

As filed with the Securities and Exchange Commission on May 17, 1999.

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, 1999  
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 .

The number of shares outstanding of the registrant's classes of common stock, as of April 30, 1999 was:  
45,952,568 shares of Class A common stock; and  
4,055,437 shares of Class B common stock.

1

<TABLE>

INDEX

GENERAL COMMUNICATION, INC.

FORM 10-Q

FOR THE QUARTER ENDED MARCH 31, 1999

<CAPTION>

PAGE NO

-----

<S>

<C>

Cautionary Statement Regarding Forward-Looking Statements.....3

PART I. FINANCIAL INFORMATION

Item 1.	Consolidated Balance Sheets as of March 31, 1999 (unaudited) and December 31, 1998.....	5
	Consolidated Statements of Operations for the three months ended March 31, 1999 (unaudited) and 1998 (unaudited).....	7
	Consolidated Statements of Stockholders' Equity for the three months ended March 31, 1999 (unaudited) and 1998 (unaudited).....	8
	Consolidated Statements of Cash Flows for the three months ended March 31, 1999 (unaudited) and 1998 (unaudited).....	9
	Notes to Interim Condensed Consolidated Financial Statements.....	10
Item 2.	Management's Discussion and Analysis of Financial	

Item 3. Quantitative and Qualitative Disclosures About Market Risk.....36

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.....36

Item 6. Exhibits and Reports on Form 8-K.....37

Other items are omitted as they are not applicable.

SIGNATURES.....38

</TABLE>

2

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this quarterly report on Form 10-Q constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1996 ("Securities Reform Act"). These statements may be preceded by, followed by, or include the words "believes," "expects," "anticipates," or similar expressions. For those statements, the Company claims protection of the safe-harbor for forward-looking statements contained in the Securities Reform Act. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance and achievements of the Company, or industry results, to differ materially from future results, performance or achievements expressed or implied by such statements. The reader is cautioned that important factors, such as the following risks, uncertainties, and other factors, in addition to those contained elsewhere in this document, could affect future results of the Company, its long-distance telecommunication services, local access services, Internet services and cable services and could cause those results to differ materially from those expressed in the forward-looking statements:

- Material adverse changes in the economic conditions in the markets served by the Company;
- The efficacy of the 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;
- The Company's responses to competitive products, services and pricing, including pricing pressures, technological developments, alternative routing developments, and the ability to offer combined service packages that include local, cable and Internet services; the extent and pace at which different competitive environments develop for each segment of the Company's business; the extent and duration for which competitors from each segment of the telecommunications industry are able to offer combined or full service packages prior to the Company being able to do so; the degree to which the Company experiences material competitive impacts to its traditional service offerings prior to achieving adequate local service entry; and competitor responses to the Company's products and services and overall market acceptance of such products and services;
- The outcome of negotiations with Incumbent Local Exchange Carriers ("ILECs") and state regulatory arbitrations and approvals with respect to interconnection agreements; and the ability to purchase unbundled network elements or wholesale services from ILECs at a price sufficient to permit the profitable offering of local exchange service at competitive rates;
- Success and market acceptance for new initiatives, many of which are untested; the level and timing of the growth and profitability of new initiatives, particularly local access services, Internet (consumer and business) services and wireless services; start-up costs associated with entering new markets, including advertising and promotional efforts; successful deployment of new systems and applications to support new initiatives; and local conditions and obstacles;
- Uncertainties inherent in new business strategies, new product launches and development plans, including local access services, Internet services, wireless services, digital video services, cable modem services, and transmission services;
- Rapid technological changes;
- Development and financing of telecommunication, local access, wireless, Internet and cable networks and services;
- Future financial performance, including the availability, terms and deployment of capital; the impact of regulatory and competitive developments on capital outlays, and the ability to achieve cost savings and realize productivity improvements;

3

- Availability of qualified personnel;
- Changes in, or failure, or inability, to comply with, government regulations, including, without limitation, regulations of the FCC, the Alaska Public Utilities Commission ("APUC"), and adverse outcomes from

- regulatory proceedings;
- The cost of the Company's Year 2000 compliance efforts;
- Uncertainties in federal military spending levels and military base closures in markets in which the Company operates; and
- Other risks detailed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission.

These forward-looking statements (and such risks, uncertainties and other factors) are made only as of the date of this report and the Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this document to reflect any change in the Company's expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to put undue reliance on such forward looking statements.

4

PART I. FINANCIAL INFORMATION  
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

<CAPTION>

ASSETS	(Unaudited) March 31, 1999	December 31, 1998
	(Amounts in thousands)	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 6,169	12,008
Receivables:		
Trade	39,019	38,890
Income taxes	2,262	4,262
Other	379	412
	41,660	43,564
Less allowance for doubtful receivables	1,384	887
Net receivables	40,276	42,677
Prepaid and other current assets	2,547	2,212
Deferred income taxes, net	1,978	1,947
Inventories	1,611	1,878
Notes receivable	628	650
Total current assets	53,209	61,372
Property and equipment in service, net	316,071	199,827
Construction in progress	4,654	119,395
Net property and equipment	320,725	319,222
Other assets:		
Cable franchise agreements, net of amortization	194,017	195,308
Other intangible assets, net of amortization	45,065	45,391
Deferred loan and senior notes costs, net of amortization	9,577	9,877
Transponder deposit (note 5)	9,100	9,100
Notes receivable	1,522	1,432
Other assets, at cost, net of amortization	3,777	4,414
Total other assets	263,058	265,522
Total assets	\$ 636,992	646,116

See accompanying notes to interim condensed consolidated financial statements.

</TABLE>

5

(Continued)

<TABLE>

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

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) March 31, 1999	December 31, 1998
	(Amounts in thousands)	

<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
<b>Current liabilities:</b>		
Current maturities of long-term debt (note 3)	\$ 1,836	1,799
Current maturities of obligations under capital leases	527	511
Accounts payable	26,736	27,550
Accrued interest	3,694	8,072
Accrued payroll and payroll related obligations	7,013	6,555
Accrued liabilities	3,662	3,197
Subscriber deposits and deferred revenues	5,983	5,300
	-----	-----
Total current liabilities	49,451	52,984
Long-term debt, excluding current maturities (note 3)	354,338	349,858
Obligations under capital leases, including related party obligations, excluding current maturities	1,536	1,675
Deferred income taxes, net of deferred income tax benefit	33,246	38,275
Other liabilities	3,229	3,317
	-----	-----
Total liabilities	441,800	446,109
	-----	-----
<b>Stockholders' equity (note 6):</b>		
Common stock (no par):		
Class A. Authorized 100,000,000 shares; issued and outstanding 45,950,745 and 45,895,415 shares at March 31, 1999 and December 31, 1998, respectively	172,746	172,708
Class B. Authorized 10,000,000 shares; issued and outstanding 4,055,290 and 4,060,620 shares at March 31, 1999 and December 31, 1998, respectively; convertible on a share-per-share basis into Class A common stock	3,432	3,432
Less cost of 286,554 Class A common shares held in treasury at March 31, 1999 and December 31, 1998	(1,607)	(1,607)
Paid-in capital	5,725	5,609
Notes receivable issued upon stock option exercise	(741)	(637)
Retained earnings	15,637	20,502
	-----	-----
Total stockholders' equity	195,192	200,007
	-----	-----
Commitments and contingencies (notes 5 and 6)		
Total liabilities and stockholders' equity	\$ 636,992	646,116
	=====	=====

See accompanying notes to interim condensed consolidated financial statements.

</TABLE>

6

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS

<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
		(Unaudited)
		Three Months Ended
		March 31,
		1999      1998
		-----
		(Amounts in thousands except per share amounts)
<u>&lt;S&gt;</u>	<u>&lt;C&gt;</u>	<u>&lt;C&gt;</u>
Revenues (note 4)	\$ 61,338	58,152
Cost of sales and services	27,870	27,315
Selling, general and administrative	23,538	20,334
Depreciation and amortization	10,298	8,066
	-----	-----
Operating income (loss)	(368)	2,437
Interest expense, net	6,960	4,944
	-----	-----
Net loss before income taxes and cumulative effect of a change in accounting principle	(7,328)	(2,507)
Income tax benefit	2,807	891
	-----	-----
Net loss before cumulative effect of a change in accounting principle	(4,521)	(1,616)
Cumulative effect of a change in accounting principle, net of income tax benefit of \$245	344	---
	-----	-----
Net loss	\$ (4,865)	(1,616)
	=====	=====

Basic loss per common share:		
Loss before cumulative effect of a change in accounting principle	\$ (0.10)	(0.03)
Cumulative effect of a change in accounting principle	---	---
	-----	-----
Net loss	\$ (0.10)	(0.03)
	=====	=====
Diluted loss per common share:		
Loss before cumulative effect of a change in accounting principle	\$ (0.10)	(0.03)
Cumulative effect of a change in accounting principle	---	---
	-----	-----
Net loss	\$ (0.10)	(0.03)
	=====	=====

See accompanying notes to interim condensed consolidated financial statements.

</TABLE>

7

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
THREE MONTHS ENDED MARCH 31, 1999 AND 1998

<CAPTION>

(Unaudited) Retained (Amounts in thousands) Earnings	Shares of Common Stock		Class A Common	Class B Common	Class A Shares Held in Treasury	Paid-in Capital	Notes Receiv- able Issued
	Class A	Class B	Stock	Stock			
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Balances at December 31, 1997	45,279	4,063	\$ 170,322	3,432	(1,039)	4,425	---
27,299							
Net loss	---	---	---	---	---	---	---
(1,616)							
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	---	---	10	---
---							
Shares issued under stock option plan	56	---	170	---	---	80	---
---							
Stock offering issuance costs	---	---	(15)	---	---	---	---
---							
	-----	-----	-----	-----	-----	-----	-----
Balances at March 31, 1998	45,335	4,063	\$ 170,477	3,432	(1,039)	4,515	---
25,683							
	=====	=====	=====	=====	=====	=====	=====
Balances at December 31, 1998	45,895	4,061	\$ 172,708	3,432	(1,607)	5,609	(637)
20,502							
Net loss	---	---	---	---	---	---	---
(4,865)							
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	---	---	8	---
---							
Class B shares converted to Class A	6	(6)	---	---	---	---	---
---							
Shares issued and issuable under stock option plan	---	---	---	---	---	54	---
---							
Shares issued under officer stock option agreements and notes issued upon officer stock option exercise	50	---	38	---	---	---	(104)
---							
Warrants issued	---	---	---	---	---	54	---
---							
	-----	-----	-----	-----	-----	-----	-----
Balances at March 31, 1999	45,951	4,055	\$ 172,746	3,432	(1,607)	5,725	(741)
15,637							
	=====	=====	=====	=====	=====	=====	=====

See accompanying notes to interim condensed consolidated financial statements.

</TABLE>

8

<TABLE>

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

	(Unaudited)	
	Three Months Ended	
	March 31,	
	1999	1998
	-----	
	(Amounts in thousands)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	\$ (4,865)	(1,616)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation and amortization	10,298	8,066
Amortization charged to selling, general and administrative	430	115
Deferred income tax (benefit) expense	(3,052)	1,969
Deferred compensation and compensatory stock options	172	168
Bad debt expense, net of write-offs	497	115
Write-off of unamortized start-up costs	589	---
Warrants issued	54	---
Other noncash income and expense items	20	(26)
Change in operating assets and liabilities (note 2)	(3,956)	(14,342)
	-----	-----
Net cash provided (used) by operating activities	187	(5,551)
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment, including construction period interest	(9,882)	(28,167)
Restricted cash investment	---	13,152
Purchases of other assets	(391)	(1,275)
Notes receivable issued	(89)	(30)
Payments received on notes receivable	15	95
	-----	-----
Net cash used in investing activities	(10,347)	(16,225)
	-----	-----
Cash flows from financing activities:		
Long-term borrowings - bank debt and leases	4,884	24,027
Repayments of long-term borrowings and capital lease obligations	(490)	(443)
Stock offering issuance costs	---	(15)
Payment of debt issuance costs	(7)	(1,078)
Note receivable issued upon stock option exercise	(104)	---
Proceeds from common stock issuance	38	170
	-----	-----
Net cash provided by financing activities	4,321	22,661
	-----	-----
Net increase (decrease) in cash and cash equivalents	(5,839)	885
Cash and cash equivalents at beginning of period	12,008	3,048
	-----	-----
Cash and cash equivalents at end of period	\$ 6,169	3,933
	=====	=====

See accompanying notes to interim condensed consolidated financial statements.

</TABLE>

9

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) General

(a) Business

General Communication, Inc. ("GCI"), an Alaska corporation, was incorporated in 1979. GCI and its direct and indirect subsidiaries (collectively, the "Company") offer long-distance telephone service between Anchorage, Fairbanks, Juneau, and other communities in Alaska and the remaining United States and foreign countries. Cable television services are offered throughout Alaska and facilities-based competitive local access services are offered in Anchorage, Alaska. The Company provides services to certain common carriers terminating traffic in Alaska, interstate and intrastate private line services, Internet services, managed services to certain commercial customers and sells and services dedicated communications systems and related equipment. Private network point-to-point data and voice transmission services between Alaska, Hawaii and the western contiguous United States are offered and the

Company owns and leases capacity on two undersea fiber optic cables used in the transmission of interstate private line, switched message long-distance and Internet services between Alaska and the remaining United States and foreign countries.

(b) Organization  
 The consolidated financial statements include the accounts of GCI, its wholly-owned subsidiary GCI, Inc., GCI, Inc.'s wholly-owned subsidiary GCI Holdings, Inc., GCI Holdings, Inc.'s wholly-owned subsidiaries GCI Communication Corp., GCI Communication Services, Inc. and GCI Cable, Inc., GCI Communication Services, Inc.'s wholly-owned subsidiary GCI Leasing Co., Inc., GCI Transport Company, Inc., GCI Transport Company, Inc.'s wholly-owned subsidiaries GCI Fiber Co., Inc. and Fiber Hold Company, Inc. and GCI Fiber Co., Inc.'s and Fiber Hold Company, Inc.'s wholly owned partnership Alaska United Fiber System Partnership.

(c) Net Loss Per Common Share

<TABLE>

Shares used to calculate net loss per common share consist of the following (amounts in thousands):

<CAPTION>

	Three Months Ended March 31,	
	1999	1998
<S>	<C>	<C>
Weighted average common shares outstanding	49,636	49,190
Common equivalent shares outstanding	---	---
	49,636	49,190

</TABLE>

Common equivalent shares outstanding of 493,000 and 862,000 are anti-dilutive at March 31, 1999 and 1998, respectively, and are not included in the diluted net loss per share calculation. Weighted average shares associated with outstanding stock options totaling 2,380,000 and 3,748,000 at March 31, 1999 and 1998, respectively, have been excluded from the diluted loss per share calculations because the options' exercise price was greater than the average market price of the common shares.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(d) Cumulative Effect of a Change in Accounting Principle  
 In April 1998, the American Institute of Certified Public Accountants (AICPA) issued Statement of Position ("SOP") 98-5, "Reporting on the Costs of Start-Up Activities". SOP 98-5 provides guidance on the financial reporting of start-up costs and organization costs and requires costs of start-up activities and organization costs to be expensed as incurred. SOP 98-5 is effective for financial statements for fiscal years beginning after December 15, 1998. Management of the Company adopted SOP 98-5 in the first quarter of 1999 resulting in the recognition of a one-time expense of \$344,000 (net of income tax benefit of \$245,000) associated with the write-off of unamortized start-up costs. Pro forma first quarter 1998 net loss and net loss per common share approximate amounts reflected in the accompanying interim condensed consolidated financial statements.

(e) Reclassifications  
 Reclassifications have been made to the 1998 financial statements to make them comparable with the 1999 presentation.

(f) Other  
 The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The interim condensed consolidated financial statements include the consolidated accounts of General Communication, Inc. and its wholly owned subsidiaries (collectively, the "Company") with all significant intercompany transactions eliminated. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the

three-month period ended March 31, 1999 are not necessarily indicative of the results that may be expected for the year ended December 31, 1999. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1998.

