ability to provide service to our Fairbanks and Juneau customers over our facilities. We expect a decision from the Court during the second or third quarter of 2003.

While the ultimate results of these items cannot be predicted with certainty, we do not expect at this time the resolution of them, except for the rural exemption proceedings described above, to have a material adverse effect on our financial position, results of operations or liquidity.

(6) Subsequent Event

On April 22, 2003 we amended our \$225.0 million Senior Facility. The amendment provides for the followings changes:

- o The final maturity date has been extended to October 31, 2007,
- o We may fund capital expenditures, including construction or acquisition of additional fiber optic cable system capacity, through our own cash flow or by draws on the revolving credit facility of the Senior Facility not to exceed \$25.0 million, and
- o The definition of Excess Cash Flow has been changed to the amount by which earnings before interest, taxes, depreciation, and amortization exceeds certain fixed charges as defined in the Senior Facility agreement plus one-time fiber sales to the extent such fiber sales are not included in earnings before interest, taxes, depreciation, and amortization,

The amendment requires us to prepay the term loan as follows (amounts in thousands):

Date	Amount
-----	-----
Quarterly from September 30, 2003 to December 31, 2004	\$ 5,000
Quarterly from March 31, 2005 to December 31, 2005	\$ 6,000
Quarterly from March 31, 2006 to December 31, 2006	\$ 8,000
Quarterly from March 31, 2007 to September 30, 2007	\$ 10,000

The remaining balance of the term loan will be payable in full on October 31, 2007.



Under the amended Senior Facility capital expenditures, other than those incurred to build or acquire additional fiber optic cable system capacity, in any of the years ended December 31, 2003, 2004, 2005 and 2006 may not exceed:

- o \$25.0 million, plus
- o 100% of any Excess Cash Flow during the applicable period less certain permitted investments of up to \$5.0 million during the applicable period.

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

Under the amended Senior Facility we may not allow the ratio of total indebtedness to annualized operating cash flow to be greater than:

Period	Ratio
-----	-----
April 22, 2003 through December 30, 2003	4.25:1
December 31, 2003 through December 30, 2004	4.00:1
December 31, 2004 through December 30, 2005	3.75:1
December 31, 2005 through June 29, 2006	3.50:1
June 30, 2006 through June 29, 2007	3.25:1
June 30, 2007 through September 29, 2007	3.00:1
September 30, 2007 through October 31, 2007	2.75:1

Under the amended Senior Facility we may not allow the ratio of senior secured indebtedness to annualized operating cash flow to be greater than:

Period	Ratio
-----	-----
April 22, 2003 through December 30, 2004	2.00:1
December 31, 2004 through September 29, 2006	1.75:1
September 30, 2006 through June 29, 2007	1.50:1
June 30, 2007 through September 29, 2007	1.25:1
September 30, 2007 through October 31, 2007	1.00:1

Under the amended Senior Facility we must either have repaid in full or successfully refinanced our Senior Notes by February 1, 2007.

In connection with the amendment of the Senior Facility, we paid bank fees and other expenses of approximately \$2,554,000 in the second quarter of 2003 which will be charged to Amortization of Loan and Senior Notes Fees over the life of the amended agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
(Unaudited)

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

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

General Overview

We have experienced significant growth in recent years through strategic acquisitions, deploying new business lines and expansion of our existing businesses. We have historically met our cash needs for operations, regular capital expenditures and maintenance capital expenditures through our cash flows

from operating activities. Cash requirements for significant acquisitions and major capital expenditures have been provided largely through our financing activities.

Consolidated revenues increased by more than \$4 million during the first quarter of 2003 as compared to the same period in 2002. Our operating income increased by 38.7% in 2003. Our income before income tax and cumulative effect of a change in accounting principle increased by 39.4% and our net income increased by 15.3%. Three of our reportable business segments experienced year over year growth in units and revenues as we continued to strengthen our position in the markets we serve. The long-distance services segment experienced a decrease in year over year units and revenue. Operating income increased in the long-distance services, cable services and local access services segments, and operating loss decreased in the Internet services segment. Basic and diluted earnings per share increased by 33.3% during the first quarter of 2003 as compared to the same period in 2002.

#### Long-Distance Services Overview

First quarter 2003 long-distance services revenue represented 52.2% of consolidated revenues. Our provision of interstate and intrastate long-distance services, private line and leased dedicated capacity services, and broadband services accounted for 94.6% of our total long-distance services revenues during the first quarter of 2003.

Factors that have the greatest impact on year-to-year changes in long-distance services revenues include the rate per minute charged to customers, usage volumes expressed as minutes of use, and the number of private line, leased dedicated service and broadband products in use.

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

Our contract to provide interstate and intrastate long-distance services to Sprint was replaced in March 2002 extending its term to March 2007 with two one-year automatic extensions to March 2009. Beginning in April 2002 the new contract reduced the rate to be charged by us for certain Sprint traffic over the extended term of the contract. Additional contractual rate reductions occur annually through the end of the initial term of the contract.

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

Due in large part to the favorable synergistic effects of our integrated approach, the long-distance services segment continues to be a significant contributor to our overall performance, although the migration of traffic from voice to data continues.

#### Cable Services Overview

First quarter 2003 cable television revenues represented 25.3% of consolidated revenues. Our cable systems serve 33 communities and areas in Alaska, including the state's three largest population centers, Anchorage, Fairbanks and Juneau.

We generate cable services revenues from four primary sources: (1) digital and analog programming services, including monthly basic and premium subscriptions, pay-per-view movies and other one-time events, such as sporting events; (2) equipment rentals and installation; (3) cable modem services (shared with our Internet services segment); and (4) advertising sales. During the first quarter of 2003 programming services generated 77.8% of total cable services revenues, equipment rental and installation fees accounted for 7.8% of such revenues, cable services' allocable share of cable modem services accounted for 10.7% of such revenues, advertising sales accounted for 3.0% of such revenues, and other services accounted for the remaining 0.7% of total cable services revenues.

Effective February 2003, we increased rates charged for certain cable services and premium packages in six communities, including the state's three largest population centers Anchorage, Fairbanks and Juneau. Rates increased approximately 4% for those customers who experienced an adjustment.

The primary factors that contribute to year-to-year changes in cable services revenues are average monthly subscription and pay-per-view rates, the mix among

basic, premium and pay-per-view services and digital and analog services, the average number of cable television and cable modem subscribers during a given reporting period, and revenues generated from new product offerings.

Our cable services segment faces competition from alternative methods of receiving and distributing television signals and from other sources of news, information and entertainment. We believe our cable television services will continue to be competitive by providing, at reasonable prices, a greater variety of

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communication services than are available off-air or through other alternative delivery sources. Additionally, we believe we offer superior technical performance and responsive local customer service.

#### Local Access Services Overview

We generate local access services revenues from three primary sources: (1) business and residential basic dial tone services; (2) business private line and special access services; and (3) business and residential features and other charges, including voice mail, caller ID, distinctive ring, inside wiring and subscriber line charges. During the first quarter of 2003 local access services revenues represented 9.1% of consolidated revenues.

The primary factors that contribute to year-to-year changes in local access services revenues are the average number of business and residential subscribers to our services during a given reporting period, the average monthly rates charged for non-traffic sensitive services, the number and type of additional premium features selected, and the traffic sensitive access rates charged to carriers.

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

#### Internet Services Overview

We generate Internet services revenues from three primary sources: (1) access product services, including commercial, Internet service provider, and retail dial-up access; (2) network management services; and (3) Internet services' allocable share of cable modem services (a portion of cable modem revenue is also recognized by our cable services segment). During the first quarter of 2003 Internet services segment revenues represented 4.9% of consolidated revenues.

The primary factors that contribute to year-to-year changes in Internet services revenues are the average number of subscribers to our services during a given reporting period, the average monthly subscription rates, and the number and type of additional premium features selected.

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

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

#### All Other Services Overview

Revenues reported in the All Other category as described in note 4 in the accompanying Notes to Interim Condensed Consolidated Financial Statements include our managed services, product sales, and cellular telephone services.

Revenues included in the All Other category represented 8.5% of total revenues in the first quarter of 2003 and include managed services revenues totaling \$5.4 million, product sales revenues totaling \$1.6 million and cellular telephone services revenues totaling \$797,000.

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### RESULTS OF OPERATIONS

<TABLE>

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

<CAPTION>

(Unaudited)	Three Months Ended		Percentage
	2003	2002	Change (1) 2003 vs. 2002
	----	----	----

<S>	<C>	<C>	<C>
Statement of Operations Data:			
Revenues			
Long-distance services	52.2%	56.8%	(3.2%)
Cable services	25.3%	24.2%	9.8%
Local access services	9.1%	8.3%	15.3%
Internet services	4.9%	4.0%	28.5%
All Other services	8.5%	6.7%	32.5%
-----			
Total revenues	100.0%	100.0%	5.2%
Cost of sales and services	32.6%	35.4%	(3.2%)
Selling, general and administrative expenses	35.6%	35.5%	5.4%
Bad debt expense	0.6%	0.7%	2.8%
Depreciation, amortization and accretion expense	14.6%	15.8%	(3.3%)
-----			
Operating income	16.6%	12.6%	38.7%
Net income before income taxes and cumulative effect of a change in accounting principle	5.8%	4.4%	39.4%
Net income before cumulative effect of a change in accounting principle	3.3%	2.5%	39.9%
Net income	2.7%	2.5%	15.3%
Other Operating Data:			
Long-distance services operating income (2)	43.6%	37.3%	13.5%
Cable services operating income (3)	27.5%	26.8%	13.0%
Local access services operating income (4)	4.4%	0.5%	1,014.1%
Internet services operating loss (5)	(30.4%)	(107.1%)	63.5%

<FN>

- 
- 1 Percentage change in underlying data.
  - 2 Computed as a percentage of total external long-distance services revenues.
  - 3 Computed as a percentage of total external cable services revenues.
  - 4 Computed as a percentage of total external local access services revenues.
  - 5 Computed as a percentage of total external Internet services revenues.
- 

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</TABLE>

Three Months Ended March 31, 2003 ("2003") Compared To Three Months Ended March 31, 2002 ("2002").

#### Overview of Revenues and Cost of Sales and Services

Total revenues increased 5.2% from \$88.2 million in 2002 to \$92.8 million in 2003. The cable services, local access services and Internet services segments and All Other Services contributed to the increase in

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total revenues, partially off-set by a decrease in revenues in the long-distance services segment. See the discussion below for more information by segment.

Total cost of sales and services decreased 3.2% to \$30.2 million in 2003. As a percentage of total revenues, total cost of sales and services decreased from 35.4% in 2002 to 32.6% in 2003. The long-distance services segment contributed to the decrease in total cost of sales and services, partially off-set by increases in cost of sales and services in the cable services, local access services and Internet services segments and All Other Services. See the discussion below for more information by segment.

#### Long-distance Services Segment Revenues

Total long-distance services segment revenues decreased 3.2% to \$48.5 million in 2003.

#### Message Telephone Service Revenue from Common Carrier Customers

Message telephone service revenues from other common carriers (principally WorldCom and Sprint) decreased 7.3% to \$21.1 million in 2003 resulting from a 0.3% decrease in wholesale minutes carried to 187.1 million minutes and a 5.4% decrease in the average rate per minute on minutes carried for other common carriers. The average rate per minute decrease is primarily due to a reduced rate charged by us for certain Sprint traffic due to a new contract commencing April 2002.

The economic stagnation in the lower 48 states appears to have dampened demand for services provided by our large common carrier customers. To the extent that these customers experience reduced demand for traffic destined for and originating in Alaska, it could adversely affect our common carrier traffic. A protracted economic malaise in the lower 48 states or a further disruption in the economy resulting from renewed terrorist activity could affect our carrier customers which, in turn, could affect our revenues and cash flows.

We believe that our contract with WorldCom will ultimately be reaffirmed and that we will reach an agreement with respect to the pre-petition receivables balance and that WorldCom may ultimately exit bankruptcy with their business intact. We cannot predict how long it may take WorldCom to complete the bankruptcy process or what effect the process or the economy may have on their

traffic levels and ultimately, their requirements for service to and from Alaska.

#### Message Telephone Service Revenue from Residential, Commercial and Governmental Customers

Message telephone service revenues from residential, commercial, and governmental customers decreased 15.5% to \$10.2 million in 2003 primarily due to the following:

- o A 11.0% decrease in minutes carried for these customers to 71.9 million minutes. The decrease is primarily due to the loss of approximately 3.0 million to 4.0 million minutes earned quarterly from a certain retail customer,
- o A 8.7% decrease in the average rate per minute to \$0.094 per minute paid by these customers due to our promotion of and customers' enrollment in calling plans offering a certain number of minutes for a flat monthly fee, and
- o A 1.9% decrease in the number of active residential, commercial, and governmental customers billed to 87,300 at March 31, 2003.

#### Revenue from Private Line and Private Network Customers

Private line and private network transmission services revenues decreased 0.1% to \$8.8 million in 2003.

#### Revenue from Broadband Customers

Revenues from our packaged telecommunications offering to rural hospital and health clinic service and our SchoolAccess(TM) offering to rural school districts increased 29.5% to \$5.7 million in 2003. The increase is

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primarily due to our new SchoolAccess(TM) offering called Distance Learning that started in late 2002. Distance Learning is a video-conference based service and is used by six school districts in Alaska.

#### Long-distance Services Segment Cost of Sales and Services

Long-distance services segment cost of sales and services decreased 25.5% to \$12.1 million in 2003. Long-distance services segment cost of sales and services as a percentage of long-distance services segment revenues decreased from 32.4% in 2002 to 24.9% in 2003 primarily due to the following:

- o Reductions in access costs due to distribution and termination of our traffic on our own local access services network instead of paying other carriers to distribute and terminate our traffic. The statewide average cost savings is approximately \$.038 and \$.078 per minute for interstate and intrastate traffic, respectively. We expect cost savings to continue to occur as long-distance traffic originated, carried, and terminated on our own facilities grows,
- o The FCC Multi-Association Group ("MAG") reform order reducing the interstate access rates paid by interexchange carriers to Local Exchange Carriers ("LECs") beginning July 2002, and
- o A \$2.3 million non-recurring refund (\$1.9 million after deducting certain direct costs) in 2003 from a local exchange carrier in respect of its earnings that exceeded regulatory requirements.

The decrease in the long-distance services segment cost of sales and services as a percentage of long-distance services segment revenues is partially off-set by increased costs associated with additional transponder and network back-up capacity in 2003 as compared to 2002.

#### Cable Services Segment Revenues and Cost of Sales and Services

Total cable services segment revenues increased 9.8% to \$23.4 million and average gross revenue per average basic subscriber per month increased \$5.43 or 10.1% in 2003. Programming services revenues increased 9.6% to \$18.2 million in 2003 resulting from the following:

- o Basic subscribers served increased approximately 3,700 to approximately 136,300 at March 31, 2003 as compared to March 31, 2002,
- o New facility construction efforts in 2002 and 2003 resulted in approximately 5,700 additional homes passed, a 3.0% increase from March 31, 2002,
- o Digital subscriber counts increased 16.2% to approximately 30,200 at March 31, 2003 as compared to March 31, 2002. Programming services revenues from digital subscribers increased \$510,000 to \$1.2 million in 2003 as compared to 2002, and
- o Effective February 2003, we increased rates charged for certain cable services and premium packages in six communities, including the state's three largest population centers Anchorage, Fairbanks and Juneau. Rates increased approximately 4% for those customers who experienced an adjustment.

The cable services segment's share of cable modem revenue (offered through our Internet services segment) increased \$842,000 to \$2.5 million in 2003 due to an increased number of cable modems deployed. Approximately 96% of our cable homes passed are able to subscribe to our cable modem service. We expect that that

number will increase to approximately 99% when we complete our upgrade of the Ketchikan cable system which we expect to accomplish in the second quarter of 2003.

We now offer digital programming in Anchorage, Fairbanks, Juneau, Kenai, and Soldotna, which markets represent approximately 80% of our homes passed at March 31, 2003.

In the second quarter of 2002 we signed new seven-year retransmission agreements with the five local Anchorage broadcasters and began up-linking and distributing the local Anchorage programming to all of our

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cable systems. This was done to provide additional value to our cable subscribers and to allow us to differentiate our programming from that of our DBS competitors.

Cable services cost of sales and services increased 8.4% to \$6.5 million in 2003 due to programming cost increases for most of our cable programming services offerings. Cable services cost of sales and services as a percentage of cable services revenues, which is less as a percentage of revenues than are long-distance, local access and Internet services cost of sales and services, decreased from 27.9% in 2002 to 27.6% in 2003.

In October 2002 we, along with the other largest publicly traded multiple system operators ("MSOs") signed a pledge to support and adhere to new voluntary reporting guidelines on common operating statistics to provide investors and others with a better understanding of our operations. Our operating statistics include capital expenditures and customer information from our cable services, local access services and Internet services segments.

Our capital expenditures by standard reporting category for the three months ending March 31, 2003 and 2002 follows (amounts in thousands):

	2003	2002
	-----	-----
Customer premise equipment ("CPE")	\$ 1,276	1,333
Commercial	68	176
Scalable infrastructure	135	1,131
Line extensions	88	124
Upgrade/rebuild	72	1,286
Support capital	77	2,358
	-----	-----
	\$ 1,716	6,408
	=====	=====

During the three months ending March 31, 2003 we decreased our capital expenditures for all of our reportable segments as compared to the same period in 2002. The decrease was due to capital expenditure limitations required by our Senior Facility, which we closed on November 1, 2002. In April 2003 we amended our Senior Facility agreement which, among other items, increases the amount we may incur for capital expenditures. For a discussion of the Senior Facility amendment, see Liquidity and Capital Resources included in Part I, Item 2 of this report.

The standardized definition of a customer relationship is the number of customers that receive at least one level of service, encompassing voice, video, and data services, without regard to which services customers purchase. At March 31, 2003 and 2002 we have 124,007 and 122,273 customer relationships, respectively.

The standardized definition of a revenue generating unit is the sum of all primary analog video, digital video, high-speed data, and telephony customers, not counting additional outlets. At March 31, 2003 and 2002 we have 173,281 and 162,580 revenue generating units, respectively.

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Local Access Services Segment Revenues and Cost of Sales and Services  
 Local access services segment revenues increased 15.3% in 2003 to \$8.4 million primarily due to growth in the average number of customers served. At March 31, 2003 an estimated 98,900 lines were in service as compared to approximately 89,800 lines in service at March 31, 2002. We estimate that our 2003 lines in service total represents a statewide market share of approximately 20%. At March 31, 2003 approximately 1,900 additional lines were awaiting connection. The increase in local access services segment revenues is also caused by a change in how we provision local access lines in Fairbanks and Juneau. In 2002 we primarily resold service purchased from ACS. In 2003 we are benefiting from our build-out of facilities with an increased number of access lines provisioned on our own facilities, unbundled network element ("UNE") loop and UNE platform which allows us to collect interstate and intrastate access revenues. The increase in local access services revenues described above was partially off-set by the following:

- o The FCC MAG reform order reducing the interstate access rates paid by interexchange carriers to LECs beginning July 2002, and
- o A reduction in July 2002 in interstate access rates charged by us to interexchange carriers in response to an FCC order forcing a competitor to reduce their interstate access rates.

Local access services segment cost of sales and services increased 20.0% to \$5.6 million in 2003. Local access services segment cost of sales and services as a percentage of local access services segment revenues increased from 64.4% in 2002 to 67.0% in 2003, primarily due to the following:

- o Decreased network access services revenues from other carriers as the number of customers purchasing both long-distance and local access services from us increases, and
- o The effect of the revenue decreases from interstate access rates described above with no corresponding decrease in the cost of sales and services.

Our access line mix continued to hold steady in 2003, with residential lines representing approximately 56% of our lines, business customers representing approximately 36%, and Internet access customers representing approximately 8%. Approximately 91% of our lines are provided on our own facilities, leased local loops, or using UNE platform.

The size of the local access services segment operating loss is exacerbated by the allocation of the benefit of access cost savings to the long-distance services segment. If the local access services segment received credit for the access charge reductions recorded by the long distance services segment, the local access services segment operating income would have increased by approximately \$1.8 million and the long distance services segment operating income would have been reduced by an equal amount in 2003. Avoided access charges totaled approximately \$1.8 million during 2003 as compared to \$2.0 in 2002. The decrease in the avoided access charge in 2003 is due to the FCC MAG reform order reducing the interstate access rates paid by interexchange carriers to LECs beginning July 2002 and a reduction in July 2002 in interstate access rates charged by us to interexchange carriers in response to an FCC order forcing a competitor to reduce their interstate access rates. The local access services segment operating income is affected by our continued evaluation and testing of digital local phone service and Internet protocol-based technology to deliver phone service through our cable facilities.

#### Internet Services Segment Revenues and Cost of Sales and Services

Total Internet services segment revenues increased 28.5% to \$4.6 million in 2003 primarily due to growth in the number of cable modems deployed. We had approximately 71,600 Internet subscribers at March 31, 2003 as compared to approximately 71,400 at March 31, 2002, of which approximately 38,600 are cable modem subscribers at March 31, 2003 as compared to approximately 30,200 at March 31, 2002. The Internet services segment's allocable share of cable modem revenues increased 51.3% to \$2.0 million in 2003 as compared to 2002.