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:

Three-month periods ended March 31,

	1999	1998
	-----	
	(Amounts in thousands)	
<S>	<C>	<C>
Increase in receivables	\$ (96)	(3,910)
Decrease in income tax receivable	---	(2,861)
Increase in prepaid and other current assets	(335)	(373)
(Increase) decrease in inventory	267	(411)
Decrease in accounts payable	(814)	(3,443)
Increase (decrease) in accrued liabilities	465	(582)
Increase in accrued payroll and payroll related obligations	458	997
Decrease in accrued interest	(4,378)	(4,109)
Increase in deferred revenues	683	327
Increase (decrease) in other liabilities	(206)	23
	-----	-----
	\$ (3,956)	(14,342)
	=====	=====

</TABLE>

No income taxes were paid and no income tax refunds were received during the three-month periods ended March 31, 1999 and 1998.

Interest paid totaled \$12,890,000 and \$10,767,000 during the three-month periods ended March 31, 1999 and 1998, respectively.

(3) Long-term Debt  
On January 27, 1998, the Company, through Alaska United Fiber System Partnership ("Alaska United"), closed a \$75,000,000 project finance facility ("Fiber Facility") to construct a fiber optic cable system connecting Anchorage, Fairbanks, Valdez, Whittier, Juneau and Seattle as further described in note 5. Borrowings under the Fiber Facility totaled \$66,108,000 at March 31, 1999. In April 1999, borrowings under the Fiber Facility totaled \$75,000,000, the maximum amount available under the Fiber Facility agreement.

(4) Industry Segments Data  
The Company's reportable segments are business units that offer different products. The reportable segments are each managed separately because they manage and offer distinct products with different production and delivery processes.

The Company has four reportable segments as follows:

Long-distance services. A full range of common-carrier long-distance services are offered to business, government, other telecommunications companies and consumer customers, through its networks of fiber optic cables, digital microwave, and fixed and transportable satellite earth stations.

Cable services. The Company provides cable television services to residential, commercial and government users in the State of Alaska. The Company's cable systems serve 26 communities and areas in Alaska, including the state's three largest urban areas, Anchorage, Fairbanks and

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Juneau. Anchorage cable plant upgrades in 1998 enabled the Company to offer digital cable television services and retail cable modem service (through its Internet services segment) in Anchorage, complementing its existing service offerings. The Company plans to expand its product offerings as plant upgrades



are completed in other communities in Alaska.

Local access services. The Company introduced facilities based competitive local exchange services in Anchorage in 1997. The Company has announced plans to ultimately provide similar competitive local exchange services in Alaska's other major population centers, as access is allowed by the Alaska Public Utilities Commission.

Internet services. The Company began offering wholesale and retail Internet services in 1998. Deployment of the new undersea fiber optic cable (see note 5) allows the Company to offer enhanced services with high-bandwidth requirements.

Services provided by the Company that are included in the "Other" segment in the tables that follow are managed services, product sales and cellular telephone services. Included in the Other segment are the results of insignificant business units described above which do meet the quantitative thresholds for determining reportable segments. None of these business units have ever met the quantitative thresholds for determining reportable segments. Also included in the Other segment are corporate related expenses, including marketing, customer service, management information systems, accounting, legal and regulatory, human resources and other general and administrative expenses.

The Company evaluates performance and allocates resources based on (1) earnings or loss from operations before depreciation, amortization, net interest expense, income taxes and cumulative effect of a change in accounting principle, and (2) operating income or loss. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies included in the Company's annual report on Form 10-K at December 31, 1998. Intersegment sales are recorded at cost plus an agreed upon intercompany profit.

All revenues are earned through sales of services and products within the United States of America. All of the Company's long-lived assets are located within the United States of America.

<TABLE>

Summarized financial information concerning the Company's reportable segments follows for the quarters ended March 31, 1999 and 1998 (amounts in thousands):

<CAPTION>

	Long-Distance Services	Cable Services	Local Access Services	Internet Services	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1999						
----						
Revenues:						
Intersegment	\$ 1,902	613	660	---	---	3,175
External	37,542	15,062	3,714	1,969	3,051	61,338
Total revenues	39,444	15,675	4,374	1,969	3,051	64,513

</TABLE>

13 (Continued)  
GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

<TABLE>  
<CAPTION>

	Long-Distance Services	Cable Services	Local Access Services	Internet Services	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earnings (loss) from operations before depreciation, amortization, net interest expense, income taxes and cumulative effect of a change in accounting principle	\$12,859	8,673	(230)	(1,782)	(9,339)	10,181
Operating income (loss)	\$ 9,288	4,282	(1,040)	(2,034)	(10,613)	(117)

1998

317	Revenues:						
	Intersegment	\$ ---	317	---	---	---	
	External	38,651	14,201	1,013	903	3,384	58,152
--	Total revenues	\$38,651	14,518	1,013	903	3,384	58,469
	Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes	\$14,290	7,136	(1,361)	377	(9,936)	10,506
	Operating income (loss)	\$12,117	3,512	(2,428)	242	(11,003)	2,440

</TABLE>

<TABLE>

A reconciliation of total segment revenues to consolidated revenues follows:

<CAPTION>

Quarters ended March 31,	1999	1998
<S>	<C>	<C>
Total segment revenues	\$ 64,513	58,469
Less intersegment revenues eliminated in consolidation	(3,175)	(317)
Consolidated revenues	\$ 61,338	58,152

</TABLE>

14

(Continued)

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

<TABLE>

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

<CAPTION>

Quarters ended March 31,	1999	1998
<S>	<C>	<C>
Total segment earnings from operations before depreciation, amortization, net interest expense, income taxes and cumulative effect of a change in accounting principle	\$ 10,181	10,506
Less intersegment contribution eliminated in consolidation	(251)	(3)
Consolidated earnings from operations before depreciation, amortization, net interest expense, income taxes and cumulative effect of a change in accounting principle	9,930	10,503
Depreciation and amortization	10,298	8,066
Consolidated operating income (loss)	(368)	2,437
Interest expense, net	(6,960)	(4,944)
Consolidated net loss before income taxes and cumulative effect of a change in accounting principle	\$ (7,328)	(2,507)

</TABLE>

<TABLE>

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

<CAPTION>

Quarters ended March 31,	1999	1998
<S>	<C>	<C>
Total segment operating income (loss)	\$ (117)	2,440
Less intersegment contribution eliminated in consolidation	(251)	(3)
Consolidated operating income (loss)	(368)	2,437
Interest expense, net	(6,960)	(4,944)
Consolidated net loss before income taxes and cumulative effect of a change in accounting principle	\$ (7,328)	(2,507)

</TABLE>

(5) Commitments and Contingencies

#### Deferred Compensation Plan

The Company's non-qualified, unfunded deferred compensation plan provides a means by which certain employees may elect to defer receipt of designated percentages or amounts of their compensation and provides a means for certain other deferrals of compensation. The Company may, at its discretion, contribute matching deferrals equal to the rate of matching selected by the Company. Participants immediately vest in all elective deferrals and all income and gain attributable thereto. Matching contributions and all income and gain attributable thereto vest over a six-year period. Participants may elect to be paid in either a single lump sum payment or annual installments over a period not to exceed 10 years. Vested balances are payable upon termination.

#### NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

of employment, unforeseen emergencies, death and total disability. Participants are general creditors of the Company with respect to deferred compensation plan benefits. Compensation deferred pursuant to the plan totaled \$118,000 and \$0 during the three-month periods ended March 31, 1999 and 1998, respectively.

#### Satellite Transponders

The Company entered into a purchase and lease-purchase option agreement in August 1995 for the acquisition of satellite transponders to meet its long-term satellite capacity requirements. The launch of the satellite in August 1998 failed. The Company did not assume launch risk and the launch has been rescheduled for the first quarter of 2000. The Company will continue to lease transponder capacity until the delivery of the transponders on the replacement satellite. The balance payable upon expected delivery of the transponders during the first quarter of 2000, in addition to the \$9.1 million deposit previously paid, totals approximately \$43.5 million.

#### Self-Insurance

The Company is self-insured for losses and liabilities related primarily to health and welfare claims up to predetermined amounts above which third party insurance applies. A reserve of \$555,000 was recorded at March 31, 1999 to cover estimated reported losses, estimated unreported losses based on past experience modified for current trends, and estimated expenses for investigating and settling claims. Actual losses will vary from the recorded reserve. While management uses what it believes is pertinent information and factors in determining the amount of reserves, future additions to the reserves may be necessary due to changes in the information and factors used.

#### Litigation and Disputes

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

#### Cable Service Rate Reregulation

Effective March 31, 1999, the rates for cable programming services (service tiers above basic service) are no longer regulated. This regulation ended pursuant to provisions of the Telecommunications Act of 1996 and the regulations adopted pursuant thereto by the Federal Communications Commission ("FCC").

Federal law still permits regulation of basic service rates. However, Alaska state law provides that cable television service is exempt from regulation by the Alaska Public Utilities Commission ("APUC") unless 25% of a system's subscribers request such regulation by filing a petition with the APUC. At March 31, 1999, only the Juneau system is subject to APUC regulation of its basic service rates. No petition requesting regulation has been filed for any other system. (The Juneau system serves 8.3% of the Company's total basic service subscribers at March 31, 1999.) Juneau's current rates have been approved by the APUC and there are no other pending filings with the APUC, therefore, there is no refund liability for basic service at this time.

(Unaudited)

**Undersea Fiber Optic Cable Contract Commitment**

The Company signed a contract in July 1997 for construction of the undersea portion of a fiber optic cable system connecting the cities of Anchorage, Juneau, and Seattle via a subsea route. The total system is expected to cost approximately \$125 million. Subsea and terrestrial connections extended the fiber optic cable to Fairbanks via Whittier and Valdez. Construction efforts began in September 1998 and were completed in early February 1999. Commercial services commenced in February 1999. Pursuant to the contract, the Company has paid \$86.3 million through December 31, 1998 and \$424,000 during the three-month period ended March 31, 1999, and will pay the remaining balance in installments in April 1999. Approximately \$39.4 million of proceeds from the 1997 public offerings (see the Company's December 31, 1998 annual report on Form 10-K), net of the \$9.1 million paid in 1997, were contributed to Alaska United. In January 1998, the Company secured \$75 million in bank financing to fund the remaining cost of construction and deployment, of which \$66.1 million was outstanding at March 31, 1999 (see note 3).

**Year 2000**

In 1997, the Company initiated a plan to identify, assess and remediate Year 2000 issues within each of its significant computer programs and certain equipment which contain micro-processors. The plan is addressing the issue of computer programs and embedded computer chips being unable to distinguish between the year 1900 and the year 2000, if a program or chip uses only two digits rather than four to define the applicable year. The Company has divided the plan into two major phases. The first phase, including team formation, inventory assessment, compliance assessment and risk assessment, were completed during 1998. The second phase, including resolution/remediation, validation, contingency planning and sign-off acceptance, was in progress at December 31, 1998. Systems which have been determined not to be Year 2000 compliant are being either replaced or reprogrammed, and thereafter tested for Year 2000 compliance. The plan anticipates that by mid-1999 the conversion, implementation and testing phases will be completed. The current budget for the total cost of remediation (including replacement software and hardware) and testing, as set forth in the plan, is approximately \$4.0 million.

The Company is in the process of identifying and contacting critical suppliers and customers whose computerized systems interface with the Company's systems, regarding their plans and progress in addressing their Year 2000 issues. The Company has received varying information from such third parties on the state of compliance or expected compliance. Contingency plans continue to be developed in the event that any critical supplier or customer is not compliant. The failure to correct a material Year 2000 problem could result in an interruption in, or a failure of, certain normal business activities or operations. Such failures could materially and adversely affect the Company's operations, liquidity and financial condition. Due to the general uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third-party suppliers and customers, the Company is unable to determine at this time whether the consequences of Year 2000 failures will have a material impact on the Company's operations, liquidity or financial condition.

(Unaudited)

**(6) Subsequent Event**

The Company issued 20,000 shares of convertible redeemable accreting preferred stock ("Preferred Stock") on April 30, 1999. Proceeds totaling \$20 million (before payment of costs and expenses) will be used for general corporate purposes, to repay outstanding indebtedness, and to provide additional liquidity. The Company's amended Senior Holdings Loan facilities limit use of such proceeds. The Preferred Stock contains a \$1,000 per share liquidation preference, plus accrued but unpaid dividends and fees. Dividends are payable semi-annually at the rate of 8.5% of the liquidation preference. Prior to the four-year anniversary following closing, dividends are payable, at the Company's option, in cash or in additional fully-paid shares of Preferred Stock. Dividends are payable only in cash following the four-year anniversary of closing. Mandatory redemption is required 12 years from the date of closing.

The Company may redeem the Preferred Stock after the four-year anniversary of its issuance, and must redeem the Preferred Stock upon the occurrence of a triggering event. The holders may convert the Preferred Stock into Class A common stock of the Company at any time after the four-year anniversary of the issuance of the Preferred Stock, at a price of \$5.55 per share. At any time subsequent to the third anniversary following closing, and assuming the stock is trading at no less than two times the conversion price, the Company may require immediate conversion. The Preferred Stock, subject to lender approval, is exchangeable in whole or in part, at the Company's option, into subordinated debt with terms and conditions comparable to those governing the Preferred Stock. The Preferred Stock is senior to all other classes of the Company's equity securities, and has voting rights equal to that number of shares of common stock into which it can be converted.

Holders of the Preferred Stock shares will have the right to vote on all matters presented for vote to the holders of common stock on an as-converted basis. Additionally, the Preferred Stock offering requires as long as the Preferred Stock shares remain outstanding and unconverted, the holders of it will have the right to vote, as a class, and the Company must obtain the written consent of holders of a majority (or higher as required by Alaska law) of that stock to take certain actions, some of which require shareholder approval necessitating amendment of the Company's Articles of Incorporation.

With the issuance of the Preferred Stock shares, the holders of that stock may recommend one individual to the Company's Board of Directors ("Board"). Under the terms of the Preferred Stock offering, the Board will expand its size from the present nine to ten seats and, upon qualification, appoint that individual to that new seat to serve until the next shareholder meeting. At that shareholder meeting, the individual would be required to stand for election to complete the term of the class of directors to which the individual was assigned. The offering also provides that the Board include the individual recommended by those holders on the subsequent Board slate for election of directors and actively to seek the election of that individual to the Board. The offering further provides that, should the holders of common stock of the Company not elect that individual, the holders of the Preferred Stock Shares will have the right to appoint an observer at the meetings of the Board. The offering also provides that these rights of the holders of Preferred Stock shares relating to the Board seat and observer are to remain effective so long as any of the Preferred Stock shares remain outstanding.

18

PART I.  
ITEM 2.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Company's Interim Condensed Consolidated Financial Statements and the notes thereto. See - Cautionary Statement Regarding Forward-Looking Statements.

#### OVERVIEW

The Company has experienced significant growth in recent years through both strategic acquisitions and growth in its existing businesses. The Company has historically met its cash needs for operations through its cash flows from operating activities. Cash requirements for acquisitions and capital expenditures have been provided largely through the Company's financing activities.

Long-distance services. The Company's provision of interstate and intrastate long-distance services to residential, commercial and governmental customers and to other common carriers (principally MCI WorldCom and Sprint) accounted for approximately 92.7% of the Company's total long-distance services revenues during the first quarter of 1999. Factors that have the greatest impact on year-to-year changes in long-distance services revenues include the rate per minute charged to customers and usage volumes, usually expressed as minutes of use. These factors in turn depend in part upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, in particular oil production, as well as tourism, government and United States military spending.