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The Internet services segment does not share in plan fee revenues associated with our bundled Internet and long-distance service package. Estimated annual plan fees related to this service offering is in excess of \$1.0 million per quarter and those revenues are included in the long-distance services segment.

Internet services cost of sales and services increased 17.6% to \$1.4 million in 2003, and as a percentage of Internet services revenues, totaled 30.6% and 33.4% in 2003 and 2002, respectively. The 2003 decrease as a percentage of Internet services revenues is primarily due to a \$693,000 increase in Internet's portion of cable modem revenue to \$2.0 million that generally has higher margins than do other Internet services products. As Internet services revenues increase, economies of scale and more efficient network utilization continue to result in reduced Internet cost of sales and services as a percentage of revenues.

We enhanced the value of our Internet offerings throughout 2002 through the addition of electronic billing and presentment capabilities and the rollout of a product called e-mail guard, which filters out e-mail spam and viruses. We upgraded the download speeds of all of our cable modem Internet service offerings. These new services and enhancements have proven to be popular with our customers which we believe is helping to further solidify our customer relationships.

#### All Other Revenues and Costs of Sales and Services

All Other revenues increased 32.5% to \$7.8 million in 2003. The increase in revenues is primarily due to the following:

- o A \$1.2 million increase in product sales to \$1.6 million due to sales of product to two customers in 2003, and
- o A \$659,000 increase in managed services revenue to \$5.4 million in 2003 primarily due to a one-time payment of \$327,000 from a customer to acknowledge our ability to maintain certain costs below a stated budget.

Revenues from our GCI Fiber system that runs along the oil pipeline corridor are continuing to increase and we expect the annual revenue run rate to increase by an additional four to five million dollars per year by the end of 2003.

All Other costs of sales and services increased 47.0% to \$4.7 million in 2003, and as a percentage of All Other revenues, totaled 59.5% and 53.6% in 2003 and 2002, respectively. The increase in All Other costs of sales and services as a percentage of All Other revenues is primarily due to the sales of product to two customers in 2003 which have a higher costs of sales as a percentage of revenues than do managed services.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 5.4% to \$33.0 million in 2003 and, as a percentage of total revenues, increased to 35.6% in 2003 from 35.5% in 2002. The 2003 increase in selling, general and administrative expenses is primarily due to an increased accrual for company-wide success sharing bonus costs and increased labor costs.

Marketing and advertising expenses as a percentage of total revenues decreased from 3.7% in 2002 to 2.7% in 2003.

#### Bad Debt Expense

Bad debt expense increased 2.8% to \$597,000 in 2003 and, as a percentage of total revenues, decreased to 0.6% in 2003 from 0.7% in 2002.

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#### Depreciation, Amortization and Accretion Expense

Depreciation, amortization and accretion expense decreased 3.3% to \$13.5 million in 2003. The decrease is primarily attributable to the decrease in depreciation expense due to the \$18.5 million in net deferred tax assets we recorded in December 2002 associated with the Kanas Telecom, Inc acquisition, resulting in a decrease to the recorded financial statement cost basis of associated property and equipment.

The decrease in depreciation, amortization and accretion expense described above was partially off-set by the following:

- o An increase in depreciation expense due to our \$59.2 million investment in equipment and facilities placed into service during 2002 for which a full year of depreciation will be recorded in 2003, and the \$10.2 million investment in equipment and facilities placed into service during 2003 for which a partial year of depreciation will be recorded in 2003,
- o Additional depreciation expense totaling \$156,000 recognized in 2003 upon adoption of SFAS 143 (as further described in note 1(f) in Notes to Interim Condensed Consolidated Financial Statements), and
- o Accretion expense totaling \$128,000 recognized in 2003 due to our adoption of SFAS 143 (as further described in note 1(f) in Notes to Interim Condensed Consolidated Financial Statements).

#### Other Expense, Net

Other expense, net of other income, increased 38.3% to \$10.1 million in 2003. The increase is primarily due to the following:

- o Increased interest expense due to the increased interest rate paid on our new Senior Facility,
- o Increased deferred loan fee expense due to the increased deferred loan fees associated with the new Senior Facility, and
- o A non-recurring \$431,000 net interest benefit earned in 2002 from two interest rate swap agreements. The interest rate swap agreement which resulted in the net interest benefit was called at no cost and terminated on August 1, 2002.

Partially offsetting these increases was a decrease in the average outstanding indebtedness in 2003.

#### Income Tax Expense

Income tax expense was \$2.3 million in 2003 and \$1.6 million in 2002. The increase was due to increased net income before income taxes and cumulative effect of a change in accounting principle in 2003 as compared to 2002. Our effective income tax rate decreased from 42.7% in 2002 to 42.4% in 2003 due to the effect of items that are nondeductible for income tax purposes.

At March 31, 2003, we have (1) tax net operating loss carryforwards of approximately \$196.2 million that will begin expiring in 2005 if not utilized, and (2) alternative minimum tax credit carryforwards of approximately \$1.9 million available to offset regular income taxes payable in future years. Our utilization of certain net operating loss carryforwards is subject to limitations pursuant to Internal Revenue Code section 382.

Tax benefits associated with recorded deferred tax assets are considered to be more likely than not realizable through future reversals of existing taxable temporary differences and future taxable income exclusive of reversing temporary differences and carryforwards. The amount of deferred tax asset considered



realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced which would result in additional income tax expense. We estimate that our effective income tax rate for financial statement purposes will be 42% to 45% in 2003.

FLUCTUATIONS IN QUARTERLY RESULTS OF OPERATIONS

<TABLE>

The following chart provides selected unaudited statement of operations data from our quarterly results of operations during 2003 and 2002:

<CAPTION>

(Amounts in thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
<S>	<C>	<C>	<C>	<C>	<C>
2003					
-----					
Revenues:					
Long-distance services	\$ 48,486				
Cable services	\$ 23,438				
Local access services	\$ 8,426				
Internet services	\$ 4,590				
All Other services	\$ 7,837				
	-----				
Total revenues	\$ 92,777				
Operating income	\$ 15,438				
Net income before income taxes and cumulative effect of a change in accounting principle	\$ 5,377				
Net income before cumulative effect of a change in accounting principle	\$ 3,095				
Net income	\$ 2,551				
Basic and diluted net income per common share:					
Net income before cumulative effect of a change in accounting principle	\$ 0.05				
Cumulative effect of a change in accounting principle	\$ (0.01)				
Net income	\$ 0.04				
2002					
-----					
Revenues:					
Long-distance services	\$ 50,068	52,375	53,778	48,711	204,932
Cable services	\$ 21,346	21,919	22,057	23,366	88,688
Local access services	\$ 7,308	8,106	8,096	8,561	32,071
Internet services	\$ 3,573	3,912	3,927	4,172	15,584
All Other services	\$ 5,915	6,428	6,692	7,532	26,567
	-----	-----	-----	-----	-----
Total revenues	\$ 88,210	92,740	94,550	92,342	367,842
Operating income (1)	\$ 11,133	4,766	16,353	13,473	45,725
Net income (loss) before income taxes (1)	\$ 3,858	(1,686)	8,662	1,488	12,322
Net income (loss) (1)	\$ 2,212	(1,103)	5,063	491	6,663
Basic and diluted net income (loss) per common share (1)	\$ 0.03	(0.03)	0.08	0.00	0.08

<FN>

1 The second and third quarters of 2002 include the provision of \$9.7 million and \$1.2 million, respectively, of bad debt expense for estimated uncollectible accounts due from WorldCom.

</FN>

</TABLE>

Overview of Revenues and Cost of Sales and Services

Total revenues for the quarter ended March 31, 2003 ("first quarter") were \$92.8 million, representing a 0.5% increase from \$92.3 million for the quarter ended December 31, 2002 ("fourth quarter"). The cable services and Internet services segments and All Other Services contributed to the increase in total revenues, partially off-set by a decrease in revenues from the long-distance and local access services segments.

Cost of sales and services decreased from \$31.1 million in the fourth quarter to \$30.2 million in the first quarter. As a percentage of revenues, fourth and first quarter cost of sales and services totaled 33.7% and 32.6%, respectively. The long-distance services segment contributed to the decrease in total cost of sales and services, partially off-set by increases in cost of sales and services in the cable services, local access services and Internet services segments and All Other Services.

#### Long-distance Services Segment Revenues and Cost of Sales and Services

First quarter long-distance services segment revenues decreased 0.5% to \$48.5 million as compared to the fourth quarter. The decrease resulted primarily from reduced revenues from residential, commercial, and governmental customers and private line revenues, off-set by an increase in broadband revenues.

Revenues from other common carrier customers remained steady in the first quarter as compared to the fourth quarter at \$21.1 million. Minutes carried for other common carriers decreased 1.5% to 187.1 million minutes and the average rate per minute on minutes carried for other common carriers decreased 3.1% in the first quarter as compared to the fourth quarter.

The revenue effect of decreased minutes and rate per minute from other common carrier customers was partially off-set by a non-recurring \$920,000 incentive credit provided to an other common carrier customer in the fourth quarter.

Revenues from residential, commercial, and governmental customers decreased 4.5% to \$10.2 million in the first quarter primarily due to the following:

- o A 2.2% decrease in the average rate per minute to \$0.107 per minute paid by residential, commercial and governmental customers, and
- o A 2.6% decrease in retail minutes carried for residential, commercial and governmental customers to 71.9 million minutes.

Private line and private network transmission services revenues decreased 3.7% to \$8.8 million in first quarter as compared to fourth quarter. The decrease is primarily due to approximately \$175,000 in non-recurring credits given to customers in 2003 and the effect of some customers choosing to purchase virtual private network ("VPN") service in lieu of private line or frame relay service. Our Internet services segment recognizes revenue from the sale of VPN services.

Long-distance revenues have historically been highest in the summer months because of temporary population increases attributable to tourism and increased seasonal economic activity such as construction, commercial fishing, and oil and gas activities.

Revenues from our packaged telecommunications offering to rural hospital and health clinic service and our SchoolAccess(TM) offering to rural school districts increased 12.9% in the first quarter to \$5.7 million. The increase is primarily due to our new SchoolAccess(TM) offering called Distance Learning that started in late 2002. Distance Learning is a video-conference based service and is used by six school districts in Alaska.

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Long-distance services cost of sales and services decreased 15.8% to \$12.1 million in the first quarter. Long-distance services cost of sales and services as a percentage of long-distance services revenues decreased from 29.5% in the fourth quarter to 24.9% in the first quarter primarily due to the following:

- o A \$2.3 million non-recurring refund in the first quarter from a local exchange carrier in respect of its earnings that exceeded regulatory requirements, and
- o The \$920,000 incentive credit provided during the fourth quarter as previously described.

Partially off-setting the increased long-distance services cost of sales and services as a percentage of long-distance services revenues in the fourth quarter were the favorable adjustments of \$893,000. In the course of business we estimate unbilled long-distance services cost of sales and services based upon minutes of use processed through our network and established rates. Such estimates are revised when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved. We had no significant favorable or unfavorable adjustments in the first quarter of 2003.

#### Cable Services Segment Revenues and Cost of Sales and Services

Cable services segment revenues remained steady at \$23.4 million and average gross revenue per average basic subscriber per month increased \$0.17 or 0.3% in first quarter. Programming services revenues increased 3.2% to \$18.2 million in first quarter resulting from the following:

- o Basic subscribers served increased approximately 200 to approximately 136,300 at March 31, 2003 as compared to December 31, 2002,
- o Homes passed increased approximately 1,500, a 0.7% increase from December 31, 2002 primarily due to new facility construction efforts in first quarter 2003 and a review of homes passed by the system acquired from Rogers American Cablesystems, Inc.,
- o Effective February 2003, we increased rates charged for certain cable services and premium packages in six communities, including the state's three largest population centers Anchorage, Fairbanks and Juneau. Rates increased approximately 4% for those customers who experienced an adjustment, and
- o Programming services revenues from digital subscribers increased

\$185,000 to \$1.2 million in the first quarter as compared to the fourth quarter. Digital subscriber counts decreased 1.1% to approximately 30,200 at March 31, 2003 as compared to December 31, 2002. The effect of the decrease in digital subscriber counts was partially off-set by the rate increase described above.

Cable programming services revenues have historically been highest in the winter months because consumers spend more time at home and tend to watch more television during these months.

The cable services segment's share of cable modem revenue (offered through our Internet services segment) increased \$231,000 to \$2.5 million in first quarter due to an increased number of cable modems deployed.

Advertising revenues decreased \$461,000 to \$695,000 in first quarter primarily due to decreased political campaign advertising in the first quarter as compared to the fourth quarter and the effects of normal seasonality.

Cable services cost of sales and services increased 9.3% to \$6.5 million in the first quarter as compared to the fourth quarter. Cable services cost of sales and services as a percentage of cable services segment revenues, which is less as a percentage of revenues than are long-distance, local access and Internet services cost of sales and services, increased to 27.6% in the first quarter from 25.3% in the fourth quarter. Equipment rental and installation, cable services' allocable share of cable modem services and advertising sales revenues do not have significant corresponding costs of sales and services. The increase in cable

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services cost of sales and services as a percentage of cable revenues is primarily due to a decrease in revenues earned from equipment rental and installation, cable services' allocable share of cable modem services, and advertising sales revenues as a percentage of total cable services segment revenues from 24.4% in fourth quarter to 22.2% in first quarter.

#### Local Access Services Segment Revenues and Cost of Sales and Services

Local access services segment revenues decreased \$135,000 in the first quarter to \$8.4 million primarily due to an adjustment to an intrastate carrier common line customer account. At March 31, 2003 an estimated 98,900 lines were in service as compared to approximately 96,100 lines in service at December 31, 2002. The decrease in local access services segment revenues was due to the cumulative effect of several individually insignificant items, most of which are expected to be non-recurring.

Local access services segment cost of sales and services increased \$408,000 to \$5.6 million in the first quarter. Local access services segment cost of sales and services as a percentage of local access services segment revenues increased from 61.2% in the fourth quarter to 67.0% in the first quarter. The increase in cost of sales and services as a percentage of local access services segment revenues is primarily due to decreased network access services revenues from other carriers as the number of customers purchasing both long-distance and local access services from us increases

The size of the local access services segment operating loss is exacerbated by the allocation of the benefit of access cost savings to the long-distance services segment. If the local access services segment received credit for the access charge reductions recorded by the long distance services segment, the local access services segment operating income would have increased by approximately \$1.8 million and the long distance services segment operating income would have been reduced by an equal amount in the first quarter. Avoided access charges totaled approximately \$1.5 million in the fourth quarter.

#### Internet Services Segment Revenues and Cost of Sales and Services

Internet services segment revenues increased \$418,000 to \$4.6 million in the first quarter primarily due to growth in the number of cable modems deployed. Internet subscribers held steady at approximately 71,600 at March 31, 2003 as compared to December 31, 2002, of which approximately 38,600 are cable modem subscribers at March 31, 2003 as compared to approximately 36,200 at December 31, 2002. The Internet services segment's allocable share of cable modem revenues increased \$222,000 to \$2.0 million in the first quarter as compared to the fourth quarter.

Internet services cost of sales and services increased \$184,000 in the first quarter to \$1.4 million, and as a percentage of Internet services revenues, totaled 30.6% and 29.2% in the first and fourth quarters, respectively.

#### All Other Revenues and Costs of Sales and Services

All Other revenues increased \$304,000 to \$7.8 million in the first quarter primarily due to sales of product to two customers in first quarter.

All Other costs of sales increased \$282,000 to \$4.7 million in the first quarter, and as a percentage of All Other revenues, totaled 59.5% and 58.1% in the first and fourth quarters, respectively.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$59,000 to \$33.0 million in the first quarter as compared to \$32.9 million in the fourth quarter. As a percentage of revenues, selling, general and administrative expenses were 35.6% and 35.7% in the first and fourth quarters, respectively.

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#### Bad Debt Expense

Bad debt expense increased \$347,000 to \$597,000 in the first quarter as compared to the fourth quarter. As a percentage of total revenues, first and fourth quarter bad expense was 0.6% and 0.3%, respectively.

#### Other Expense, Net

Other expense, net of other income, decreased \$1.9 million in the first quarter to \$10.1 million due to the recognition in the fourth quarter of \$2.3 million in unamortized deferred loan fees upon the refinancing of our Senior Holdings Loan and Fiber Facility on November 1, 2002. The decrease described above was off-set by a \$142,000 increase in interest expense to \$9.2 million in the first quarter as compared to the fourth quarter due to the increased interest rate paid on our new Senior Facility starting November 1, 2002.

#### Net Income

We reported net income of \$2.6 million for the first quarter as compared to net income of \$491,000 for the fourth quarter. The increase is primarily due to decreased cost of sales and services caused by a \$2.3 million non-recurring refund in first quarter as previously described, partially off-set by implementation of SFAS No. 143 in 2003 resulting in a cumulative effect of an accounting change, net of income tax benefit of \$367,000, of \$544,000 in the first quarter.

#### Liquidity and Capital Resources

Cash flows from operating activities totaled \$14.3 million in 2003 as compared to \$12.2 million in 2002. The increase in 2003 is primarily due to increased cash flow in 2003 from some of our segments and a \$2.3 million non-recurring refund from a local exchange carrier in respect of its earnings that exceeded regulatory requirements. Uses of cash during 2003 included \$6.5 million of expenditures for property and equipment, including construction in progress, principal payments on capital lease obligations of \$478,000, and payment of a \$721,000 deposit on a workers' compensation stop-loss policy.

Net receivables decreased \$5.0 million from December 31, 2002 to March 31, 2003 primarily due to the timing of payments received from a certain common carrier customer.

Working capital totaled \$1.3 million at March 31, 2003, a \$2.9 million decrease as compared to \$4.2 million at December 31, 2002. The decrease is primarily attributed to the classification of \$15.0 million of our Senior Facility as current maturities of long-term debt as of March 31, 2003, upon the April 22, 2003 amendment described below. The decrease was partially off-set by the following:

- o A \$6.2 million increase in our cash balance at March 31, 2003 and a \$6.1 million decrease in accounts payable at March 31, 2003 as compared to December 31, 2002, primarily due to decreased capital expenditures during the three months ended March 31, 2003, and
- o A \$3.1 million decrease in accrued interest at March 31, 2003 as compared to December 31, 2002, due to our semi-annual Senior Notes interest payment made during the three months ended March 31, 2003.

The increases in working capital described above were partially off-set by a \$5.0 million decrease in net receivables at March 31, 2003 as previously described.

On April 22, 2003 we amended our \$225.0 million Senior Facility. The amendment provides for the following changes:

- o The final maturity date has been extended to October 31, 2007,
- o We may fund capital expenditures, including construction or acquisition of additional fiber optic cable system capacity, through our own cash flow or by draws on the revolving credit facility of the Senior Facility not to exceed \$25.0 million, and

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- o The definition of Excess Cash Flow has been changed to the amount by which earnings before interest, taxes, depreciation, and amortization exceeds certain fixed charges as defined in the Senior Facility agreement plus one-time fiber sales to the extent such fiber sales are not included in earnings before interest, taxes, depreciation, and amortization,

The amendment requires us to prepay the term loan as follows (amounts in thousands):

Date	Amount
-----	-----
Quarterly from September 30, 2003 to December 31, 2004	\$ 5,000
Quarterly from March 31, 2005 to December 31, 2005	\$ 6,000
Quarterly from March 31, 2006 to December 31, 2006	\$ 8,000
Quarterly from March 31, 2007 to September 30, 2007	\$ 10,000

The remaining balance of the term loan will be payable in full on October 31, 2007.

Under the amended Senior Facility capital expenditures, other than those incurred to build or acquire additional fiber optic cable system capacity, in any of the years ended December 31, 2003, 2004, 2005 and 2006 may not exceed:

- o \$25.0 million, plus
- o 100% of any Excess Cash Flow during the applicable period less certain permitted investments of up to \$5.0 million during the applicable period.

Under the amended Senior Facility we may not allow the ratio of total indebtedness to annualized operating cash flow to be greater than:

Period	Ratio
-----	-----
April 22, 2003 through December 30, 2003	4.25:1
December 31, 2003 through December 30, 2004	4.00:1
December 31, 2004 through December 30, 2005	3.75:1
December 31, 2005 through June 29, 2006	3.50:1
June 30, 2006 through June 29, 2007	3.25:1
June 30, 2007 through September 29, 2007	3.00:1
September 30, 2007 through October 31, 2007	2.75:1

Under the amended Senior Facility we may not allow the ratio of senior secured indebtedness to annualized operating cash flow to be greater than:

Period	Ratio
-----	-----
April 22, 2003 through December 30, 2004	2.00:1
December 31, 2004 through September 29, 2006	1.75:1
September 30, 2006 through June 29, 2007	1.50:1
June 30, 2007 through September 29, 2007	1.25:1
September 30, 2007 through October 31, 2007	1.00:1

Under the amended Senior Facility we must either have repaid in full or successfully refinanced our Senior Notes by February 1, 2007.