The Company's long-distance cost of sales and services has consisted principally of the direct costs of providing services, including local access charges paid to Local Exchange Carriers ("LECs") for the origination and termination of long-distance calls in Alaska, fees paid to other long-distance carriers to carry calls that terminate in areas not served by the Company's network (principally the lower 49 states, most of which calls are carried over MCI WorldCom's network, and international locations, which calls are carried principally over Sprint's network), and the cost of equipment sold to the Company's customers. During the first quarter of 1999, local access charges accounted for 44.4% of long-distance cost of sales and services, fees paid to other long-distance carriers represented 31.1%, satellite transponder lease and undersea fiber maintenance costs represented 11.8%, telecommunications equipment

accounted for 1.9%, network solutions and outsourcing costs represented 5.2% and other costs represented 5.6% of long-distance cost of sales and services.

The Company's long-distance selling, general, and administrative expenses have consisted of operating and engineering, customer service, sales and communications, management information systems, general and administrative, legal and regulatory expenses. Most of these expenses consist of salaries, wages and benefits of personnel and certain other indirect costs (such as rent, travel, utilities, insurance and property taxes). A significant portion of long-distance selling, general, and administrative expenses, 23.9% during the first quarter of 1999, represents the cost of the Company's advertising, promotion and market analysis programs.

19

(Continued)

Long-distance services face significant competition from AT&T Alascom, Inc., long-distance resellers, and from local telephone companies that have entered the long-distance market. Revenues derived from other common carriers increased 3.5% in the first quarter of 1999 as compared to the first quarter of 1998. The number of active long-distance residential, commercial and small business customers decreased 2.5% in the first quarter of 1999 as compared to the same period of 1998, and increased 4.4% as compared to the fourth quarter of 1998. The Company believes its approach to developing, pricing, and providing long-distance services and bundling different business segment services will continue to allow it to be competitive in providing those services.

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

Services included in the Other segment as described in note 4 to the accompanying interim condensed consolidated financial statements are included in the Long-distance Services segment for purposes of this Management's Discussion and Analysis.

Cable services. During the first quarter of 1999, cable revenues represented 24.6% of consolidated revenues. The cable systems serve 26 communities and areas in Alaska, including the state's three largest population centers, Anchorage, Fairbanks and Juneau.

The Company generates cable services revenues from three primary sources: (1) programming services, including monthly basic or premium subscriptions and pay-per-view movies or other one-time events, such as sporting events; (2) equipment rentals or installation; and (3) advertising sales. During the first quarter of 1999 programming services generated 86.1% of total cable services revenues, equipment rental and installation fees accounted for 8.6% of such revenues, advertising sales accounted for 4.0% of such revenues, and other services accounted for the remaining 1.3% of total cable services revenues. The primary factors that contribute to year-to-year changes in cable services revenues are average monthly subscription and pay-per-view rates, the mix among basic, premium and pay-per-view services, and the average number of subscribers during a given reporting period.

The cable systems' cost of sales and selling, general and administrative expenses have consisted principally of programming and copyright expenses, labor, maintenance and repairs, marketing and advertising and rental expense. During the first quarter of 1999 programming and copyright expenses represented approximately 46.1% of total cable cost of sales and selling, general and administrative expenses. Marketing and advertising costs represented approximately 8.5% of such total expenses.

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

20

(Continued)

Local access services. The Company generates local access services revenues from four primary sources: (1) business and residential basic dial tone revenues; (2) business private line and special access revenues; (3) reciprocal access revenues from the incumbent LEC serving Anchorage; and (4) business and residential features and other charges, including voice mail, caller ID, distinctive ring, inside wiring and subscriber line charges. Effective March 1999 the Company expects to transition to the "bill and keep" cost settlement

method for termination of traffic on its and other's facilities. Local exchange services revenues totaled \$3.7 million representing 6.0% of consolidated revenues in the first quarter of 1999. 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 the Company's services during a given reporting period and the average monthly rates charged for non-traffic sensitive services.

Operating and engineering expenses represented approximately 4.4% of total local access services cost of sales and selling, general and administrative expenses during the first quarter of 1999. Marketing and advertising costs represented approximately 6.5% of such total expenses, customer service and general and administrative costs represented approximately 50.4% of such total expenses, and local access cost of sales represented approximately 38.7% of such total expenses. The Company expects that it will continue to generate operating losses from local exchange services during 1999.

The Company's local access services face significant competition from ATU and AT&T Alascom, Inc. The Company believes its approach to developing, pricing, and providing local access services will allow it to be competitive in providing those services.

Internet services. The Company began offering Internet services in several markets in Alaska during 1998. The Company generates Internet services revenues from three primary sources: (1) access product services, including commercial Dial-in Access ("DIAS"), Internet Service Provider ("ISP") DIAS, and retail dial-up service revenues; (2) SchoolAccess(TM) DIAS and server revenues; and (3) network management services. Internet services revenues totaled \$2.0 million representing 3.2% of total revenues in the first quarter of 1999. The primary factors that contribute to year-to-year changes in Internet services revenues are average monthly subscription rates, the number of additional premium features selected, and the average number of subscribers to the Company's services during a given reporting period.

Operating and general and administrative expenses represented approximately 68.5% of total Internet services cost of sales and selling, general and administrative expenses during the first quarter of 1999. Internet cost of sales represented approximately 24.2% of such total expenses and marketing and advertising represented approximately 7.3% of such total expenses.

Significant new marketing campaigns were introduced in February and March 1999 featuring bundled residential and commercial Internet products. Additional bandwidth was made available to the Company's Internet segment resulting from completion of the Alaska United Project (see the Company's December 31, 1998 annual report on Form 10-K). The new Internet offerings are coupled with the Company's long-distance and local services offerings and provide free basic Internet services if certain long-distance or local services plans are selected. Value-added premium Internet features are available for additional charges.

The Company competes with a number of Internet service providers in its markets. The Company believes its approach to developing, pricing, and providing Internet services will allow it to be competitive in providing those services.

Other services, other expenses and net loss. Telecommunications services revenues reported in the Other segment as described in note 4 to the accompanying interim condensed consolidated financial statements have been attributable to corporate network management contracts, telecommunications equipment sales and

service, other miscellaneous revenues (including revenues from prepaid and debit calling cards, the installation and leasing of customers' very small aperture terminal ("Vsat") equipment, and fees charged to MCI WorldCom and Sprint for certain billing services), and costs associated with PCS wireless communications services. The Company began developing plans for PCS service deployment in 1995 and subsequently conducted a technical trial of its candidate technology. The Company has invested approximately \$2.2 million in its PCS license at March 31, 1999. PCS licensees are required to offer service to at least one-third of their market population within five years or risk losing their licenses. Service must be extended to two-thirds of the population within 10 years. The Company continues to reevaluate its wireless strategy and expects that such strategy will allow retention of the PCS license pursuant to its terms.

Depreciation and amortization and interest expense on a consolidated basis is expected to be higher in 1999 as compared to 1998 resulting primarily from additional depreciation on 1998 and 1999 capital expenditures, additional outstanding long-term debt and a reduction in the amount of capitalized construction period interest following placement of the Alaska United undersea fiber optic cable into service in early February 1999. As a result, the Company anticipates recording net losses in 1999.

#### RESULTS OF OPERATIONS

<TABLE>

The following table sets forth selected Statement of Operations data as a percentage of total revenues for the periods indicated and the percentage changes in such data as compared to the corresponding prior year period:

(Underlying data rounded to the nearest thousands)

<CAPTION>

(Unaudited)	Three Months Ended March 31,		Percentage Change 1999 vs. 1998
	1999	1998	1998
<S>	<C>	<C>	<C>
Statement of Operations Data:			
Revenues			
Long-distance services	66.2%	72.4%	(3.6%)
Cable services	24.6%	24.4%	6.3%
Local access services	6.0%	1.7%	270.0%
Internet services	3.2%	1.5%	122.2%
-----			
Total revenues	100.0%	100.0%	5.3%
Cost of sales and services	45.4%	47.0%	2.0%
Selling, general and administrative expenses	38.4%	35.0%	15.8%
Depreciation and amortization	16.8%	13.9%	27.2%
-----			
Operating income (loss)	(0.6%)	4.1%	(116.7%)
Net loss before income taxes and cumulative effect of a change in accounting principle	(11.9%)	(4.3%)	(192.0%)
Net loss before cumulative effect of a change in accounting principle	(7.4%)	(2.8%)	(181.3%)
Net loss	(7.9%)	(2.8%)	(206.3%)

</TABLE>

22

(Continued)

<TABLE>  
<CAPTION>

(Unaudited)	Three Months Ended March 31,		Percentage Change 1999 vs. 1998
	1999	1998	1998
<S>	<C>	<C>	<C>
Other Operating Data (1):			
Cable operating income (2)	17.2%	15.5%	18.2%
Local operating loss (3)	(56.8%)	(320.0%)	34.4%
Internet operating income (4)	0.0%	33.3%	100.0%

<FN>

- 
- (1) Includes customer service, marketing and advertising costs.
  - (2) Computed as a percentage of total cable services revenues.
  - (3) Computed as a percentage of total local access services revenues.
  - (4) Computed as a percentage of total Internet services revenues.

</FN>

</TABLE>

THREE MONTHS ENDED MARCH 31, 1999 ("1999") COMPARED TO THREE MONTHS ENDED MARCH 31, 1998 ("1998")

Revenues. Total revenues increased 5.3% from \$58.2 million in 1998 to \$61.3 million in 1999. Long-distance revenues from commercial, residential, governmental, and other common carrier customers decreased 4.3% from \$39.3 million in 1998 to \$37.6 million in 1999. The long-distance revenue decline in 1999 was largely due to the following:

- 1.2% decrease in interstate minutes of use to 156.7 million minutes off-set by a 5.92% increase in intrastate minutes of use to 34.8 million minutes;
- 2.5% reduction in the number of active residential, small business and commercial customers billed from 87,800 at March 31, 1998 to 85,600 at March 31, 1999; and
- 6.9% reduction in the Company's average rate per minute on long-distance traffic from \$0.173 per minute in 1998 to \$0.161 per minute in 1999. The decrease in rates resulted from the Company's promotion of and customers' enrollment in new calling plans offering discounted rates and length of service rebates, such new plans being prompted in part by the Company's primary long-distance competitor, AT&T Alascom, reducing its rates and entry of LECs into long-distance markets served by the Company.

The decrease in long-distance revenues was partially off-set by the following:

- New revenues in 1999 totaling \$575,000 from the lease of three DS3 circuits on Alaska United facilities within Alaska, and between Alaska and the lower 48 states; and
- 3.5% increase in revenues from other common carriers (principally MCI WorldCom and Sprint), from \$14.4 million in 1998 to \$14.9 million in 1999.

Cable revenues increased 6.3% from \$14.2 million in 1998 to \$15.1 million in 1999. Programming services revenues increased 7.35% to \$13.0 million in 1999 resulting from an increase of approximately 2,500 basic subscribers served by the Company, an increase of \$1.78 in revenue per average basic subscriber per month and increased pay-per-view and premium service revenues. New facility construction efforts in the summer of 1998 resulted in additional homes passed



which contributed to additional subscribers and revenues in 1999. Other factors included facility upgrades which allowed the introduction of digital cable services in Anchorage in the fourth quarter of 1998, increased promotional and advertising efforts in the fourth quarter of 1998 and the first quarter of 1999, and increases in basic and premium service rates in certain locations in the second quarter of 1998. Advertising sales revenues increased 23.6% to \$607,000 in 1999 due to increased promotion of the Company's advertising and ad insertion capabilities. Equipment rental and

23

(Continued)

installation revenues increased 19.6% to \$1.3 million in 1999 due to increased equipment rentals and installation services provided by the Cable services industry segment.

Local access services revenues increased from \$1.0 million in 1998 to \$3.7 million in 1999. At March 31, 1999 approximately 31,500 lines were in service and approximately 1,800 additional lines were awaiting connection.

Internet services revenues increased from \$903,000 in 1998 to \$2.0 million in 1999. The Company had approximately 20,500 active residential, commercial and small business retail dial-up subscribers to its Internet service at March 31, 1999.

Cost of sales and services. Cost of sales and services totaled \$27.3 million in 1998 and \$27.9 million in 1999. As a percentage of total revenues, cost of sales and services decreased from 47.0% in 1998 to 45.4% in 1999. The decrease in cost of sales and services as a percentage of revenues is primarily attributed to changes in the Company's product mix due to the continuing development of new product lines (local access services and Internet), and reduced long-distance cost of sales as a percentage of long-distance revenues. The overall margin improvement was partially offset by increased cable services cost of sales as a percentage of cable services revenues.

The decrease in long-distance cost of sales and services as a percentage of revenues is primarily attributed to avoidance of access charges resulting from the Company's distribution and termination of its traffic on its own network instead of paying other carriers to distribute and terminate its traffic. Partially offsetting the 1999 decrease as compared to 1998 was a refund received in the first quarter of 1998 totaling approximately \$1.1 million from a local exchange carrier in respect of its earnings that exceeded regulatory requirements. The Company expects margins to widen as increasing amounts of traffic are carried on its own facilities.

Cable cost of sales and services as a percentage of revenues is less as a percentage of revenues than are long-distance, local access and Internet services cost of sales and services. Cable services rate increases did not keep pace with increases in programming and copyright costs in 1999. Programming costs increased on most of the Company's offerings and the Company incurred additional costs on new programming introduced in 1998.

Local access services cost of sales and services totaled 52.5% and 86.3% as a percentage of the 1999 and 1998 local access services revenues, respectively. Internet services cost of sales and services totaled 21.1% and 46.7% as a percentage of the 1999 and 1998 Internet services revenues, respectively. The Company's local access operations commenced in 1997 and Internet services operations commenced in 1998. Fluctuations in cost of sales and services as a percentage of revenues are expected to occur as new product lines mature.

Selling, general and administrative expenses. Selling, general and administrative expenses increased 15.8% from \$20.3 million in 1998 to \$23.5 million in 1999, and, as a percentage of revenues, increased from 35.0% in 1998 to 38.3% in 1999. The 1999 increase resulted from:

- Internet services operating, engineering, sales, customer service and administrative cost increases, from \$96,000 in 1998 as compared to \$1.2 million in 1999. The Company gradually introduced its Internet services through the third quarter of 1998 and increased advertising efforts in the fourth quarter of 1998 and first quarter of 1999. The increase in costs was necessary to provide the operations, engineering, customer service and support infrastructure necessary to accommodate expected growth in the Company's Internet services customer base.

24

(Continued)

- Local access services operating, engineering, sales, customer service and administrative cost increased from \$2.2 million in 1998 as compared to \$3.1 million in 1999. The Company initiated local access services in September 1997. The increase was necessary to provide the operations, engineering, customer service and support infrastructure necessary to accommodate the growth in the Company's local access services customer base.
- Increased long-distance sales, advertising, telemarketing, carrier relations, business development and rural services costs totaling \$3.1 million in 1998 compared to \$4.8 million in 1999. Increased selling costs were associated with the introduction of various marketing plans and other proprietary rate plans and cross promotion of products and services.

- Increased allowance for doubtful accounts receivable.

Depreciation and amortization. Depreciation and amortization expense increased 27.2% from \$8.1 million in 1998 to \$10.3 million in 1999. The increase is attributable to the Company's investment in \$58.4 million of facilities placed into service during 1998 for which a full year of depreciation will be recorded during 1999, the \$117.3 million of facilities placed into service in the first quarter of 1999 for which 11 months of depreciation will be recorded during 1999 and the \$7.0 million of facilities placed into service in the first quarter of 1999 for which a partial year of depreciation will be recorded during 1999. Facilities placed into service during the first quarter of 1999 consist primarily of the Alaska United undersea fiber optic cable completed in early February 1999.

Interest expense, net. Interest expense, net of interest income, increased 42.9% from \$4.9 million in 1998 to \$7.0 million in 1999. This increase resulted primarily from increases in the Company's average outstanding indebtedness resulting primarily from construction of new long-distance and Internet facilities, expansion and upgrades of cable television facilities, and investment in local access services equipment and facilities. During 1998 interest expense was offset in part by capitalized construction period interest. During 1999 the Company will experience a significant reduction in the amount of construction period interest capitalized due to the completion of the Alaska United undersea fiber optic cable which was placed into service in early February 1999.