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In connection with the amendment of the Senior Facility, we paid bank fees and other expenses of approximately \$2,554,000 in the second quarter of 2003 which will be charged to Amortization of Loan and Senior Notes Fees over the life of the amended agreement.

The term loan is fully drawn and we have drawn \$2.7 million against the revolving credit facility plus a \$3.0 million letter of credit, which leaves \$44.3 million available at March 31, 2003 to draw under the revolving credit facility if needed. In April 2003, we made a \$2.7 million principal payment on the revolving credit facility resulting in an additional \$2.7 million available to draw under the revolving credit facility if needed.

We were in compliance with all loan covenants at March 31, 2003.

Our semi-annual Senior Notes interest payment of \$8.8 million was paid in February 2003 out of existing cash balances. Our next Senior Notes interest payment of \$8.8 million is due August 1, 2003.

Our expenditures for property and equipment, including construction in progress, totaled \$6.5 million and \$16.1 million during the three months ended March 31, 2003 and 2002, respectively. Our capital expenditures requirements are largely success driven and are a result of the progress we are making in the marketplace. We expect our 2003 expenditures for property and equipment for our core operations, including construction in progress, to total \$40 million to \$55 million, depending on available opportunities and the amount of cash flow we generate during 2003. That number excludes any investment we may make with respect to additional undersea fiber capacity. Planned capital expenditures over the next five years include those necessary for continued expansion of our long-distance, local exchange and Internet facilities, supplementation of our existing network backup facilities, continuing development of our Personal Communication Services, or PCS, network, digital local phone service, and upgrades to our cable television plant.

The financial, credit and economic impacts of WorldCom's July 2002 bankruptcy filing on the industry in general and on us in particular are not yet fully understood and are not predictable. We currently cannot predict the timing or amount that WorldCom will pay on outstanding balances due us as of their bankruptcy filing date of July 21, 2002. Unpaid balances due from WorldCom for services rendered prior to their filing date total approximately \$12.9 million at March 31, 2003, against which we have reserved \$11.6 million. We believe that payment for services provided to WorldCom subsequent to their bankruptcy filing date will continue to be made timely, consistent with our status in WorldCom's filing as a key service provider or utility to WorldCom.

A conversion of WorldCom's bankruptcy petition to Chapter 7, unfavorable reaffirmation of our pre-filing contracts and agreements with WorldCom, or a migration of WorldCom's traffic off our network without it being replaced by other common carriers that interconnect with our network, could have a materially adverse impact on our financial position, results of operations and liquidity.

Dividends accrued on our Series B preferred stock are payable at the semi-annual payment dates of April 30 and October 31 of each year. We will pay the \$722,000 dividend due on April 30, 2003 in cash. Our next Series B preferred stock dividend is due October 31, 2003.

Dividends accrued on our Series C preferred stock are payable in cash quarterly.

The long-distance, local access, cable, Internet and wireless services industries continue to experience substantial competition, regulatory uncertainty, and continuing technological changes. Our future results of operations will be affected by our ability to react to changes in the competitive and regulatory environment and by our ability to fund and implement new or enhanced technologies. We are unable to determine how

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competition, economic conditions, and regulatory and technological changes will affect our ability to obtain financing.

The telecommunications industry in general is depressed due to high levels of competition in the long-distance market resulting in pressures to reduce prices, an oversupply of long-haul capacity, excessive debt loads, several high-profile company failures and potentially fraudulent accounting practices by some companies. Our ability to obtain new debt under acceptable terms and conditions in the future may be diminished as a result.

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

#### New Accounting Standard

In April 2003, the Financial Accounting Standards Board issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, except for certain provisions that relate to SFAS No. 133 Implementation Issues which should continue to be applied in accordance with their respective effective dates, and for hedging relationships designated after June 30, 2003. We do not expect implementation of SFAS No. 149 to have a material effect on our results of operations, financial position and cash flows.

#### Critical Accounting Policies

Our accounting and reporting policies comply with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The financial position and results of operations can be affected by these estimates and assumptions, which are integral to understanding reported results. Critical accounting policies are those policies that management believes are the most important to the portrayal of the Company's financial condition and results, and require management to make estimates that are difficult, subjective or complex. Most accounting policies are not considered by management to be critical accounting policies. Several factors are considered in determining whether or not a policy is critical in the preparation of financial statements. These factors include, among other things, whether the estimates are significant to the financial statements, the nature of the estimates, the ability to readily validate the estimates with other information including third parties or available prices, and sensitivity of the estimates to changes in economic conditions and whether alternative accounting methods may be utilized under generally accepted accounting principles. For all

of these policies, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment. Management has discussed the development and the selection of critical accounting policies with the Company's Audit Committee.

Those policies considered to be critical accounting policies for the three months ended March 31, 2003 are described below.

- o We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We base our estimates on the aging of our accounts receivable balances, financial health of specific customers, and our historical write-off experience, net of recoveries. If the financial condition of our customers were to deteriorate or if they are unable to emerge from reorganization proceedings, resulting in an impairment of their ability to make

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payments, additional allowances may be required. If their financial condition improves or they emerge successfully from reorganization proceedings, allowances may be reduced. Such allowance changes could have a material effect on our consolidated financial condition and results of operations.

- o We record all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangibles, at fair value as required by SFAS 141. Goodwill and indefinite-lived assets such as our cable segment franchise agreements are no longer amortized but are subject, at a minimum, to annual tests for impairment. Other intangible assets are amortized over their estimated useful lives using the straight-line method, and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount. The initial goodwill and other intangibles recorded and subsequent impairment analysis requires management to make subjective judgments concerning estimates of how the acquired asset will perform in the future using a discounted cash flow analysis. Additionally, estimated cash flows may extend beyond ten years and, by their nature, are difficult to determine over an extended timeframe. Events and factors that may significantly affect the estimates include, among others, competitive forces, customer behaviors and attrition, changes in revenue growth trends, cost structures and technology, and changes in discount rates, performance compared to peers, material and ongoing negative economic trends, and specific industry or market sector conditions. In determining the reasonableness of cash flow estimates, we review historical performance of the underlying asset or similar assets in an effort to improve assumptions utilized in our estimates. In assessing the fair value of reportable operating segments, we may consider other information to validate the reasonableness of our valuations including public market comparables, multiples of recent mergers and acquisitions of similar businesses and third-party assessments. These evaluations could result in a change in useful lives in future periods and could result in write-down of the value of intangible assets. Because of the significance of the identified intangible assets and goodwill to our consolidated balance sheet, the annual impairment analysis will be critical. Any changes in key assumptions about the business and its prospects, or changes in market conditions or other externalities, could result in an impairment charge and such a charge could have a material adverse effect on our consolidated financial condition and results of operations. Refer to Note 3 in the accompanying Notes to Interim Condensed Consolidated Financial Statements for additional information regarding intangible assets.
- o We estimate unbilled long-distance segment cost of sales based upon minutes of use carried through our network and established rates. We estimate unbilled costs for new circuits and services, and when network changes occur that result in traffic routing changes or a change in carriers. Carriers that provide service to us regularly change their networks which can lead to new, revised or corrected billings. Such estimates are revised or removed when subsequent billings are received, payments are made, billing matters are researched and resolved, tariffed billing periods lapse, or when disputed charges are resolved. Revisions to previous estimates could either increase or decrease costs in the year in which the estimate is revised which could have a material effect on our consolidated financial condition and results of operations.
- o Our income tax policy provides for deferred income taxes to show the effect of temporary differences between the recognition of revenue and expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities and their reported amounts in the financial statements in accordance with SFAS No. 109, "Accounting for Income Taxes." We have recorded deferred tax assets of approximately \$79.2 million associated with income tax net operating

losses that were generated from 1980 to 2003, and that expire from 2005 to 2023. Pre-acquisition income tax net operating losses associated with acquired companies are subject to additional deductibility limits. We have recorded deferred tax assets of approximately \$1.9 million associated with alternative minimum tax credits that do not expire. Significant management judgment is

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required in developing our provision for income taxes, including the determination of deferred tax assets and liabilities and any valuation allowances that may be required against the deferred tax assets. In conjunction with certain 1996 acquisitions, we determined that approximately \$20 million of the acquired net operating losses would not be utilized for income tax purposes, and elected with our December 31, 1996 income tax returns to forego utilization of such acquired losses. Deferred tax assets were not recorded associated with the foregone losses and, accordingly, no valuation allowance was provided. We have not recorded a valuation allowance on the deferred tax assets as of March 31, 2003 based on management's belief that future reversals of existing taxable temporary differences and estimated future taxable income exclusive of reversing temporary differences and carryforwards, will, more likely than not, be sufficient to realize the benefit of these assets over time. In the event that actual results differ from these estimates or if our historical trends change, we may be required to record a valuation allowance on deferred tax assets, which could have a material adverse effect on our consolidated financial condition and results of operations.

Other significant accounting policies, not involving the same level of measurement uncertainties as those discussed above, are nevertheless important to an understanding of the financial statements. Policies related to revenue recognition and financial instruments require difficult judgments on complex matters that are often subject to multiple sources of authoritative guidance. Certain of these matters, including but not limited to the requirement to account for the market value of stock options as compensation expense, are among topics currently under reexamination by accounting standards setters and regulators. Although no specific conclusions reached by these standard setters appear likely to cause a material change in our accounting policies, outcomes cannot be predicted with confidence. A complete discussion of our significant accounting policies can be found in Note 1 in the Notes to Consolidated Financial Statements included in our December 31, 2002 Form 10-K. A condensed discussion of our significant accounting policies can be found in Note 1 in the accompanying Notes to Interim Condensed Consolidated Financial Statements.

#### Geographic Concentration and the Alaska Economy

We offer voice and data telecommunication and video services to customers primarily throughout Alaska. Because of this geographic concentration, growth of our business and of our operations depends upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, and in particular oil production, as well as investment earnings, tourism, government, and United States military spending. Any deterioration in these markets could have an adverse impact on us. In fiscal 2002 the State's actual results indicate that Alaska's oil revenues and federal funding supplied 47% and 43%, respectively, of the state's total revenues. All of the federal funding is dedicated for specific purposes, leaving oil revenues as the primary funding source of general operating expenditures. In fiscal 2003 state economists forecast that Alaska's federal funding and oil revenues will supply 51% and 44%, respectively, of the state's total projected revenues.

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 fiscal 1988. Production has been declining over the last several years with an average of 1.003 million barrels produced per day in fiscal 2002. The state forecasts the production of 0.994 million barrels per day in fiscal 2003, and a production rate slightly above 1.0 million barrels per day starting in fiscal 2009. The state attributes the production rate increase to future development of recent discoveries in the National Petroleum Reserve Alaska and other new fields.

Market prices for North Slope oil averaged \$21.78 in fiscal 2002 and are forecasted to average \$28.14 in fiscal 2003. State economists forecast the average price of North Slope oil to decline to \$25.28 in fiscal 2004. The closing price per barrel was \$25.20 on April 22, 2003. To the extent that actual oil prices vary materially from the state's projected prices the state's projected revenues and deficits will change. Every \$1 change in the price of oil results in a \$50.0 to \$60.0 million change in the state's revenue. The production

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policy of the Organization of Petroleum Exporting Countries and its ability to continue to act in concert represents a key uncertainty in the state's revenue forecast.

The State of Alaska maintains the Constitutional Budget Reserve Fund that is



intended to fund budgetary shortfalls. If the state's current projections are realized, the Constitutional Budget Reserve Fund will be depleted in 2006. The date the Constitutional Budget Reserve Fund is depleted is highly influenced by the price of oil. If the fund is depleted, aggressive state action will be necessary to increase revenues and reduce spending in order to balance the budget. The governor of the State of Alaska and the Alaska legislature continue to pursue cost cutting and revenue enhancing measures. The governor submitted a budget proposal to the Alaska Legislature on March 5, 2003 that included a number of cost reductions totaling over \$189 million, and proposed increased revenues totaling over \$100 million through, among other things, increased user fees, license fees, motor fuel tax, gaming fees, and filing fees. The Alaska Legislature is considering the governor's budget proposal and additional cost reductions and revenue increases, including a proposal to institute a state lottery and video gaming.

In 2002 the Alaska Legislature passed and the Governor signed legislation that, among other things, extended the termination date of the RCA one year to June 30, 2003. The Governor supported a simple legislative amendment in House Bill 111 now before the Alaska Legislature that would extend the RCA termination date for an additional four years. At the urging of several constituencies, the House Labor and Commerce Committee has adopted lengthy amendments to House Bill 111. We cannot determine at this time what the final legislation will include and its ultimate outcome during this legislative session.

Tourism, air cargo, and service sectors have helped offset the prevailing pattern of oil industry downsizing that has occurred during much of the last several years. Funds from federal sources totaling \$2.4 billion are expected to be distributed to the State of Alaska for highways and other federally supported projects in fiscal 2003.

Should new oil discoveries or developments not materialize or the price of oil become depressed, the long term trend of continued decline in oil production from the Prudhoe Bay area is inevitable with a corresponding adverse impact on the economy of the state, in general, and on demand for telecommunications and cable television services, and, therefore, on us, in particular. In the past year, there has been a renewed effort to allow exploration and development in the Arctic National Wildlife Refuge ("ANWR"). The U.S. Energy Information Agency estimates it could take nine years to begin oil field drilling after approval of ANWR exploration.

Deployment of a natural gas pipeline from the State of Alaska's North Slope to the Lower 48 states has been proposed to supplement natural gas supplies. A competing natural gas pipeline through Canada has also been proposed. The economic viability of a natural gas pipeline depends upon the price of and demand for natural gas. Either project could have a positive impact on the State of Alaska's revenues and the Alaska economy. According to their public comments, neither Exxon Mobil, BP nor Conoco Phillips, Alaska's large natural gas owners, believe either natural gas pipeline makes financial sense based upon their preliminary analysis, though BP and Conoco Phillips have proposed certain federal income tax incentives that would take effect if the price for Alaska natural gas goes below a certain level. The governor of the State of Alaska and certain natural gas transportation companies continue to support a natural gas pipeline from Alaska's North Slope by trying to reduce the project's costs and by advocating for federal tax incentives to further reduce the project's costs.

Development of the ballistic missile defense system project may have a significant impact on Alaskan telecommunication requirements and the Alaska economy. The proposed system would be a fixed, land-based, non-nuclear missile defense system with a land and space based detection system capable of responding to limited strategic ballistic missile threats to the United States. The preferred alternative is

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deployment of a system with up to 100 ground-based interceptor silos and battle management command and control facilities at Fort Greely, Alaska.

The U.S. Army Corps of Engineers awarded a construction contract in 2002 for test bed facilities. The contract is reported to contain basic requirements and various options that could amount to \$250 million in construction, or possibly more, if all items are executed. Site preparation has been underway at Fort Greely since August of 2001 and construction began on the Fort Greely test bed shortly after the June 15, 2002 groundbreaking. The test bed is due to be operational by September 30, 2004.

We have, since our entry into the telecommunication marketplace, aggressively marketed our services to seek a larger share of the available market. The customer base in Alaska is limited, however, with a population of approximately 644,000 people. The State of Alaska's population is distributed as follows:

- o 42% are located in the Municipality of Anchorage,
- o 13% are located in the Fairbanks North Star Borough,
- o 10% are located in the Matanuska-Susitna Borough, and
- o 5% are located in the City and Borough of Juneau, and
- o The remaining 30% are located in other communities across the State of Alaska.

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

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

#### Seasonality

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

#### Inflation

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

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#### Schedule of Certain Known Contractual Obligations

The following table details future projected payments associated with our certain known contractual obligations as of December 31, 2002, the date of our most recent fiscal year-end balance sheet. Our schedule of certain known contractual obligations has been updated to reflect the April 22, 2003 amendment of our Senior Facility and to include a certain purchase obligation.

<TABLE>

<CAPTION>

	Total	Payments Due by Period			
		Less than 1 Year	1 to 3 Years	4 to 5 Years	More Than 5 Years
(Amounts in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Long-term debt	\$ 357,700	15,000	47,000	295,700	---
Interest on long-term debt	87,750	17,550	35,100	35,100	---
Capital lease obligations, including interest	68,943	5,115	19,845	18,536	25,447
Operating lease commitments	67,673	11,780	18,607	12,878	24,408
Redeemable preferred stocks	27,298	---	10,150	---	17,148
Purchase obligation	3,962	3,962	---	---	---
<b>Total contractual obligations</b>	<b>\$ 613,326</b>	<b>53,407</b>	<b>130,702</b>	<b>362,214</b>	<b>67,003</b>

</TABLE>

For long-term debt included in the above table, we have included principal payments on our Senior Facility and on our Senior Notes. Interest on amounts outstanding under our Senior Facility is based on variable rates and therefore the amount is not determinable. Our Senior Notes require semi-annual interest payments of approximately \$8.78 million through 2007. For a discussion of our long-term debt, see note 6 to the Notes to Consolidated Financial Statements included in Part II of our December 31, 2002 Form 10-K.

For a discussion of our capital and operating leases, see note 12 to the Notes to Consolidated Financial Statements included in Part II of our December 31, 2002 Form 10-K.

We have included only the maturity redemption amount on our Series B and C preferred stock (cash dividends are excluded). Our Series B preferred stock is convertible at \$5.55 per share into GCI Class A common stock. Through April 30, 2003, dividends are payable semi-annually at the rate of 8.5%, plus accrued but unpaid dividends, at our option, in cash or in additional fully-paid shares of Series B preferred stock. The dividend due on April 30, 2003 was paid in cash. Dividends earned after April 30, 2003, are payable semi-annually in cash only. Mandatory redemption is required 12 years from the date of closing. Our Series C preferred stock is convertible at \$12 per share into GCI Class A common stock, is non-voting, and pays a 6% per annum quarterly cash dividend. We may redeem the Series C preferred stock at any time in whole but not in part. Mandatory redemption is required at any time after the fourth anniversary date at the option of holders of 80% of the outstanding shares of the Series C preferred stock. For more information about our redeemable preferred stock, see note 1(e) to the Notes to Consolidated Financial Statements included in Part II of our December 31, 2002 Form 10-K.

The Audit Committee, composed entirely of independent directors, meets periodically with our independent auditors and management to review the Company's financial statements and the results of audit activities. The Audit Committee, in turn, reports to the Board of Directors on the results of its review and recommends the selection of independent auditors.

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The Audit Committee has approved the independent auditor to provide the following services:

- o Audit (audit of financial statements filed with the SEC, quarterly reviews, comfort letters, consents, review of registration statements, accounting consultations); and
- o Audit-related (employee benefit plan audits and accounting consultation on proposed transactions).

PART I.  
ITEM 3.

#### Quantitative and Qualitative Disclosures About Market Risk

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

Our Senior Facility carries interest rate risk. Amounts borrowed under this Agreement bear interest at Libor plus 6.5%. Should the Libor rate change, our interest expense will increase or decrease accordingly. On September 21, 2001, we entered into an interest rate swap agreement to convert \$25.0 million of variable interest rate debt to 3.98% fixed rate debt plus applicable margin. As of March 31, 2003, we have borrowed \$177.7 million of which \$152.7 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost us \$1,527,000 in additional gross interest cost on an annualized basis.

Our Satellite Transponder Capital Lease carries interest rate risk. Amounts borrowed under this Agreement bear interest at Libor plus 3.25%. Should the Libor rate change, our interest expense will increase or decrease accordingly. As of March 31, 2003, we have borrowed \$44.5 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost us \$445,000 in additional gross interest cost on an annualized basis.

PART I.  
ITEM 4.

#### Controls and Procedures

Evaluation of disclosure controls and procedures  
Within the 90 days prior to the date of this report, we carried out an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 ("Exchange Act") Rules 13a-14(c) and 15d-14(c)) under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures are effective.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

Changes in Internal Controls  
There were no significant changes in our internal controls or, to our knowledge, in other factors that could significantly affect our disclosure controls and procedures subsequent to the date we carried out this evaluation.

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

PART II. OTHER INFORMATION  
ITEM 1. LEGAL PROCEEDINGS

Information regarding pending legal proceedings to which we are a party is included in note 5 to the Interim Condensed Consolidated Financial Statements and is incorporated herein by reference.

PART II.

(a) Exhibits

Exhibit No.	Description
10.107	Amendment No. 1 to Credit, Guaranty, Security and Pledge Agreement between GCI Holdings, Inc. and Credit Lyonnais New York Branch as Administrative Agent, Issuing Bank, Co-Bookrunner and Co-Arranger, General Electric Capital Corporation as Documentation Agent, Co-Arranger and Co-Bookrunner and CIT Lending Services Corporation as Syndication Agent, dated as of November 1, 2002
99.36	Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.37	The Articles of Incorporation of Wok 1, Inc.
99.38	The Bylaws of Wok 1, Inc.
99.39	The Articles of Incorporation of Wok 2, Inc.
99.40	The Bylaws of Wok 2, Inc.

(b) Reports on Form 8-K filed during the quarter ended March 31, 2003 - None

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SIGNATURES

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

<CAPTION>

GENERAL COMMUNICATION, INC.