Income tax benefit. Income tax benefit increased from \$891,000 in 1998 to \$3.1 million in 1999 due to the Company incurring a larger net loss before income taxes and cumulative effect of a change in accounting principle in 1999 as compared to 1998. The Company's effective income tax rate increased from 35.5% in 1998 to 38.6% in 1999 due to the increased net loss and the proportional amount of items that are nondeductible for income tax purposes.

In conjunction with the 1996 Cable Companies acquisition, the Company incurred a net deferred income tax liability of \$24.4 million and acquired net operating losses totaling \$57.6 million. The Company determined that approximately \$20 million of the acquired net operating losses would not be utilized for income tax purposes, and elected with its December 31, 1996 income tax returns to forego utilization of such acquired losses under Internal Revenue Code section 1.1502-32(b)(4). Deferred tax assets were not recorded associated with the foregone losses and, accordingly, no valuation allowance was provided. At March 31, 1999, the Company has (1) tax net operating loss carryforwards of approximately \$55.8 million that will begin expiring in 2008 if not utilized, and (2) alternative minimum tax credit carryforwards of approximately \$2.0 million available to offset regular income taxes payable in future years. The Company's utilization of remaining net operating loss carryforwards is subject to certain 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 taxable income earned in carryback years, future reversals of existing taxable temporary differences, and future taxable income exclusive of reversing temporary differences and carryforwards. The

amount of deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced. The Company estimates that its effective income tax rate for financial statement purposes will be approximately 38% in 1999. The Company expects that its operations will generate net income before income taxes during the carryforward periods to allow utilization of loss carryforwards for which no allowance has been established.

FLUCTUATIONS IN QUARTERLY RESULTS OF OPERATIONS

<TABLE>  
The following chart provides selected unaudited statement of operations data from the Company's quarterly results of operations during 1999 and 1998:  
<CAPTION>

(Unaudited)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
1999 ----	(Dollars in thousands, except per share amounts)				
<S>	<C>				<C>
Revenues					
Long-distance services	\$ 40,593				40,593
Cable services	15,062				15,062
Local access services	3,714				3,714
Internet services	1,969				1,969
Total revenues	61,338				61,338
Operating loss	(368)				(368)
Net loss before income taxes and cumulative effect of a change in accounting principle	(7,328)				(7,328)
Net loss before cumulative effect of a change in accounting principle	(4,521)				(4,521)

Net loss	\$	(4,865)	(4,865)
=====			
Basic loss per share:			
Loss before cumulative effect of a change in accounting principle	\$	(0.10)	(0.10)
Cumulative effect of a change in accounting principle		---	---
-----			
Net loss	\$	(0.10)	(0.10)
=====			
Diluted loss per share:			
Loss before cumulative effect of a change in accounting principle	\$	(0.10)	(0.10)
Cumulative effect of a change in accounting principle		---	---
-----			
Net loss	\$	(0.10)	(0.10)
=====			

</TABLE>

26

(Continued)

<TABLE>						
<CAPTION>						
(Unaudited)		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
		-----				
1998		(Dollars in thousands, except per share amounts)				
-----						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues						
Long-distance services	\$	42,034	45,838	44,478	42,306	174,656
Cable services		14,201	14,041	14,484	14,914	57,640
Local access services		1,014	2,048	2,744	4,102	9,908
Internet services		903	1,014	1,060	1,614	4,591
		-----				
Total revenues		58,152	62,941	62,766	62,936	246,795
Operating income		2,437	1,447	1,730	3,230	8,844
Net loss	\$	(1,616)	(2,066)	(2,076)	(1,039)	(6,797)
		=====				
Basic net loss per share	\$	(0.03)	(0.04)	(0.04)	(0.02)	(0.14)
		=====				
Diluted net loss per share	\$	(0.03)	(0.04)	(0.04)	(0.02)	(0.14)
		=====				

</TABLE>

Revenues. Total revenues for the quarter ended March 31, 1999 ("first quarter of 1999") were \$61.3 million, representing a 2.5% decrease from total revenues in the quarter ended December 31, 1998 ("fourth quarter of 1998") of \$62.9 million. The decrease in long-distance services revenues resulted primarily a one-time \$1.6 million product sale in the fourth quarter of 1998. Partially offsetting this decrease were additional revenues associated with a 4.4% increase in the number of active long-distance residential, small business and commercial customers billed from 81,900 at December 31, 1998 to 85,600 at March 31, 1999. The Company's long-distance average-rate-per-minute remained constant at \$0.16 during 1999 as compared to 1998. Revenues from other common carriers (principally MCI WorldCom and Sprint) increased from \$14.6 million in the fourth quarter of 1998 to \$14.9 million in the first quarter of 1999.

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

Cost of sales and services. Cost of sales and services decreased 6.1% from \$29.7 million in the fourth quarter of 1998 to \$27.9 million in the first quarter of 1999. The decrease in cost of sales and services resulted primarily from a one-time \$1.3 million product cost of sale in the fourth quarter of 1998. As a percentage of revenues, the first quarter of 1999 cost of sales and services was 45.4% as compared to 47.2% for the fourth quarter of 1998. The decrease in the cost of sales and services as a percentage of revenues is primarily due to the growth of the Company's new product lines and avoidance of access charges resulting from the Company's distribution and termination of its traffic on its own network instead of paying other carriers to distribute and terminate its traffic.

Selling, general and administrative expenses. Selling, general and administrative expenses increased \$500,000 in the first quarter of 1999 from \$23.0 million in the fourth quarter of 1998. As a percentage of revenues, first quarter of 1999 selling, general and administrative expenses were 38.4% as compared to 36.5% for the fourth quarter of 1998.

Net loss. The Company reported a net loss of \$4.9 million for the first quarter

of 1999 as compared to a net loss of \$1.1 million during the fourth quarter of 1998. In addition to the impact of factors described above, the increased net loss was attributable to increased depreciation and interest expense incurred during the first quarter of 1999 as compared to the fourth quarter of 1998 due to the placement of the Alaska United

27

(Continued)

undersea fiber optic cable into service in early February 1999. During the fourth quarter of 1998, capitalized construction period interest served to reduce interest expense. Interest capitalization ceased when the Alaska United undersea fiber optic cable was placed into service.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company's first quarter of 1999 ("1999") cash flows from operating activities totaled \$187,000, net of changes in the components of working capital. An additional source of cash during 1999 was long-term borrowings of \$4.9 million. The Company's expenditures for property and equipment, including construction in progress, totaled \$9.9 million and \$28.2 million in 1999 and the first quarter of 1998 ("1998"), respectively. Uses of cash during 1999 also included repayment of \$490,000 of long-term borrowings and capital lease obligations and purchases of other assets totaling \$391,000.

Net receivables decreased \$2.4 million from December 31, 1998 to March 31, 1999. The decrease resulted from a \$2.0 million reclassification of income tax receivable to long-term deferred tax asset as the Company has utilized all net operating losses against income taxes paid in prior periods, therefore refundable amounts are now included in long-term deferred tax asset and will be realized as future taxable income is generated.

Working capital totaled \$3.8 million at March 31, 1999, a \$4.6 million decrease from the working capital of \$8.4 million as of December 31, 1998. The decrease in working capital is primarily attributed to the investment of current assets in long-term capital assets.

The Holdings \$200,000,000 (\$150,000,000 as amended) and \$50,000,000 credit facilities mature June 30, 2005. The Holdings Loan facilities were amended in April 1999 (see below) and bear interest, as amended, at either Libor plus 1.00% to 2.50%, depending on the leverage ratio of Holdings and certain of its subsidiaries, or at the greater of the prime rate or the federal funds effective rate (as defined) plus 0.05%, in each case plus an additional 0.00% to 1.375%, depending on the leverage ratio of Holdings and certain of its subsidiaries. \$106.7 million were drawn on the credit facilities as of March 31, 1999 and December 31, 1998.

On April 13, 1999, the Company amended its Holdings credit facilities. These amendments contain, among other things, provisions for payment of a one-time amendment fee of 0.25% of the aggregate commitment, an increase in the commitment fee by 0.125% per annum on the unused portion of the commitment, and an increase in the interest rate of 0.25%. The amended facilities reduce the aggregate commitment by \$50 million to \$200 million, and limit capital expenditures to \$35 million in 1999, \$35 million in 2000 with no limits thereafter (excluding amounts to be paid for purchased satellite transponder facilities). The amended facilities require that Holdings receive \$20 million in proceeds from a GCI preferred stock issuance by May 31, 1999 (see below).

Holding's credit facilities and GCI, Inc.'s senior notes contain restrictions on the operations and activities of the Company, including requirements that the Company comply with certain financial covenants and financial ratios. Under the amended Holding's credit facility, Holdings may not permit the ratio of senior debt to annualized operating cash flow (as defined) of Holdings and certain of its subsidiaries to exceed 3.5 to 1.0 through March 31, 1999 (3.0 to 1.0 from April 1, 1999 through December 31, 1999), total debt to annualized operating cash flow to exceed 7.0 to 1.0 from closing of the amendments to June 30, 1999 (6.25 to 1.00 from July 1, 1999 through March 31, 2000), and annualized operating cash flow to interest expense to exceed 1.5 to 1.0 from closing of the amendments to September 30, 1999 (1.75 to 1.0 from October 1, 1999 through December 31, 1999). Each of the foregoing ratios decreases in specified increments during the life of the credit facility. The credit facility requires Holdings to maintain a ratio of annualized operating cash flow to debt service of Holdings and certain of its subsidiaries of at least 1.25 to 1.0, and annualized

28

(Continued)

operating cash flow to fixed charges of at least 1.0 to 1.0 (which adjusts to 1.05 to 1.0 in April, 2003 and thereafter). The senior notes impose a requirement that the leverage ratio of GCI, Inc. and certain of its subsidiaries not exceed 7.5 to 1.0 prior to December 31, 1999 and 6.0 to 1.0 thereafter, subject to the ability of GCI, Inc. and certain of its subsidiaries to incur specified permitted indebtedness without regard to such ratios.

On January 27, 1998 Alaska United closed a \$75 million project finance facility ("Fiber Facility") to construct a fiber optic cable system connecting Anchorage, Fairbanks, Valdez, Whittier, Juneau and Seattle. The Fiber Facility bears interest at either Libor plus 3.0%, or at the lender's prime rate plus 1.75%. The interest rate will decline to Libor plus 2.5%-2.75%, or, at the Company's option, the lender's prime rate plus 1.25%-1.5% after the project completion

date and when the loan balance is \$60,000,000 or less. Alaska United is required to pay a commitment fee equal to 0.375% per annum on the unused portion of the commitment. \$66.1 million was borrowed under the facility at March 31, 1999. The Fiber Facility is a 10-year term loan that is interest only for the first 5 years. The facility can be extended an additional two years at any time between the second and fifth anniversary of closing the facility if the Company can demonstrate projected revenues from certain capacity commitments will be sufficient to pay all operating costs, interest, and principal installments based on the extended maturity.

The Fiber Facility contains, among others, covenants requiring certain intercompany loans and advances in order to maintain specific levels of cash flow necessary to pay operating costs, interest and principal installments. The Fiber Facility also contains a guarantee that requires, among other terms and conditions, Alaska United complete the project by the completion date and pay any non-budgeted costs of the project. All of Alaska United's assets, as well as a pledge of the partnership interests' owning Alaska United, collateralize the Fiber Facility. Construction of the fiber facility was completed and the facility was placed into service on February 4, 1999. The project was completed on-budget.

The Company will use approximately one-half of the Alaska United system capacity in addition to its existing owned and leased facilities to carry its own traffic. One of the Company's large commercial customers signed agreements in February and March 1999 for the immediate lease of three DS3 circuits on Alaska United facilities within Alaska, and between Alaska and the lower 48 states. The lease agreements provide for three year terms, with renewal options for additional terms. The Company continues to pursue opportunities to lease additional capacity on its system.

The Company's expenditures for property and equipment, including construction in progress, totaled \$9.9 million and \$28.2 million during 1999 and 1998, respectively. The Company anticipates that its capital expenditures in 1999 may total as much as \$35 million. Planned capital expenditures over the next five years include those necessary for continued expansion of the Company's long-distance, local exchange and Internet facilities, the development and construction of a PCS network, and continued upgrades to its cable television plant, and approximately \$43.5 million for satellite transponders. Sources of funds for these planned capital expenditures are expected to include internally generated cash flows and borrowings under the Company's credit facilities described above.

The Company's ability to invest in discretionary capital and other projects will depend upon its future cash flows and access to borrowings under its credit facilities. Management anticipates that cash flow generated by the Company and borrowings under its credit facilities will be sufficient to fund capital expenditures and its working capital requirements. Should cash flows be insufficient to support additional borrowings, such investment in capital expenditures will likely be reduced.

The Company entered into a purchase and lease-purchase option agreement in August 1995 for the acquisition of satellite transponders to meet its long-term satellite capacity requirements. The launch of the

29

(Continued)

satellite in August 1998 failed. The Company did not assume launch risk and the launch has been rescheduled for the first quarter of 2000. The Company will continue to lease transponder capacity until the delivery of the transponders on the replacement satellite. The balance payable upon expected delivery of the transponders during the first quarter of 2000, in addition to the \$9.1 million deposit previously paid, totals approximately \$43.5 million.

The Company issued 20,000 shares of convertible redeemable accreting preferred stock ("Preferred Stock") on April 30, 1999. Proceeds totaling \$20 million (before payment of costs and expenses) will be used for general corporate purposes, to repay outstanding indebtedness, and to provide additional liquidity. The Company's amended Senior Holdings Loan facilities limit use of such proceeds. The Preferred Stock contains a \$1,000 per share liquidation preference, plus accrued but unpaid dividends and fees. Dividends are payable semi-annually at the rate of 8.5% of the liquidation preference. Prior to the four-year anniversary following closing, dividends are payable, at the Company's option, in cash or in additional fully-paid shares of Preferred Stock. Dividends are payable only in cash following the four-year anniversary of closing. Mandatory redemption is required 12 years from the date of closing.

The Company may redeem the Preferred Stock after the four-year anniversary of its issuance, and must redeem the Preferred Stock upon the occurrence of a triggering event. The holders may convert the Preferred Stock into Class A common stock of the Company at any time after the four-year anniversary of the issuance of the Preferred Stock, at a price of \$5.55 per share. At any time subsequent to the third anniversary following closing, and assuming the stock is trading at no less than two times the conversion price, the Company may require immediate conversion. The Preferred Stock, subject to lender approval, is exchangeable in whole or in part, at the Company's option, into subordinated debt with terms and conditions comparable to those governing the Preferred Stock. The Preferred Stock is senior to all other classes of the Company's equity securities, and has voting rights equal to that number of shares of common stock into which it can be converted.

Holders of the Preferred Stock shares will have the right to vote on all matters presented for vote to the holders of common stock on an as-converted basis. Additionally, the Preferred Stock offering requires as long as the Preferred Stock shares remain outstanding and unconverted, the holders of it will have the right to vote, as a class, and the Company must obtain the written consent of holders of a majority (or higher as required by Alaska law) of that stock to take certain actions, some of which require shareholder approval necessitating amendment of the Company's Articles of Incorporation.

With the issuance of the Preferred Stock shares, the holders of that stock may recommend one individual to the Company's Board of Directors ("Board"). Under the terms of the Preferred Stock offering, the Board will expand its size from the present nine to ten seats and, upon qualification, appoint that individual to that new seat to serve until the next shareholder meeting. At that shareholder meeting, the individual would be required to stand for election to complete the term of the class of directors to which the individual was assigned. The offering also provides that the Board include the individual recommended by those holders on the subsequent Board slate for election of directors and actively to seek the election of that individual to the Board. The offering further provides that, should the holders of common stock of the Company not elect that individual, the holders of the Preferred Stock Shares will have the right to appoint an observer at the meetings of the Board. The offering also provides that these rights of the holders of Preferred Stock shares relating to the Board seat and observer are to remain effective so long as any of the Preferred Stock shares remain outstanding.

The long-distance services, local access services, cable services, Internet services and wireless services industries are experiencing increasing competition and rapid technological changes. The Company's future results of operations will be affected by its ability to react to changes in the competitive environment and by

30

(Continued)

its ability to fund and implement new technologies. The Company is unable to determine how competition, technological changes and its net operating losses will affect its ability to obtain financing.

The Company believes that it will be able to meet its current and long-term liquidity and capital requirements, including fixed charges, through its cash flows from operating activities, existing cash, cash equivalents, short-term investments, credit facilities, and other external financing and equity sources.

#### NEW ACCOUNTING PRONOUNCEMENTS

SFAS No. 133. In June 1998, the Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," effective for years beginning after June 15, 1999. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments imbedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge criteria are met. Special accounting for qualifying hedges allow a derivative's gains or losses to offset related results on the hedged item in the income statement and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. Management of the Company expects that adoption of SFAS No. 133 will not have a material impact on the Company's year-end 2000 financial statements.

EITF 98-14. In March 1999, the Financial Accounting Standards Board ("FASB") Emerging Issues Task Force ("EITF") issued EITF Issue 98-14, "Debtor's Accounting for Changes in Line-of-Credit or Revolving Debt Arrangements". EITF Issue 98-14 establishes guidelines regarding unamortized costs associated with a modified line-of-credit or revolving-debt arrangement and requires a debtor to compare the new and old borrowing capacities upon the modification of line-of-credit or revolving-debt arrangements. If the new borrowing capacity is equal to or greater than the old borrowing capacity, the debtor should defer and amortize any unamortized deferred costs over the term of the new arrangement. If the new borrowing capacity is less than that available under the previous arrangement, the debtor should amortize fees paid to the creditor and third-party costs over the new term, any unamortized costs from the old arrangement should be written off in proportion to the decreases in borrowing capacity, with remaining unamortized costs attributable to the old arrangement amortized over the term of the new arrangement. Management of the Company expects that adoption of EITF Issue 98-14 will result in a charge to interest expense of approximately \$470,000 in the second quarter of 1999 resulting from the amended Holdings Loan Facilities agreements' reduced borrowing capacity.

#### YEAR 2000 COSTS

Many financial information and operational systems in use today may not be able to interpret dates after December 31, 1999 because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 2000 from January 1, 1900, which could have adverse consequences on the operations of an entity and the integrity of information processing. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a shut down in a

company's operations, a temporary inability to process transactions, send invoices or engage in similar normal business activities. This potential problem is referred to as the "Year 2000" or "Y2K" issue.

State of readiness. The Company has undertaken various initiatives to evaluate the Year 2000 readiness of the products and services sold by the Company ("Products"), the information technology systems used in the Company's operations ("IT Systems"), its non-IT systems, such as power to its facilities, HVAC systems, building security, voice mail and other systems, as well as the readiness of its customers and suppliers. The Company has identified eight Year 2000 target areas that cover the entire scope of the Company's business

and has internally established teams committed to completing an 8-step Compliance Validation Process ("CVP") for each target area. Each team is expected to fully complete this process on or before September 1, 1999. The table below identifies the Company's target areas as well as the 8-step CVP with its expected timeline. Team activity is currently focused towards the process of completing Phase 2.

<TABLE>  
<CAPTION>

Year 2000 Target Areas	Compliance Validation Process	
<S> 1. Business Computer Systems 2. Technical Infrastructure 3. End-User Computing 4. Switching and Head-end Equipment 5. Logistics 6. Facilities 7. Customers	<C> PHASE 1 1. Team Formation 2. Inventory Assessment 3. Compliance Assessment 4. Risk Assessment	<C> Completed 1st quarter 1997 Completed 4th quarter 1998 Completed 4th quarter 1998 Completed 4th quarter 1998
8. Suppliers/Key Service Providers	PHASE 2 5. Resolution/Remediation 6. Validation 7. Contingency Plan 8. Sign-Off Acceptance	Expected completion 2nd quarter Expected completion 3rd quarter Expected completion 3rd quarter Expected completion 4th quarter

</TABLE>

In 1997, the Company established a corporate-wide Year 2000 task force to address Y2K issues. This effort is comprehensive and encompasses software, hardware, electronic data interchange, networks, PC's, facilities, embedded chips, century certification, supplier and customer readiness, contingency planning, and domestic and international operations. The Company is currently on schedule and is more than 75% complete as of March 31, 1999. The Company has tested, replaced or upgraded most of its critical business applications and systems and has begun the century testing phase for these critical technology systems. The target date to repair or replace the remaining critical business information systems is June 30, 1999. The Company is assessing its telephone and cable systems and equipment and the target date to complete equipment and facilities efforts is also June 30, 1999. The Company has prioritized its third-party relationships as critical, severe or sustainable, has completed the assessment phase for third parties, has requested a Y2K contract warranty in many new key contracts and is developing contingency plans for critical third parties, including key customers, suppliers and other service providers. An assessment of its key customers showed that no significant impact to the Company is expected due to customer Y2K problems. The Company continues to evaluate other telecommunication companies which purchase the Company's services.

With respect to the Company's relationships with third parties, the Company relies both domestically and internationally upon various vendors, governmental agencies, utility companies, telecommunications service companies, delivery service companies and other service providers. Although these service providers are outside the Company's control, the Company has mailed letters to those with whom it believes its relationships are material and has verbally communicated with some of its strategic customers to determine the extent to which interfaces with such entities are vulnerable to Year 2000 issues and whether products and services purchased from or by such entities are Year 2000 ready.

Over 400 companies have been contacted directly by mail, by telephone, through on-site visits or through inquiry of their Y2K Internet web sites to determine their state of readiness. Responses vary from confirmation that the supply of products or services provided to the Company will continue without

interruption or delay through the year 2000, to providing their plans for making their products or service delivery systems Y2K compliant. The Company is currently evaluating the sufficiency of the responses received from these third parties. The Company intends to complete follow-up activities, including but not

limited to site surveys, phone surveys and mailings, with significant vendors and service providers as part of the Phase 2 validation.

Costs to address year 2000 issues. Costs related to the Y2K issue are expensed as incurred and are funded through the Company's operating cash flows and its credit agreements. Through March 31, 1999, the Company has expensed incremental remediation costs totaling \$1.4 million, with remaining incremental remediation costs estimated at approximately \$2.6 million. Management must balance the requirements for funding discretionary capital expenditures with required year 2000 efforts given its limited resources. The Company has not deferred any critical information technology projects because of its Year 2000 program efforts, which are being addressed primarily through a dedicated team within the Company's information technology group.

Time and cost estimates are based on currently available information and could be affected by the ability to correct all relevant computer codes and equipment, and the Y2K readiness of the Company's business partners, among other factors. At this time, the Company does not possess information necessary to estimate the potential financial impact of Year 2000 compliance issues relating to its vendors, customers and other third parties.

Risk of year 2000 issues. If necessary modifications and conversions by the Company are not made on a timely basis, or if key third parties are not Y2K ready, Y2K problems could have a material adverse effect on the Company's financial condition, results of operations and liquidity. However, the Company is focusing on identifying and addressing all aspects of its operations that may be affected by the Year 2000 issue and is addressing the most critical applications first.

Although the Company considers them unlikely, the Company believes that the following several situations, not in any particular order, make up the Company's most reasonably likely worst case Year 2000 scenarios:

- Disruption of Electrical Power Supplies Resulting from Extended Regional Power Failure(s). The Company's major switching and information systems are protected by emergency standby electrical generators in the event of short-term power outages. If electrical supplies from regional electric utilities are disrupted for longer periods of time, the Company may be required to power-down its electronic switching, head-end and computer equipment. The Company is closely monitoring electrical utilities that provide service to the Company for their Year 2000 readiness. Based on their progress reports and completion of assessments, the Company believes that there will be no significant impact on its operations in the major communities served by the Company. Many of the electrical companies serving smaller rural communities employ equipment that is manual or controlled by non date-effecting equipment, however they may experience outages if they do not receive fuel from their suppliers.
- Disruption of a Significant Customer's Ability to Accept Products or Pay Invoices. The Company's significant customers are large, well-informed customers, mostly in the telecommunications and oil and gas industries, who are disclosing information to their vendors that indicates they are well along the path toward Year 2000 compliance. These customers have demonstrated their awareness of the Year 2000 issue by issuing requirements of their suppliers and indicating the stages of identification and remediation which they consider adequate for progressive calendar quarters leading up to the century mark. The Company's significant customers, moreover, are substantial companies that the Company believes would be able to make adjustments in their processes as required to cause timely payment of invoices.
- Disruption of Supplies and Materials. In early 1998 the Company began an ongoing process of surveying its vendors with regard to their Year 2000 readiness and is now in the process of assessing and cataloging

their responses to the survey. The Company is hopeful of receiving adequate responses from remaining critical vendors and many non-critical vendors by June 30, 1999. The Company expects to work with vendors that show a need for assistance or that provide inadequate responses, and in many cases expects that survey results will be refined significantly by such work. Where ultimate survey results show that the need arises, the Company will arrange for back-up vendors before the changeover date. Supplies and materials necessary for invoicing and other functions will be acquired in bulk prior to December 31, 1999 to provide an adequate inventory to bridge up to three months of vendor supply chain disruptions.

- Disruption of the Company's Administrative and Billing IT Systems. The Company has completed an upgrade of its current financial software systems to state-of-the-art systems and such process has required Year 2000 compliance in the various invitations for proposals. Year 2000 testing is occurring as upgrades proceed and, in addition, will occur after all upgrades are completed at the end of the first quarter of 1999. The Company's billing and information systems continue to be assessed and remediated. System processes have been prioritized so that critical date-sensitive systems and functionality are remediated first. Non-critical systems and functionality are remediated following critical systems. The Company's efforts are proceeding on-target and



- on-budget. Accordingly, the Company believes that, after assessment and remediation, if any disruptions do occur, such will be dealt with promptly and will be no more severe with respect to correction or impact than would be an unexpected billing or information system error.
- Disruption of the Company's Non-IT Systems. The Company continues to conduct a comprehensive assessment of all non-IT systems, including among other things its switching and head-end systems and operations, with respect to both embedded processors and obvious computer control. For some systems, upgrades are already scheduled and it is expected that the Phase 1 assessments will highlight by the end of the second quarter of 1999 any further remediation needs. Considering the nature of the equipment and systems involved, the Company expects that the timing of assessment to be such that it will be able to complete any remediation efforts on a reasonably short schedule, and in any case before arrival of the Year 2000. The Company also believes that, after such assessment and remediation, if any disruptions do occur, such will be dealt with promptly and will be no more severe with respect to correction or impact than would be an unexpected breakdown of well-maintained equipment.
  - De-Listing of Company as a Vendor to Certain Customers. Several of the Company's principal customers have required updated reports in the form of answers to extensive multiple-choice surveys on the Company's Year 2000 compliance efforts. According to these customers, failure to reply to the readiness survey would have led to de-listing as a service supplier at the present time, resulting in possible disqualification to bid on procurements requiring service delivery in the future. The Company has responded to these reports on a timely basis. The Company has not been disqualified as a supplier to any customers. Several significant customers have scheduled monitoring meetings during 1999.

Contingency plans. The Company is in the process of developing specific contingency plans for potential Year 2000 disruptions. The aforementioned 8-step Compliance Validation Process includes contingency planning by each team and such plans, as developed, will be carefully reviewed by the Company. The Company is developing contingency plans for its most critical areas, but details of such plans will depend on the Company's final assessment of the problem as well as the evaluation and success of its remediation efforts. Future disclosures will include contingency plans as they become available.

#### ALASKA ECONOMY

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

34

(Continued)

several years have contributed in excess of 75% of the revenues from all segments of the Alaska economy and are expected to account for 73% in 1999.

The volume of oil transported by the TransAlaska Oil Pipeline System over the past 20 years has been as high as 2.0 million barrels per day in 1988. Over the past several years, it has begun to decline. Market prices for North Slope oil declined to below \$10 per barrel in 1998, well below the average price per barrel used by the State of Alaska to budget its oil related revenues. Oil companies and service providers have announced cost cutting measures to offset a portion of the declining revenues. Oil company and related oil field service company layoffs reportedly will result in a reduction of oil industry jobs by at least 39 percent in 1999.

The effects of low oil prices will impact the state of Alaska's economy, and is expected to particularly hurt state and local government and oil service companies. As much as half of the drilling fleet that worked on the slope in 1998 could be idle during 1999. Oil field service and drilling contractors cut operating costs to adjust for decreasing production and exploration. The Company, as an outsourcing services provider to the oil industry, reduced its outsourcing work force by 8 employees in February 1999.

Since oil revenues to the state of Alaska are expected to fall significantly short of budgeted revenues, (estimated at \$1.04 billion for the coming budget year), the Governor of the state of Alaska has announced his intention to implement cost-cutting and revenue enhancing measures. The State of Alaska maintains surplus accounts that are intended to fund budgetary shortfalls and would be expected to fund a portion of the revenue shortfall.

BP Amoco announced in April 1999 its intention to purchase ARCO for \$26.8 billion. BP Amoco and ARCO together reportedly hold approximately 75 percent of the ownership of the Alaska North Slope oil fields and in the company that operates the Trans-Alaska Pipeline System. Alaska law stipulates that no single company can hold drilling leases to more than 500,000 onshore state-owned acres. The BP Amoco-ARCO combination would control about 860,000 acres, however the companies have reportedly said they will give up 360,000 acres to comply with Alaska laws. Realignment of operations following the acquisition reportedly will result in the layoff of 400 positions in Alaska.

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 the reduced level of royalties. The Company is not able to predict the effect of declines in the price of North Slope oil or the acquisition of ARCO by BP Amoco on Alaska's economy or on the Company.

35  
SEASONALITY

(Continued)

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

INFLATION

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

PART I.  
ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's Senior Holdings Loan carries interest rate risk. Amounts borrowed under this Agreement bear interest at either Libor plus 1.0% to 2.5%, depending on the leverage ratio of Holdings and certain of its subsidiaries, or at the greater of the prime rate or the federal funds effective rate (as defined) plus 0.05%, in each case plus an additional 0.0% to 1.375%, depending on the leverage ratio of Holdings and certain of its subsidiaries. Should the Libor rate, the lenders' base rate or the leverage ratios change, the Company's interest expense will increase or decrease accordingly. As of March 31, 1999, the Company had borrowed \$106.7 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost the Company \$1,067,000 in additional gross interest cost on an annualized basis.

The Company's Fiber Facility carries interest rate risk. Amounts borrowed under this Agreement bear interest at either Libor plus 3.0%, or at the Company's choice, the lender's prime rate plus 1.75%. The interest rate will decline to Libor plus 2.5%-2.75%, or at the Company's choice, the lender's prime rate plus 1.25%-1.5% after the project completion date and when the loan balance is \$60,000,000 or less. Should the Libor rate, the lenders' base rate or the leverage ratios change, the Company's interest expense will increase or decrease accordingly. As of March 31, 1999, the Company had borrowed \$66.1 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost the Company \$661,000 in additional gross interest cost on an annualized basis.

PART II. OTHER INFORMATION  
ITEM 1. LEGAL PROCEEDINGS

Information regarding pending legal proceedings to which the Company is a party is included in Note 5 of Notes to Interim Condensed Consolidated Financial Statements and is incorporated herein by reference.

36  
ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 10.72 -	Consent and First Amendment to Credit Agreements dated November 14, 1997 *
Exhibit 10.73 -	Second Amendment to \$200,000,000 Amended and Restated Credit Agreement *
Exhibit 10.74 -	Second Amendment to \$50,000,000 Amended and Restated Credit Agreement *
Exhibit 10.75 -	Third Amendment to \$200,000,000 Amended and Restated Credit Agreement *
Exhibit 10.76 -	Third Amendment to \$50,000,000 Amended and Restated Credit Agreement *
Exhibit 10.77 -	General Communication, Inc. Preferred Stock Purchase Agreement *
Exhibit 10.78 -	Revised Qualified Employee Stock Purchase Plan of General Communication, Inc. *
Exhibit 10.79 -	Statement of Stock Designation *
Exhibit 27 -	Financial Data Schedule *

(b) Reports on Form 8-K filed during the quarter ended March 31,

-----  
 \* Filed herewith.