Signature	Title	Date
<S> /s/ Ronald A. Duncan ----- Ronald A. Duncan	<C> President and Director (Principal Executive Officer)	<C> May 9, 2003 -----
/s/ John M. Lowber ----- John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	May 9, 2003 -----
/s/ Alfred J. Walker ----- Alfred J. Walker	Vice President, Chief Accounting Officer (Principal Accounting Officer)	May 9, 2003 -----

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTIONS 302 AND 906 OF THE  
SARBANES-OXLEY ACT OF 2002

I, Ronald A. Duncan, certify that:

- I have reviewed this quarterly report on Form 10-Q of General Communication, Inc.;
- Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the quarterly report;
- Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly represent in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined

in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have;

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluations Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluations as of the Evaluation Date;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee or registrants board of directors (or persons performing the equivalent function);
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in the quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluations, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

/s/ Ronald A. Duncan  
Ronald A. Duncan  
President and Director

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CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED  
PURSUANT TO SECTIONS 302 AND 906 OF THE  
SARBANES-OXLEY ACT OF 2002

I, John M. Lowber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Communication, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly represent in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have;
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluations Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluations as of the Evaluation Date;
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee

or registrants board of directors (or persons performing the equivalent function);

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in the quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluations, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 9, 2003

/s/ John M. Lowber  
John M. Lowber  
Senior Vice President, Chief Financial  
Officer, Secretary and Treasurer

AMENDMENT NO. 1, (this "Amendment") dated as of April 22, 2003 to the Credit, Guaranty, Security and Pledge Agreement dated as of October 31, 2002 (the "Credit Agreement") among GCI HOLDINGS, INC., an Alaska corporation (the "Borrower"), the guarantors referred to therein (the "Guarantors"), the lenders referred to therein (the "Lenders"), CREDIT LYONNAIS NEW YORK BRANCH, as administrative agent for the Lenders, issuing bank, co-bookrunner and co-arranger (the "Administrative Agent"), CIT LENDING SERVICES CORPORATION, as syndication agent (the "Syndication Agent"), and GENERAL ELECTRIC CAPITAL CORPORATION, as documentation agent, co-arranger and co-bookrunner, (the "Documentation Agent").

#### INTRODUCTORY STATEMENT

All capitalized terms not otherwise defined in this Amendment are used herein as defined in the Credit Agreement.

The Borrower has requested that the Credit Agreement be amended to modify certain provisions thereof as hereinafter set forth.

SECTION 1. Amendment to the Credit Agreement. Subject to the provisions of Section 2 hereof, the Credit Agreement is hereby amended, effective on the Amendment No. 1 Effective Date (such term being used herein as defined in Section 2 hereof), as follows:

(a) Article 1 of the Credit Agreement is hereby amended as follows:

(i) The definition of "Excess Cash Flow" is deleted in its entirety and replaced with the following:

"'Excess Cash Flow' shall mean, for any period for which it is to be determined, the amount by which the sum of (x) EBITDA for such period plus (y) one-time fiber sales for such period (including IRUs and long term leases which do not provide for periodic payments to be made at least semi-annually during the term of such transaction in proportion to the availability of capacity) to the extent such fiber sales are not included in EBITDA, exceeds Fixed Charges during such period.";

(ii) The definition of "Final Maturity Date" is deleted in its entirety and replaced with the following: "'Final Maturity Date' shall mean October 31, 2007.";

(iii) Clause (j) of the definition of "Permitted Encumbrances" is hereby deleted in its entirety and replaced with the following: "(j) Security deposits paid under contracts relating to the construction or acquisition of up to \$58 million of submarine fiber capacity between Alaska and the lower forty-eight states, which security deposits shall not cumulatively exceed \$8,000,000 in the aggregate during the term of this Credit Agreement.";

(iv) The definition of "Permitted New Fiber Cap Ex" is hereby amended by inserting a period after the phrase "between Alaska and the lower forty-eight states" and deleting all text appearing after such phrase; and

(v) The following new definitions are added to Article 1 of the Credit Agreement in the correct alphabetical order:

(1) "Amendment No. 1 Effective Date" shall have the meaning given to such term in Amendment No. 1 to Credit Agreement.

(2) "Amendment No. 1 to Credit Agreement" shall mean that certain Amendment No. 1, dated as of April 22, 2003 to the Credit Agreement among the Borrower, the Guarantors, the Lenders and the Agents.

(3) "Excess Capital Expenditures" shall mean the aggregate amount of Capital Expenditures (other than Permitted New Fiber Cap Ex) made during a given fiscal year in excess of \$25,000,000;

(4) "Successful Senior Note Transaction" shall mean that prior to February 1, 2007, GCII shall have repaid in full or successfully refinanced the Senior Notes from the proceeds of Indebtedness issued by GCI or GCII, which refinancing Indebtedness shall either (i) (w) mature no earlier than three (3) years after the Final Maturity Date, (x) be unsecured and no more senior in right of payment than the Senior Notes as in effect on the Amendment No. 1 Effective Date, (y) not contain covenants more restrictive than the terms of the Senior Notes as in

effect on the Amendment No. 1 Effective Date and (z) be otherwise satisfactory to the Administrative Agent in its sole discretion or (ii) be on terms and conditions otherwise satisfactory to the Required Lenders in their sole discretion.

(b) Section 2.4(b) of the Credit Agreement is hereby amended by deleting the final sentence thereof and replacing it with the following:

"The Borrower will repay a portion of the Term Loan on each of the following dates set forth below, in an amount equal to the amount set forth next to such date:

Date	Amount of Repayment
----	-----
September 30, 2003	\$5,000,000
December 31, 2003	\$5,000,000
March 31, 2004	\$5,000,000
June 30, 2004	\$5,000,000
September 30, 2004	\$5,000,000
December 31, 2004	\$5,000,000

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March 31, 2005	\$6,000,000
June 30, 2005	\$6,000,000
September 30, 2005	\$6,000,000
December 31, 2005	\$6,000,000
March 31, 2006	\$8,000,000
June 30, 2006	\$8,000,000
September 30, 2006	\$8,000,000
December 31, 2006	\$8,000,000
March 31, 2007	\$10,000,000
June 30, 2007	\$10,000,000
September 30, 2007	\$10,000,000

The remaining principal amount of the Term Loan as evidenced by the Term Notes shall be payable in full on the Final Maturity Date."

(c) Section 2.7 of the Credit Agreement is hereby amended by adding the following new clause (e) at the end thereof: "(e) The Commitments of the Lenders shall automatically terminate at 5:00 p.m., New York City time, on February 1, 2007, unless the Administrative Agent shall have received satisfactory evidence that a Successful Senior Note Transaction has been effected."

(d) Section 2.10(c) of the Credit Agreement is hereby deleted in its entirety and replaced with the following: "(c) The Borrower shall prepay on February 1, 2007 all Loans outstanding on such date, unless the Administrative Agent shall have received satisfactory evidence that a Successful Senior Note Transaction has been effected."

(e) Clause (c) of Section 5.6 is hereby amended by deleting the parenthetical phrase "(other than the making or incurrence of any obligation to make any Permitted New Fiber Cap Ex)".

(f) Clause (e) of Section 6.1 of the Credit Agreement, and the references to such clause and the indebtedness incurred under such clause appearing in the definitions of "Disqualified Debt", "Senior Secured Indebtedness" and Section 6.22 of the Credit Agreement, are hereby deleted in their entirety. Clause (e) of Section 6.1 of the Credit Agreement is hereby replaced with the following: "(e) Indebtedness for any deferred purchase price payable under contracts relating to the construction or acquisition of up to \$58 million of submarine fiber capacity between Alaska and the lower forty-eight states; provided that the aggregate principal amount outstanding of such Indebtedness shall not exceed \$15,000,000 during the term of this Credit Agreement."

(g) Clause (f) of Section 6.9 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"(f) Investments of up to \$5,000,000 during each of the 2003, 2004, 2005, 2006 or 2007 fiscal years (as measured on December 31st of each such year); provided, that during any such fiscal year, the aggregate amount of such Investments plus any Excess Capital Expenditures shall not exceed the aggregate amount of Excess Cash Flow generated during such fiscal year."

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(h) Section 6.11 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"Section 6.11. Total Leverage Ratio. At any time during each period set forth below, permit the Total Leverage Ratio to be greater than the corresponding ratio set forth below:



Period -----	Total Leverage Ratio -----
Amendment No. 1 Effective Date through December 30, 2003	4.25:1
December 31, 2003 through December 30, 2004	4.00:1
December 31, 2004 through December 30, 2005	3.75:1
December 31, 2005 through June 29, 2006	3.50:1
June 30, 2006 through June 29, 2007	3.25:1
June 30, 2007 through September 29, 2007	3.00:1
September 30, 2007 through Final Maturity Date	2.75:1

(i) Section 6.12 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"Section 6.12. Senior Secured Leverage Ratio. At any time during the periods set forth below, permit the Senior Secured Leverage Ratio to be greater than the corresponding ratio set forth below:

Period -----	Total Leverage Ratio -----
Amendment No. 1 Effective Date through December 30, 2004	2.00:1
December 31, 2004 through September 29, 2006	1.75:1
September 30, 2006 through June 29, 2007	1.50:1
June 30, 2007 through September 29, 2007	1.25:1
September 30, 2007 through Final Maturity Date	1.00:1

(j) Section 6.14 of the Credit Agreement is hereby deleted in its entirety and replaced with the following:

"SECTION 6.14. Capital Expenditures. (a) The Transaction Parties and, solely for purposes of determining compliance with this Section 6.14, GCI Transport and Satco, shall not make or incur any obligation to make Capital Expenditures (other than Permitted New Fiber Cap Ex) during any of the 2003, 2004, 2005 or 2006 fiscal years (as measured on December 31st of each such year) which in the aggregate exceeds \$25,000,000 in such fiscal year plus the amount by which the aggregate amount of Excess Cash Flow generated during such fiscal year exceeded the amount of any Investments made pursuant to Section 6.9(f) above during such fiscal year.

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(b) During any period when the aggregate outstanding principal amount of Revolving Loans exceeds \$25,000,000, the Transaction Parties may not make or incur any obligation to make Excess Capital Expenditures; provided that such making or incurrence of an obligation to make Excess Capital Expenditures shall not constitute an Event of Default hereunder if, within sixty (60) days thereof, the Borrower prepays Revolving Loans in an amount sufficient for the aggregate outstanding principal amount of Revolving Loans to be equal to or below \$25,000,000.