37  
 SIGNATURES

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.

GENERAL COMMUNICATION, INC.

<TABLE>  
 <CAPTION>

Signature	Title	Date
----- <S> ----- /s/ ----- Ronald A. Duncan	<C> ----- President and Director (Principal Executive Officer)	<C> ----- May 14, 1999 -----
----- /s/ ----- John M. Lowber	----- Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	----- May 14, 1999 -----
----- /s/ ----- Alfred J. Walker	----- Vice President, Chief Accounting Officer (Principal Accounting Officer)	----- May 14, 1999 -----

</TABLE>

STATEMENT OF STOCK DESIGNATION

-----  
Setting forth a copy of a resolution creating and authorizing the issuance of a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock" adopted by the board of directors of General Communication, Inc.  
-----

Pursuant to AS 10.06.315 and 10.06.320 of the Alaska Statutes  
-----

We, the undersigned officers of General Communication, Inc., an Alaska corporation ("Company"), hereby state and otherwise certify that, on April 21, 1999, the board of directors of the Company, pursuant to authority vested in it by Article IV of the Company's Restated Articles of Incorporation and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, duly adopted the following resolution creating a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock":

RESOLUTION

"WHEREAS, General Communication, Inc. is authorized through its Restated Articles of Incorporation to issue up to 100 million shares of Class A Common Stock and up to 1 million shares of Preferred Stock, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions contained in the Restated Articles of Incorporation, to fix or alter the dividend rate, conversion rate, voting rights, redemption prices, and liquidation preferences of any wholly unissued series of Preferred Stock, the number of shares constituting any such series, the designation of such series, and other terms and conditions of the issuance of such stock;

Statement of Stock Designation  
Page 1

WHEREAS, the Company, through its Board of Directors, approved a statement of stock designation pursuant to Article IV of the Restated Articles of Incorporation and that statement was filed of record with the Alaska Department of Commerce and Economic Development on or about January 17, 1991 pursuant to authority set forth in AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, and the board subsequently authorized the issuance of Series A Preferred Stock under that designation which was subsequently issued and later retired, and the Company does not presently have outstanding any shares of its Preferred Stock and is not otherwise obligated to issue such shares in the future, and the Board of Directors desires to cancel and otherwise delete that 1991 statement of stock designation at this time and to fix the terms of a second series of that Preferred Stock and the number of shares constituting that series;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company, and in accordance with AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, the board hereby cancels and otherwise deletes the 1991 statement of stock designation for the Series A preferred stock and hereby declares that such statement is no longer a part of those articles;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, the board hereby approves and otherwise directs the issuance, from 1 million shares of Preferred Stock authorized under those articles, a series of Preferred Stock of the Company to consist of 35,000 shares designated as Series B Convertible Redeemable Accreting Preferred Stock ("Series B Preferred Stock") and hereby fixes the designation, rights, preferences, privileges, and restrictions of the shares of that series, in addition to the designation, rights, preferences, privileges and restrictions set forth in those articles which are directly applicable to the Preferred Stock as follows:

Preface. Series B Convertible Redeemable Accreting Preferred Stock. Of the 1,000,000 shares of Preferred Stock, authorized pursuant to Article IV of the Restated Articles of Incorporation of the Company, 35,000 shall be designated Series B Convertible Redeemable Accreting Preferred Stock, with the rights, preferences, privileges and restrictions set forth in this

paragraph.

Section 1. Definitions. For purposes of the following Sections, the following definitions shall apply:

Statement of Stock Designation

Page 2

"Additional Shares of Class A Common Stock" shall have the meaning ascribed to such term in Section 8(i)(d) hereof.

"Annualized Operating Cash Flow" shall mean, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters.

"Bankruptcy Event" shall mean the occurrence of any of the following: (i) a court or governmental agency having appropriate jurisdiction shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs; (ii) there shall be commenced against the Company an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; (iii) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Company shall be unable to, or shall admit in writing to its inability to, pay its debts generally as they become due.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean a day on which banks and foreign exchange markets are open for the transaction of business in New York, New York as relevant to the determination to be made or action to be taken.

"Capitalized Leases" shall mean capital leases and subleases, as defined in accordance with GAAP.

"Change of Control" shall mean the occurrence of one or more of the following events: (a) any change in the ownership of the Company resulting in MCI WorldCom, Inc. and any of its wholly owned Subsidiaries, owning Voting Stock with less than eighteen percent (18%) of the total combined voting power of the Company, (b) MCI WorldCom, Inc. shall at any time have less than two (2) representatives sitting on the Board for more than a sixty-day period, (c) Ronald A. Duncan resigns or is removed from his position as Chief Executive

Statement of Stock Designation

Page 3

Officer of the Company, other than as a result of death or disability, and is not replaced within sixty (60) days of such resignation or removal with a person acceptable to the holders of a majority of the outstanding Series B Preferred Stock or (d) Ronald A. Duncan or his heirs transfers, sells or in any way disposes of a material amount of the capital stock of the Company owned by him as of the date hereof. A Change of Control shall be deemed to occur as of the effective date of the first event, action or transaction leading to one of the results described above.

"Class A Common Stock" shall mean the Class A Common Stock of the Company.

"Class B Common Stock" shall mean the Class B Common Stock of the Company.

"Closing Date" shall mean April 30, 1999.

"Closing Price" if the Class A Common Stock is traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System, shall mean the closing price as reported for composite transactions on the applicable

date, or, if no sales occurred on an applicable date, then the average of the highest bid and lowest asked prices on such exchange or the National Market System at the end of the day on such date. If the Class A Common Stock is not traded on an exchange or the National Market System but is otherwise traded over-the-counter, Closing Price shall mean the average of the highest bid and lowest asked prices quoted in the National Association of Security Dealers, Inc. Automated Quotation System as of the close of business on the applicable date, or if not so quoted on such date, the average of the representative bid and asked prices on such date in the domestic over-the-counter market as reported by the National Quotation Bureau, Inc., or any similar successor organization.

"Common Stock" shall mean, collectively, the Class A Common Stock and Class B Common Stock of the Company.

"Company" shall mean this corporation.

"Contingent Liability" shall mean, as to any person, any obligation contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other person in any manner, whether directly or indirectly, including without limitation any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt, (b) to purchase property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor

Statement of Stock Designation  
Page 4

to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Conversion Price" shall have the meaning ascribed to such term in Section 8(b) hereof.

"Convertible Securities" shall have the meaning ascribed to such term in Section 8(i)(c) hereof.

"Credit Agreement" shall mean that certain \$200,000,000 Amended and Restated Credit Agreement dated November 14, 1997 between GCI Holdings, Inc. as borrower and NationsBank of Texas, N.A., Credit Lyonnais New York Branch and TD Securities (USA), Inc., as it may be amended or supplemented from time to time.

"Debt" shall mean, all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capitalized Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" shall mean, without duplication, (a) all obligations of a person for borrowed money, (b) all obligations of a person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of a person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, and (d) all obligations of a person secured by a Lien on any assets or property of any person.

"Distribution" shall mean the declaration or payment of any dividend (whether in cash or otherwise) on or in respect of any shares of any class of capital stock of any person, other than dividends payable solely in shares of common stock of such person; the purchase, redemption, or other retirement of any shares of any class of capital stock of any person, directly or indirectly through a subsidiary or otherwise; the return of capital by any person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of any person.

"Effective Price" shall have the meaning ascribed in Section 8(i)(d) hereof.

"Equity Security" shall mean any capital stock of the Company or any security (whether stock or Debt for Borrowed Money) convertible or exchangeable, with or without consideration, into or for any capital stock, or any security (whether capital stock or Debt

Statement of Stock Designation  
Page 5

for Borrowed Money) carrying any warrant or right to subscribe to or purchase

any stock or similar security, or any such warrant or right.

"Exempt Issuances" shall have the meaning ascribed to such term in Section 8(i) (a) hereof.

"Funded Debt" shall mean, without duplication, with respect to any person, all Debt of such person, determined on a consolidated basis and measured in accordance with GAAP that is either: (a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one (1) year after the date of creation thereof, notwithstanding the fact that the payments are required to be made less than one (1) year after such date, (c) Capitalized Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit (without duplication), (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with interest hedge agreements, (h) payments due under any non-compete agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than ninety (90) days old and any thereof that are being contested in good faith).

"GAAP" shall mean, as in effect from time to time, generally accepted accounting principles used in the United States, consistently applied.

"Initial Issue Date" shall mean the first date upon which shares of Series B Preferred Stock are issued.

"Issue Date" shall mean the date of the original issuance of a share of the Series B Preferred Stock.

"Junior Stock" shall mean the Common Stock and all other shares of capital stock of the Company, whether presently outstanding or hereafter issued, other than Series B Preferred Stock.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including, any conditional sale or other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Liquidation Preference" shall have the meaning set forth in Section 3(a) hereof.

Statement of Stock Designation

Page 6

"Mandatory Redemption Date" shall have the meaning ascribed thereto in Section 4(c) hereof.

"Net Total Interest Expense" shall have the definition ascribed thereto in the Credit Agreement.

"Operating Cash Flow" shall mean, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense, (e) deferred income taxes, plus (f) for the fiscal quarter in which the Company or any of its Subsidiaries purchases the transponders pursuant to that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among GCI Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, and that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Satellite Services, Inc. (the "Galaxy X Transponders"), now held by PanAmSat Corp, as assignee, the annualized amount of economic savings of the Company or any of its Subsidiaries resulting from the direct purchase by the Company or any of its Subsidiaries of such Galaxy X Transponders instead of leasing such Galaxy X Transponders from GCI Satellite Co., Inc., an indirect wholly owned subsidiary of the Company, and leasing transponders from other providers; provided, the calculation is made after giving effect to acquisitions and dispositions of assets during such period as if such transactions had occurred on the first day of such period. In calculating "Operating Cash Flow," losses from local telephone businesses shall be offset by amounts not exceeding \$20,000,000 contributed to the Company or any of its Subsidiaries from the net proceeds of any offering of the Series B Preferred Stock issued by the Company. The amount attributable to such net proceeds which is available for such offset shall be reduced by the amount of net proceeds actually used for such offset as of any point in time.

"Payment Date" shall have the meaning ascribed

thereto in Section 4(d) and Section 4(e) hereof.

"Proposed Amendments" shall mean the proposed amendments to Restated Articles of Incorporation of the Company which shall be submitted by the Board to the shareholders of the Company and voted upon by the shareholders at their next annual meeting of shareholders as required by the Purchase Agreement. The Proposed Amendments provide that so long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of a majority of the then-outstanding shares of Series B Preferred Stock (i) liquidate or dissolve the Company or (ii) permit the Company to be merged with or into, or consolidated with, any other entity or sell all or

Statement of Stock Designation

Page 7

substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

"Purchase Agreement" shall mean the Series B Preferred Stock Purchase Agreement by and between the Company, Toronto Dominion Investments, Inc. and the other purchasers listed therein, dated as of April 30, 1999.

"Redemption Price" shall have the meaning ascribed thereto in Section 4(f) hereof.

"Series B Preferred Stock" shall mean the Series B Convertible Redeemable Accreting Preferred Stock of the Company.

"Subsidiary" of a person shall mean (i) any corporation of which fifty one (51%) percent or more of the Voting Stock, or any partnership of which 51% or more of outstanding partnership interests, is at any time owned by the person, or by one or more Subsidiaries of such person, or by such person and one or more Subsidiaries of such person, and (ii) any other entity which is controlled or capable of being controlled by such person or by one or more Subsidiaries of such person or by such person and one or more Subsidiaries of such person.

"Total Debt" shall mean the outstanding principal amount of all Funded Debt.

"Total Leverage Ratio" shall mean, without duplication, as of any date of determination, the ratio of (i) Total Debt of the Company (on an unconsolidated basis), its subsidiary, GCI, Inc., its subsidiary GCI Holdings, Inc. and the Restricted Subsidiaries of GCI Holdings, Inc. (as defined in the Credit Agreement) on such date of determination, to (ii) Annualized Operating Cash Flow of such entities, all calculated on a consolidated basis (except as noted above) in accordance with GAAP consistently applied.

"Trading Day" shall mean, any date that a nationally recognized exchange or the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System is open and accepting bids for the sale of securities listed thereon.

"Triggering Event" shall mean (i) the acceleration of any obligation outstanding under Funded Debt of the Company or any of its Subsidiaries having an outstanding balance in excess of \$5,000,000, (ii) a Change of Control, (iii) a Bankruptcy Event, (iv) the breach of Section 7 hereof, (v) the liquidation or dissolution of the Company, or (vi) the merger of the Company with or into, or the consolidation of the Company with any other entity or the sale by the Company of all or substantially all of the assets of the Company, where the terms of

Statement of Stock Designation

Page 8

such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock; provided however, that clauses (v) and (vi) above shall cease to be Triggering Events upon the approval by the shareholders of the Company of the Proposed Amendments to the Restated Articles of Incorporation and the effective filing of the Proposed Amendments with the Alaska Department of Commerce and Economic Development. If the shareholders of the Company fail to approve the Proposed Amendments or if such amendments are not filed with the Alaska Department of Commerce and Economic Development by August 31, 1999, then clauses (v) and (vi) shall remain Triggering Events for so long as any shares of Series B Preferred Stock remain outstanding.

"Voting Stock" shall mean any shares having general voting power in electing the board of directors of any person (irrespective of whether or not at the time stock of any other class or classes has or might have voting power by reason or the happening of any contingency).



"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of the Employee Retirement Income Security Act of 1974, as amended.

## Section 2. Dividends.

(a) Right to Dividends. Dividends on each share of Series B Preferred Stock shall accumulate and accrue from the Issue Date and shall accrue from day to day thereafter, compounding semi-annually (to the extent unpaid), whether or not earned or declared at a rate, through the fourth anniversary of the Initial Issue Date, of 8.5% per annum and, after the fourth anniversary of the Initial Issue Date, of 17% per annum on the stated amount of \$1,000 per share until paid, subject to Section 4(j) hereof. Dividends accruing pursuant to this Section 2(a) shall be payable semi-annually in arrears upon declaration by the Board and (i) during the first four years following the Initial Issue Date shall be payable, at the option of the Company, either by the delivery of additional shares of Series B Preferred Stock with a liquidation value equal to the amount of the dividend or by the delivery of cash and (ii) after the fourth anniversary of the Initial Issue Date shall be paid only in cash. If, during the first four years following the Initial Issue Date, the Company does not make any dividend payment in full in cash to the holders of the then-outstanding shares of Series B Preferred Stock upon a semi-annual dividend payment date, the Company shall be deemed to have declared and delivered such dividend in additional shares of Series B Preferred Stock, as set forth above. Dividends shall be cumulative so that, if all accrued dividends shall not have been paid, such accrued and unpaid dividends shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for any Junior Stock.

(b) Priority. Until such time as all current and accrued dividends on the Series B Preferred Stock for all periods from and after the Initial Issue Date shall have been

## Statement of Stock Designation

Page 9

paid (i) no dividend whatsoever (other than a dividend payable solely in Common Stock) shall be paid or declared, and no Distribution shall be made, on any Junior Stock, and (ii) no shares of Junior Stock shall be purchased, redeemed or acquired by the Company, and no monies shall be paid into or set aside or made available for a sinking fund for the purchase, redemption or acquisition thereof other than shares of Junior Stock purchased, redeemed or acquired by the Company to fund the Company's deferred compensation arrangements. So long as any shares of Series B Preferred Stock are outstanding, the Company shall not issue, or obligate itself to issue, any other Equity Security senior to the Series B Preferred Stock as to dividend or redemption rights or liquidation preferences or, unless the consent of the holders of 80% of the outstanding shares of Series B Preferred Stock is obtained, any other Equity Security on a parity with Series B Preferred Stock as to dividend or redemption rights or liquidation preferences.

## Section 3. Liquidation Rights of Series B Preferred Stock.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the then-outstanding shares of Series B Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of the Junior Stock, an amount (the "Liquidation Preference") equal to \$1,000 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the date full payment shall be tendered to the holders of the then-outstanding shares of Series B Preferred Stock with respect to such liquidation, dissolution or winding up, and no more. If upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the then-outstanding shares of Series B Preferred Stock shall be insufficient to permit the payment to such shareholders of the full preferential amounts to which they are entitled, then all of the assets of the Company shall be distributed ratably to the holders of the then-outstanding shares of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock held by each such shareholder as compared to the aggregate number of then-outstanding shares of Series B Preferred Stock. The (i) merger or consolidation of the Company with or into any other entity or entities where the Company is not the surviving entity (other than a merger solely for the purpose of changing the Company's state of incorporation) or in which in excess of 50% of the Company's voting power is transferred, or (ii) the sale or transfer by the Company of all or substantially all of its assets, shall be deemed to be a liquidation, dissolution and winding up of the Company within the meaning of this Section 3.

(b) Remaining Assets. After the payment or distribution to the holders of the then-outstanding shares of Series B Preferred Stock of the full preferential amounts to which they are entitled, the holders

of the then-outstanding shares of Junior Stock shall be entitled to receive ratably all remaining assets of the Company.

Statement of Stock Designation

Page 10

Section 4. Redemption.

(a) Restriction on Redemption and Purchase. Except as expressly provided in this Section 4, the Company shall not have the right to purchase, call, redeem or otherwise acquire for value any or all of the Series B Preferred Stock.

(b) Optional Redemption. At any time after the fourth anniversary of the Initial Issue Date, the Company may, at its option, upon provision of written notice at least sixty (60) days prior to the date set for redemption, redeem the Series B Preferred Stock, in whole or in part, at the Redemption Price hereinafter specified; provided, that the Company shall redeem shares of Series B Preferred Stock having an aggregate Liquidation Preference of at least Two Million Five Hundred Thousand Dollars (\$2,500,000) upon each Payment Date; and provided further, any partial redemption shall be effected ratably among the holders of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock then held by each holder.

(c) Mandatory Redemption. The Company shall redeem all outstanding shares of Series B Preferred Stock at the Redemption Price hereinafter specified upon (i) the twelfth anniversary of the Initial Issue Date or (ii) the occurrence of a Triggering Event (in either case, "Mandatory Redemption Date").

(d) Optional Redemption Notice. The Company shall, not less than sixty (60) days prior to the Payment Date for an optional redemption pursuant to Section 4(b), give written notice to each holder of record of shares of Series B Preferred Stock that the Company has determined to exercise its optional redemption rights hereunder. This notice shall state the number of then-outstanding shares of Series B Preferred Stock to be redeemed, the Redemption Price, including the amount of dividends included in such price and the calculation thereof, the Payment Date and the time, place and manner in which the holder is to surrender to the Company the certificate or certificates representing the shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(d), shall mean the date set by the Company with respect to an optional redemption designated by the Company for payment of the Redemption Price.

(e) Mandatory Redemption Notice. The Company shall provide prompt, but in no event later than two (2) Business Days after the Mandatory Redemption Date, notice to the holders of the Series B Preferred Stock of the Mandatory Redemption Date. Such notice shall state the Redemption Price, including the amount of dividends included in such price and the calculation thereof, and the Payment Date, place and manner in which the holders are to surrender to the Company the certificates representing shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(e), shall mean the date on or prior to the fifth Business Day after the Mandatory Redemption Date designated by the Company for payment of the Redemption Price.

Statement of Stock Designation

Page 11

(f) Redemption Price. In all events, the Redemption Price of the Series B Preferred Stock (the "Redemption Price") shall be an amount per share equal to \$1,000 plus the amount of all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the Payment Date.

(g) Payment of Redemption Price and Surrender of Stock. On the Payment Date, the Redemption Price of the Series B Preferred Stock shall be paid to the holders of the Series B Preferred Stock. On or before the Payment Date, each holder of shares of Series B Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares to the Company, duly endorsed, together with such other instruments as the Company may reasonably require to insure that such shares of Series B Preferred Stock are duly and validly transferred to the Company, free of all Liens, and on the Payment Date the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. Upon an optional redemption of less than all of the then-outstanding shares of Series B Preferred Stock, upon the surrender to the Company of a certificate or certificates representing shares of Series B Preferred Stock to be redeemed and payment by the Company of the Redemption Price, the Company shall issue to the holder thereof a certificate representing any shares of Series B Preferred Stock not redeemed but represented by the certificate or certificates surrendered.

(h) Insufficient Funds. If the funds of the Company legally available for redemption of Series B Preferred Stock on the Payment Date with respect to a Mandatory Redemption Date are insufficient to redeem all of the Series B Preferred Stock that are subject to redemption pursuant to Section 4(c) on such date, those funds that are so available will be used to redeem the maximum possible number of such shares of the Series B Preferred Stock ratably among the holders thereof on the basis of the number of shares of Series B Preferred Stock held by each such shareholder. At the earliest time thereafter as additional funds of the Company are legally available for redemption of Series B Preferred Stock in the manner provided above, such funds will be immediately used to redeem the balance of such Series B Preferred Stock subject to redemption.

(i) Deposit of Funds. At least three (3) Business Days prior to a Payment Date, the Company shall deposit with any bank or trust company in the United States, having a capital and surplus of at least \$1 billion as a trust fund, a sum equal to the aggregate Redemption Price, with irrevocable instructions and authority to the bank or trust company to pay, on or after the Payment Date, the Redemption Price to the respective holders of then-outstanding shares of Series B Preferred Stock upon the surrender of their share certificates. The deposit shall constitute full payment of the shares to their holders; provided, that, until all shares of Series B Preferred Stock are redeemed and full payment made therefor, the holders thereof shall continue to be considered shareholders with respect to such shares and shall have all rights with respect thereto, including the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor.

Statement of Stock Designation  
Page 12

Any monies so deposited and unclaimed at the end of one year from the Payment Date shall be released or repaid to the Company, after which the holders of shares of Series B Preferred Stock called for redemption shall be entitled to receive payment of the Redemption Price only from the Company.

(j) Accrual of Dividends. Unless the Company defaults in making the payment of the Redemption Price in accordance with Section 4(i) hereof, dividends on Series B Preferred Stock subject to redemption will cease to accrue on and after the Payment Date.

(k) Waiver. At any time after receiving notice of Mandatory Redemption and prior to two Business Days before the Payment Date, the holders of Series B Preferred Stock may, by written consent of holders of at least 80% of the then outstanding Series B Preferred Stock, waive the redemption of the Series B Preferred Stock as to such mandatory redemption event in which case the Company shall not be obligated to redeem the shares of Series B Preferred Stock as to such redemption event. Upon receipt of any such waiver, the Company shall promptly provide written notice to all holders of Series B Preferred Stock.

Section 5. Voting Rights.

(a) Series B Preferred Stock. Each holder of shares of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Class A Common Stock and, except as otherwise expressly provided herein, shall be entitled to the number of votes equal to the largest number of full shares of Class A Common Stock into which such shares of Series B Preferred Stock could be converted, pursuant to the provisions of Section 8(b) hereof, at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken.

(b) Common Stock. Each holder of shares of Class A Common Stock shall be entitled to one vote for each share thereof held, and each holder of shares of Class B Common Stock shall be entitled to ten votes for each share thereof held, as provided in Article IV, Section (b) of the Restated Articles of Incorporation. Except as otherwise expressly provided herein or as required by law, the holders of Series B Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

Section 6. Restrictions and Limitations. So long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of 80% with respect to items (c), (e) or (g), or a majority with respect to items (a), (b), (d) or (f), of the then-outstanding shares of Series B Preferred Stock:

(a) Purchase, redeem or otherwise acquire for value (or pay into or set aside as a sinking fund for such purpose) any Junior Stock or any warrant, option or right to

Statement of Stock Designation  
Page 13

purchase any Junior Stock, other than purchases of shares of Junior Stock for

the purpose of funding deferred compensation arrangements;

(b) Declare or pay any dividends on or declare or make any other Distribution, direct or indirect (other than a dividend payable solely in shares of Class A Common Stock), on account of Junior Stock or set apart any sum for any such purpose;

(c) Amend its Articles of Incorporation in any manner that would significantly and adversely affect the rights or preferences of the Series B Preferred Stock;

(d) Take any action which would result in taxation of the holders of the Series B Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (the "Code") (or any comparable provision of the Code as hereafter from time to time amended);

(e) Issue any additional shares of Series B Preferred Stock after the Initial Issue Date, except pursuant to Section 2 hereof;

(f) Following the effective date of the Proposed Amendments, liquidate or dissolve the Company; or

(g) Following the effective date of the Proposed Amendments, permit the Company to be merged with or into, or consolidated with any other entity or sell all or substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

Section 7. Debt Incurrence Covenant. At all times that any shares of Series B Preferred Stock are outstanding, the Company shall not incur any Funded Debt if, as a result of such additional Funded Debt, the Company's Total Leverage Ratio would exceed 7.0:1.

Section 8. Conversion. The holders of Series B Preferred Stock shall have the following conversion rights:

(a) Right to Convert. Each share of Series B Preferred Stock shall be convertible, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Class A Common Stock. Such conversion right shall continue to apply to any share of Series B Preferred Stock called for redemption pursuant to Section 4 hereof until the close of business on the Business Day immediately preceding the applicable Payment Date.

(b) Conversion Price. Each share of Series B Preferred Stock shall initially be convertible into that number of shares of Class A Common Stock determined by dividing the then Liquidation Preference of such share of Series B Preferred Stock by the then

Statement of Stock Designation

Page 14

conversion price, as adjusted pursuant to this Section 8, which conversion price shall initially be equal to \$5.55 per share (the "Conversion Price").

(c) Mechanics of Conversion. Each holder of Series B Preferred Stock who desires to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series B Preferred Stock or Class A Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Series B Preferred Stock being converted. Thereupon the Company shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Series B Preferred Stock to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

(d) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the Initial Issue Date effects a subdivision of the outstanding Class A Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the Company at any time or from time to time after the Initial Issue Date combines the outstanding shares of Class A Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this subsection (d) shall become effective at the open of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Initial

Issue Date makes, or fixes a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in additional shares of Class A Common Stock, then and in each such event the Conversion Price then in effect shall be reset as of the time of such issuance or, in the event such record date is fixed, as of the open of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Class A Common Stock issuable in payment of such dividend or Distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such Distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter

Statement of Stock Designation

Page 15

the Conversion Price shall be adjusted pursuant to this subsection (e) as of the time of actual payment of such dividends or Distributions.

(f) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Initial Issue Date makes, or fixes, a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Series B Preferred Stock been converted into Class A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 8 with respect to the rights of the holders of the Series B Preferred Stock.

(g) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Initial Issue Date, the Class A Common Stock issuable upon the conversion of the Series B Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 8), then and in any such event each holder of Series B Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Class A Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(h) Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Initial Issue Date there is a capital reorganization of the Class A Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 8) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series B Preferred Stock shall thereafter be entitled to receive upon conversion of the Series B Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Class A Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 8 with respect to the rights of the holders of the Series B Preferred Stock after the reorganization,

Statement of Stock Designation

Page 16

merger, consolidation or sale to the end that the provisions of this Section 8 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series B Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

(i) Sale of Shares Below Conversion Price.

a) If at any time or from time to time after

the Initial Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (i) to have issued or sold, Additional Shares of Class A Common Stock (as hereinafter defined) (other than (A) as a dividend or other Distribution on any class of stock as provided in subsection (e) above, (B) upon a subdivision or combination of shares of Class A Common Stock as provided in subsection (d) above, or (C) shares to be issued to officers, directors, employees, agents or consultants of the Company pursuant to stock options or equity incentive plans approved by the Board of Directors of the Company and representing not more than 5% of the outstanding Class A Common Stock as of the Initial Issue Date (the "Exempt Issuances")) for an Effective Price (as hereinafter defined) less than the then existing Conversion Price, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, by multiplying such Conversion Price in effect immediately prior to such new issuance by a fraction (i) the numerator of which shall be (A) the number of shares of Class A Common Stock outstanding at the close of business on the day preceding the date of such issue or sale (assuming conversion of all outstanding shares of Series B Preferred Stock at the then Conversion Price) plus (B) the number of Shares of Class A Common Stock which the aggregate consideration received (or by the express provisions hereof deemed to have been received by the Company for the total number of Additional Shares of Class A Common Stock so issued) would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of shares of Class A Common Stock outstanding at the close of business on the date of such issuance or sale after giving effect to such issue of Additional Shares of Class A Common Stock (assuming conversion of all outstanding shares of Preferred Stock into shares of Class A Common Stock at the then Conversion Price).

b) For the purpose of making any adjustment required under this subsection (i), the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash be computed at the amount of cash received by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, (C) if Additional Shares of Class A Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Class A Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Class A

Statement of Stock Designation

Page 17

Common Stock, Convertible Securities or rights or options, and (D) be computed after reduction for all expenses payable by the Company in connection with such issue or sale.

c) For the purpose of the adjustment required under this subsection (i), if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Class A Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities") or rights or options for the purchase of Convertible Securities, and if the Effective Price of such Additional Shares of Class A Common Stock ultimately issuable pursuant thereto is less than the then Conversion Price, then in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Class A Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Class A Common Stock on the exercise of any such rights or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Class A Common Stock so issued were the Additional Shares of Class A Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Class A Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the

consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities. A similar readjustment will be made if the amount actually paid to the Company upon exercise of conversion of any Convertible Securities exceeds the minimum amount assumed pursuant to this Section 8(i).

d) "Additional Shares of Class A Common Stock" shall mean all shares of Class A Common Stock issued by the Company after the Series B Issuance Date,

Statement of Stock Designation

Page 18

whether or not subsequently reacquired or retired by the Company, other than (i) shares of Class A Common Stock issued upon conversion of the Series B Preferred Stock and (ii) the shares of Class A Common Stock issued as Exempt Issuances. The "Effective Price" of Additional Shares of Class A Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Class A Common Stock issued or sold, or deemed to have been issued or sold by the Company under this subsection (i), into the aggregate consideration received, or deemed to have been received, by the Company for such issue under this subsection (i), for such Additional Shares of Class A Common Stock.

(j) Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price, the Company, at its expense, shall cause independent public accountants of recognized standing selected by the Company (who may be the independent public accountants then auditing the books of the Company) to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series B Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Shares of Class A Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price at the time in effect, (3) the number of Additional Shares of Class A Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Series B Preferred Stock.

(k) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other Distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series B Preferred Stock at least ten (10) days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or Distribution and a description of such dividend or Distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Class A Common Stock (or other securities) shall be entitled to exchange their shares of Class A Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

Statement of Stock Designation

Page 19

(l) Mandatory Conversion. At any time following the third anniversary of the Initial Issue Date, the Company may require the immediate conversion of all outstanding shares of Series B Preferred Stock into shares of Class A Common Stock pursuant to the procedures set forth in this Section 8 by written notice to all holders of Series B Preferred Stock at the then effective Conversion Price; provided however, the Company may require conversion pursuant to this Section 8(l) only if the shares of Class A Common Stock are traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System and such shares then have a Closing Price equal to or greater than two times the then effective Conversion Price and have had such a Closing Price for a period of thirty consecutive Trading Days.