SECTION 2. Conditions to Effectiveness. The effectiveness of this Amendment is subject to the satisfaction in full of the following conditions precedent (the first date on which all such conditions have been satisfied being herein referred to as the "Amendment No. 1 Effective Date"):

(a) The Borrower shall have paid to the Administrative Agent, for the account of each Lender which has delivered an executed signature page hereto to the Administrative Agent by no later than April 21, 2003 at 5:00 p.m. (EST), an amendment fee equal to 1.00% of the amount of such Lender's Revolving Credit Commitment plus .75% of the outstanding amount of such Lender's Term Loans.

(b) The Administrative Agent shall have received executed counterparts of this Amendment, which, when taken together, bear the signatures of the Borrower, the Guarantors, the Agents and the Lenders;

(c) The Administrative Agent shall have received a written opinion or opinions dated the Amendment No. 1 Effective Date, addressed to the Administrative Agent and the Lenders and in form and substance satisfactory to the Administrative Agent and its counsel; and

(d) all legal matters in connection with this Amendment shall be reasonably satisfactory to Morgan, Lewis & Bockius LLP, counsel for the Administrative Agent.

SECTION 3. Representations and Warranties. The Borrower hereby represents and warrants to the Lenders that:

(a) after giving effect to this Amendment, the representations and warranties contained in Article 3 of the Credit Agreement and in the other Fundamental Documents are true and correct in all material respects on and as of the date hereof as if such representations and warranties had been made on and

as of the date hereof (except to the extent such representations and warranties expressly relate to an earlier date); and

(b) after giving effect to this Amendment, the Borrower is in compliance with all the terms and provisions set forth in the Credit Agreement and the other Fundamental Documents and no Default or Event of Default has occurred or is continuing under the Credit Agreement.

SECTION 4. Full Force and Effect.

(a) Except as expressly set forth herein, this Amendment does not constitute a waiver or modification of the Credit Agreement or any Fundamental Document, nor a waiver of any Default or Event of Default, in either case whether or not known to the Agents.

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(b) Except as expressly amended hereby, the Credit Agreement and each Fundamental Document shall continue in full force and effect in accordance with the respective provisions thereof on the date hereof.

(c) As used in the Credit Agreement, the terms "Credit Agreement", "this Agreement", "herein", "hereafter", "hereto", "hereof", and words of similar import, shall, unless the context otherwise requires, mean the Credit Agreement as amended by this Amendment. References to the terms "Agreement" or "Credit Agreement" appearing in the Exhibits or Schedules to the Credit Agreement, shall, unless the context otherwise requires, mean the Credit Agreement as amended by this Amendment.

SECTION 5. Applicable Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York which are applicable to contracts made and to be performed wholly within the State of New York.

SECTION 6. Counterparts. This Amendment may be executed in two or more counterparts, each of which shall constitute an original, but all of which when taken together shall constitute but one instrument.

SECTION 7. Expenses. The Borrower agrees to pay all reasonable out-of-pocket expenses incurred by the Administrative Agent in connection with the preparation, execution and delivery of this Amendment and any other documentation contemplated hereby, including, but not limited to, the reasonable fees and disbursements of counsel retained by Administrative Agent.

SECTION 8. Headings. The headings of this Amendment are for the purposes of reference only and shall not affect the construction of, or be taken into consideration in interpreting, this Amendment.

[Signature Pages to Follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first written.

BORROWER:

GCI HOLDINGS, INC.

By /s/

Name: John M. Lowber  
Title: Senior Vice President and Chief  
Financial Officer

GUARANTORS:

FIBER HOLD CO., INC.  
GCI CABLE, INC.  
GCI COMMUNICATION CORP.  
GCI FIBER CO., INC.  
GCI FIBER COMMUNICATION CO., INC.  
GCI, INC.  
POTTER VIEW DEVELOPMENT CO., INC.  
WOK 1, INC.  
WOK 2, INC.

By /s/

Name: John M. Lowber  
Title: Secretary/Treasurer

ALASKA UNITED FIBER SYSTEM PARTNERSHIP

By: GCI Fiber Co., Inc., its general partner

By /s/

Name: John M. Lowber  
Title: Secretary/Treasurer

By Fiber Hold Co., Inc., its general partner

By /s/

Name: John M. Lowber  
Title: Secretary/Treasurer  
LENDERS:

CREDIT LYONNAIS NEW YORK BRANCH, as administrative agent for the Lenders, issuing bank, co-bookrunner and co-arranger (the "Administrative Agent"), CIT LENDING SERVICES CORPORATION, as syndication agent (the "Syndication Agent"), and GENERAL ELECTRIC CAPITAL CORPORATION, as documentation agent, co-arranger and co-bookrunner, (the "Documentation Agent").

By /s/

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

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald A. Duncan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 9, 2003

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

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

In connection with the Quarterly Report of General Communication, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John M. Lowber, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 9, 2003

/s/  
John M. Lowber  
Chief Financial Officer  
General Communication, Inc.

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ARTICLES OF INCORPORATION

OF

WOK 1, INC.

We, the undersigned natural persons over the age of eighteen (18) years, acting as incorporators of a corporation under the Alaska Corporations Code, AS 10.06, do hereby adopt the following Articles of Incorporation:

ARTICLE 1 - Name

The name of the corporation ("Corporation") is: WOK 1, INC.

ARTICLE II - Purposes and Powers

The purpose for which the Corporation is organized to engage in activities related to real estate, and in general, to pursue any lawful purpose authorized under the Alaska Corporations Code.

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, and may transact any or all lawful business for which corporations may be incorporated under the Alaska Corporations Code.

ARTICLE III - Registered Office and Agent

The address of the Corporation's registered office and the name of its registered agent is Hartig, Rhodes, Hoge & Lekisch, P.C., 717 K Street, Anchorage, Alaska 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.

ARTICLE V - No Presumptive Rights

Pursuant to AS 10.06.210(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.

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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 XIX - Initial Directors

The initial number of directors of the Corporation shall be three (3). 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, Alaska 99503

John M. Lowber  
2550 Denali Street, Suite 1000  
Anchorage, Alaska 99503

Wilson Hughes  
2550 Denali Street, Suite 1000  
Anchorage, Alaska 99503

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)).

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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 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.

IN WITNESS WHEREOF, I have signed these Articles this 27th day of January, 2003.

/s/ John M. Lowber  
John M. Lowber

IN WITNESS WHEREOF, I have signed these Articles this 24th day of January, 2003.

/s/ Bonnie J. Paskvan  
Bonnie J. Paskvan

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STATE OF ALASKA            )  
                                  ) ss.  
THIRD JUDICIAL DISTRICT    )

JOHN M. LOWBER says on oath or affirms that he has read the foregoing Articles of Incorporation of WOK 1, INC., and believes all statements made in the documents are true and correct.

/s/ C. Mills  
Notary Public in and for the State of Alaska  
My Commission Expires: May 17, 2006

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 WOK 1, INC., and believes all statements made in the documents are true and correct.

/s/ C. Mills  
Notary Public in and for the State of Alaska  
My Commission Expires: May 17, 2006

BYLAWS  
OF  
WOK 1, INC.

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ARTICLE I  
OFFICES

The principal office of WOK 1, INC. ("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.

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

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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.

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

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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 its 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

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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 three (3).

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.

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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 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

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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 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.

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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.

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.

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

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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.

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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/her 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/her in connection with or arising out of any action, suit or proceedings (whether civil or criminal in nature) in which he/she may be involved, to which he/she may be a party by reason of being or having been (or his/her 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/she shall be

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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 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.

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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.

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 and state 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.

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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."

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

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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.

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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.

I, the undersigned, hereby certify that the foregoing Bylaws for governing the operation and management of WOK 1, INC., were duly adopted by the Directors by unanimous written consent, effective as of February 21, 2003.

/s/ Greg Jones  
Greg Jones, President

/s/ John M. Lowber  
John M. Lowber, Secretary/Treasurer

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ARTICLES OF INCORPORATION

OF

WOK 2, INC.

We, the undersigned natural persons over the age of eighteen (18) years, acting as incorporators of a corporation under the Alaska Corporations Code, AS 10.06, do hereby adopt the following Articles of Incorporation:

ARTICLE 1 - Name

The name of the corporation ("Corporation") is: WOK 2, INC.

ARTICLE II - Purposes and Powers

The purpose for which the Corporation is organized to engage in activities related to real estate, and in general, to pursue any lawful purpose authorized under the Alaska Corporations Code.

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, and may transact any or all lawful business for which corporations may be incorporated under the Alaska Corporations Code.

ARTICLE III - Registered Office and Agent

The address of the Corporation's registered office and the name of its registered agent is Hartig, Rhodes, Hoge & Lekisch, P.C., 717 K Street, Anchorage, Alaska 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.

ARTICLE V - No Presumptive Rights

Pursuant to AS 10.06.210(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.

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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 XIX - Initial Directors

The initial number of directors of the Corporation shall be three (3). 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, Alaska 99503

John M. Lowber  
2550 Denali Street, Suite 1000  
Anchorage, Alaska 99503

Wilson Hughes  
2550 Denali Street, Suite 1000  
Anchorage, Alaska 99503

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)).

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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 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.

IN WITNESS WHEREOF, I have signed these Articles this 27th day of January, 2003.

/s/ John M. Lowber  
John M. Lowber

IN WITNESS WHEREOF, I have signed these Articles this 24th day of January, 2003.

/s/ Bonnie J. Paskvan  
Bonnie J. Paskvan

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STATE OF ALASKA            )  
                                  ) ss.  
THIRD JUDICIAL DISTRICT    )

JOHN M. LOWBER says on oath or affirms that he has read the foregoing Articles of Incorporation of WOK 2, INC., and believes all statements made in the documents are true and correct.

/s/ C. Mills  
Notary Public in and for the State of Alaska  
My Commission Expires: May 17, 2006

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 WOK 2, INC., and believes all statements made in the documents are true and correct.

/s/ C. Mills  
Notary Public in and for the State of Alaska  
My Commission Expires: May 17, 2006

BYLAWS

OF

WOK 2, INC.

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ARTICLE I  
OFFICES

The principal office of WOK 2, INC. ("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.

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

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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.

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

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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 its 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

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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 three (3).

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.

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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 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

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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 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.

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#### 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.

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.

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

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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.

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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/her 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/her in connection with or arising out of any action, suit or proceedings (whether civil or criminal in nature) in which he/she may be involved, to which he/she may be a party by reason of being or having been (or his/her 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/she shall be

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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 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.

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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.

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 and state 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.

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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."

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

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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.

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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.

I, the undersigned, hereby certify that the foregoing Bylaws for governing the operation and management of WOK 2, INC., were duly adopted by the Directors by unanimous written consent, effective as of February 21, 2003.

/s/ Greg Jones  
Greg Jones, President

/s/ John M. Lowber  
John M. Lowber, Secretary/Treasurer

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