(m) Conversion Following Default in Payment of Redemption Price. Notwithstanding anything herein to the contrary, in the event that the Company fails to make full payment of the Redemption Price on any

Payment Date pursuant to Section 4 hereof, for any reason, including the prohibition of such payment pursuant to the Credit Agreement, the holders of shares of Series B Preferred Stock remaining outstanding shall have the right to convert such shares of Series B Preferred Stock, in whole or in part, pursuant to the procedures set forth in this Section 8, into shares of Class A Common Stock at a Conversion Price equal to ninety-five percent (95%) of the average Closing Price of the Company's Class A Common Stock for the ten (10) Trading Days immediately prior to the date of conversion. Any shares of Series B Preferred Stock not so converted shall remain outstanding and shall continue to represent an obligation of the Company to pay the Redemption Price with respect thereto. Notwithstanding anything herein to the contrary, the aggregate number of shares of Class A Common Stock issued upon conversion of shares of Series B Preferred Stock pursuant to this Section 8(m) shall, in any event, not exceed 19.9% of the total number of issued and outstanding shares of capital stock of the Company as of the Initial Issue Date.

Section 10. Exclusive Remedy. So long as any obligation is outstanding under the Credit Agreement, the sole remedy available to holders of Series B Preferred Stock for the Company's failure to make full payment in cash of the Redemption Price when required pursuant to Section 4 hereof, shall be the conversion of the Series B Preferred Stock into shares of Class A Common Stock pursuant to Section 8(m) hereof unless the lenders under the Credit Agreement consent to payment in cash.

Section 11. No Reissuance of Series B Preferred Stock. No share of Series B Preferred Stock acquired by the Company upon conversion, by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Company shall be authorized to issue.

RESOLVED FURTHER, that, because certain of the terms and conditions of the issuance of the Series B Preferred Stock relating to rights of holders of that stock to vote

Statement of Stock Designation

Page 20

as a class on certain specific activities of the Company, as further described in Sections 1-11 above, will not become effective until certain amendments to the Company's Restated Articles of Incorporation become effective, the Board of Directors shall seek approval of amendments to those articles from the shareholders of the Company at the annual shareholder meeting to be held on or about June 10, 1999 or such other date on which it is held, and such terms relating to those class votes will not become effective until that portion of those amendments are approved by those shareholders and the amendments are filed with the Alaska Department of Commerce and Economic Development;

RESOLVED FURTHER, that the president of the Company or any vice president designated by him and the secretary of the Company or any assistant secretary of the Company are hereby authorized and directed to take those steps necessary to cause the issuance and sale of the Series B Preferred Stock including to execute a statement to be filed in accordance with the requirements of AS 10.06.320 of the Alaska Statutes and to seek shareholder approval of those amendments to the Company's Restated Articles of Incorporation to allow all of the terms of ownership of the Series B Preferred Stock to become effective."

IN WITNESS WHEREOF, the Company has caused this Statement of Stock Designation to be duly executed on its behalf at Anchorage, Alaska as of this 21st day of April, 1999.

GENERAL COMMUNICATION, INC.

By: /s/  
G. Wilson Hughes  
Its: Executive Vice President

By: /s/  
John M. Lowber  
Its: Secretary

Statement of Stock Designation

Page 21



STATEMENT OF STOCK DESIGNATION

-----  
Setting forth a copy of a resolution creating and authorizing the issuance of a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock" adopted by the board of directors of General Communication, Inc.  
-----

Pursuant to AS 10.06.315 and 10.06.320 of the Alaska Statutes  
-----

We, the undersigned officers of General Communication, Inc., an Alaska corporation ("Company"), hereby state and otherwise certify that, on April 21, 1999, the board of directors of the Company, pursuant to authority vested in it by Article IV of the Company's Restated Articles of Incorporation and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, duly adopted the following resolution creating a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock":

RESOLUTION

"WHEREAS, General Communication, Inc. is authorized through its Restated Articles of Incorporation to issue up to 100 million shares of Class A Common Stock and up to 1 million shares of Preferred Stock, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions contained in the Restated Articles of Incorporation, to fix or alter the dividend rate, conversion rate, voting rights, redemption prices, and liquidation preferences of any wholly unissued series of Preferred Stock, the number of shares constituting any such series, the designation of such series, and other terms and conditions of the issuance of such stock;

Statement of Stock Designation  
Page 1

WHEREAS, the Company, through its Board of Directors, approved a statement of stock designation pursuant to Article IV of the Restated Articles of Incorporation and that statement was filed of record with the Alaska Department of Commerce and Economic Development on or about January 17, 1991 pursuant to authority set forth in AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, and the board subsequently authorized the issuance of Series A Preferred Stock under that designation which was subsequently issued and later retired, and the Company does not presently have outstanding any shares of its Preferred Stock and is not otherwise obligated to issue such shares in the future, and the Board of Directors desires to cancel and otherwise delete that 1991 statement of stock designation at this time and to fix the terms of a second series of that Preferred Stock and the number of shares constituting that series;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company, and in accordance with AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, the board hereby cancels and otherwise deletes the 1991 statement of stock designation for the Series A preferred stock and hereby declares that such statement is no longer a part of those articles;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, the board hereby approves and otherwise directs the issuance, from 1 million shares of Preferred Stock authorized under those articles, a series of Preferred Stock of the Company to consist of 35,000 shares designated as Series B Convertible Redeemable Accreting Preferred Stock ("Series B Preferred Stock") and hereby fixes the designation, rights, preferences, privileges, and restrictions of the shares of that series, in addition to the designation, rights, preferences, privileges and restrictions set forth in those articles which are directly applicable to the Preferred Stock as follows:

Preface. Series B Convertible Redeemable Accreting Preferred Stock. Of the 1,000,000 shares of Preferred Stock, authorized pursuant to Article IV of the Restated Articles of Incorporation of the Company, 35,000 shall be designated Series B Convertible Redeemable Accreting Preferred Stock, with the rights, preferences, privileges and restrictions set forth in this

paragraph.

Section 1. Definitions. For purposes of the following Sections, the following definitions shall apply:

Statement of Stock Designation

Page 2

"Additional Shares of Class A Common Stock" shall have the meaning ascribed to such term in Section 8(i)(d) hereof.

"Annualized Operating Cash Flow" shall mean, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters.

"Bankruptcy Event" shall mean the occurrence of any of the following: (i) a court or governmental agency having appropriate jurisdiction shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs; (ii) there shall be commenced against the Company an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; (iii) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Company shall be unable to, or shall admit in writing to its inability to, pay its debts generally as they become due.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean a day on which banks and foreign exchange markets are open for the transaction of business in New York, New York as relevant to the determination to be made or action to be taken.

"Capitalized Leases" shall mean capital leases and subleases, as defined in accordance with GAAP.

"Change of Control" shall mean the occurrence of one or more of the following events: (a) any change in the ownership of the Company resulting in MCI WorldCom, Inc. and any of its wholly owned Subsidiaries, owning Voting Stock with less than eighteen percent (18%) of the total combined voting power of the Company, (b) MCI WorldCom, Inc. shall at any time have less than two (2) representatives sitting on the Board for more than a sixty-day period, (c) Ronald A. Duncan resigns or is removed from his position as Chief Executive

Statement of Stock Designation

Page 3

Officer of the Company, other than as a result of death or disability, and is not replaced within sixty (60) days of such resignation or removal with a person acceptable to the holders of a majority of the outstanding Series B Preferred Stock or (d) Ronald A. Duncan or his heirs transfers, sells or in any way disposes of a material amount of the capital stock of the Company owned by him as of the date hereof. A Change of Control shall be deemed to occur as of the effective date of the first event, action or transaction leading to one of the results described above.

"Class A Common Stock" shall mean the Class A Common Stock of the Company.

"Class B Common Stock" shall mean the Class B Common Stock of the Company.

"Closing Date" shall mean April 30, 1999.

"Closing Price" if the Class A Common Stock is traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System, shall mean the closing price as reported for composite transactions on the applicable

date, or, if no sales occurred on an applicable date, then the average of the highest bid and lowest asked prices on such exchange or the National Market System at the end of the day on such date. If the Class A Common Stock is not traded on an exchange or the National Market System but is otherwise traded over-the-counter, Closing Price shall mean the average of the highest bid and lowest asked prices quoted in the National Association of Security Dealers, Inc. Automated Quotation System as of the close of business on the applicable date, or if not so quoted on such date, the average of the representative bid and asked prices on such date in the domestic over-the-counter market as reported by the National Quotation Bureau, Inc., or any similar successor organization.

"Common Stock" shall mean, collectively, the Class A Common Stock and Class B Common Stock of the Company.

"Company" shall mean this corporation.

"Contingent Liability" shall mean, as to any person, any obligation contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other person in any manner, whether directly or indirectly, including without limitation any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt, (b) to purchase property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor

Statement of Stock Designation

Page 4

to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Conversion Price" shall have the meaning ascribed to such term in Section 8(b) hereof.

"Convertible Securities" shall have the meaning ascribed to such term in Section 8(i)(c) hereof.

"Credit Agreement" shall mean that certain \$200,000,000 Amended and Restated Credit Agreement dated November 14, 1997 between GCI Holdings, Inc. as borrower and NationsBank of Texas, N.A., Credit Lyonnais New York Branch and TD Securities (USA), Inc., as it may be amended or supplemented from time to time.

"Debt" shall mean, all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capitalized Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" shall mean, without duplication, (a) all obligations of a person for borrowed money, (b) all obligations of a person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of a person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, and (d) all obligations of a person secured by a Lien on any assets or property of any person.

"Distribution" shall mean the declaration or payment of any dividend (whether in cash or otherwise) on or in respect of any shares of any class of capital stock of any person, other than dividends payable solely in shares of common stock of such person; the purchase, redemption, or other retirement of any shares of any class of capital stock of any person, directly or indirectly through a subsidiary or otherwise; the return of capital by any person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of any person.

"Effective Price" shall have the meaning ascribed in Section 8(i)(d) hereof.

"Equity Security" shall mean any capital stock of the Company or any security (whether stock or Debt for Borrowed Money) convertible or exchangeable, with or without consideration, into or for any capital stock, or any security (whether capital stock or Debt

Statement of Stock Designation

Page 5

for Borrowed Money) carrying any warrant or right to subscribe to or purchase

any stock or similar security, or any such warrant or right.

"Exempt Issuances" shall have the meaning ascribed to such term in Section 8(i) (a) hereof.

"Funded Debt" shall mean, without duplication, with respect to any person, all Debt of such person, determined on a consolidated basis and measured in accordance with GAAP that is either: (a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one (1) year after the date of creation thereof, notwithstanding the fact that the payments are required to be made less than one (1) year after such date, (c) Capitalized Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit (without duplication), (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with interest hedge agreements, (h) payments due under any non-compete agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than ninety (90) days old and any thereof that are being contested in good faith).

"GAAP" shall mean, as in effect from time to time, generally accepted accounting principles used in the United States, consistently applied.

"Initial Issue Date" shall mean the first date upon which shares of Series B Preferred Stock are issued.

"Issue Date" shall mean the date of the original issuance of a share of the Series B Preferred Stock.

"Junior Stock" shall mean the Common Stock and all other shares of capital stock of the Company, whether presently outstanding or hereafter issued, other than Series B Preferred Stock.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including, any conditional sale or other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Liquidation Preference" shall have the meaning set forth in Section 3(a) hereof.

Statement of Stock Designation

Page 6

"Mandatory Redemption Date" shall have the meaning ascribed thereto in Section 4(c) hereof.

"Net Total Interest Expense" shall have the definition ascribed thereto in the Credit Agreement.

"Operating Cash Flow" shall mean, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense, (e) deferred income taxes, plus (f) for the fiscal quarter in which the Company or any of its Subsidiaries purchases the transponders pursuant to that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among GCI Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, and that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Satellite Services, Inc. (the "Galaxy X Transponders"), now held by PanAmSat Corp, as assignee, the annualized amount of economic savings of the Company or any of its Subsidiaries resulting from the direct purchase by the Company or any of its Subsidiaries of such Galaxy X Transponders instead of leasing such Galaxy X Transponders from GCI Satellite Co., Inc., an indirect wholly owned subsidiary of the Company, and leasing transponders from other providers; provided, the calculation is made after giving effect to acquisitions and dispositions of assets during such period as if such transactions had occurred on the first day of such period. In calculating "Operating Cash Flow," losses from local telephone businesses shall be offset by amounts not exceeding \$20,000,000 contributed to the Company or any of its Subsidiaries from the net proceeds of any offering of the Series B Preferred Stock issued by the Company. The amount attributable to such net proceeds which is available for such offset shall be reduced by the amount of net proceeds actually used for such offset as of any point in time.

"Payment Date" shall have the meaning ascribed

thereto in Section 4(d) and Section 4(e) hereof.

"Proposed Amendments" shall mean the proposed amendments to Restated Articles of Incorporation of the Company which shall be submitted by the Board to the shareholders of the Company and voted upon by the shareholders at their next annual meeting of shareholders as required by the Purchase Agreement. The Proposed Amendments provide that so long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of a majority of the then-outstanding shares of Series B Preferred Stock (i) liquidate or dissolve the Company or (ii) permit the Company to be merged with or into, or consolidated with, any other entity or sell all or

Statement of Stock Designation

Page 7

substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

"Purchase Agreement" shall mean the Series B Preferred Stock Purchase Agreement by and between the Company, Toronto Dominion Investments, Inc. and the other purchasers listed therein, dated as of April 30, 1999.

"Redemption Price" shall have the meaning ascribed thereto in Section 4(f) hereof.

"Series B Preferred Stock" shall mean the Series B Convertible Redeemable Accreting Preferred Stock of the Company.

"Subsidiary" of a person shall mean (i) any corporation of which fifty one (51%) percent or more of the Voting Stock, or any partnership of which 51% or more of outstanding partnership interests, is at any time owned by the person, or by one or more Subsidiaries of such person, or by such person and one or more Subsidiaries of such person, and (ii) any other entity which is controlled or capable of being controlled by such person or by one or more Subsidiaries of such person or by such person and one or more Subsidiaries of such person.

"Total Debt" shall mean the outstanding principal amount of all Funded Debt.

"Total Leverage Ratio" shall mean, without duplication, as of any date of determination, the ratio of (i) Total Debt of the Company (on an unconsolidated basis), its subsidiary, GCI, Inc., its subsidiary GCI Holdings, Inc. and the Restricted Subsidiaries of GCI Holdings, Inc. (as defined in the Credit Agreement) on such date of determination, to (ii) Annualized Operating Cash Flow of such entities, all calculated on a consolidated basis (except as noted above) in accordance with GAAP consistently applied.

"Trading Day" shall mean, any date that a nationally recognized exchange or the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System is open and accepting bids for the sale of securities listed thereon.

"Triggering Event" shall mean (i) the acceleration of any obligation outstanding under Funded Debt of the Company or any of its Subsidiaries having an outstanding balance in excess of \$5,000,000, (ii) a Change of Control, (iii) a Bankruptcy Event, (iv) the breach of Section 7 hereof, (v) the liquidation or dissolution of the Company, or (vi) the merger of the Company with or into, or the consolidation of the Company with any other entity or the sale by the Company of all or substantially all of the assets of the Company, where the terms of

Statement of Stock Designation

Page 8

such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock; provided however, that clauses (v) and (vi) above shall cease to be Triggering Events upon the approval by the shareholders of the Company of the Proposed Amendments to the Restated Articles of Incorporation and the effective filing of the Proposed Amendments with the Alaska Department of Commerce and Economic Development. If the shareholders of the Company fail to approve the Proposed Amendments or if such amendments are not filed with the Alaska Department of Commerce and Economic Development by August 31, 1999, then clauses (v) and (vi) shall remain Triggering Events for so long as any shares of Series B Preferred Stock remain outstanding.

"Voting Stock" shall mean any shares having general voting power in electing the board of directors of any person (irrespective of whether or not at the time stock of any other class or classes has or might have voting power by reason or the happening of any contingency).

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of the Employee Retirement Income Security Act of 1974, as amended.

## Section 2. Dividends.

(a) Right to Dividends. Dividends on each share of Series B Preferred Stock shall accumulate and accrue from the Issue Date and shall accrue from day to day thereafter, compounding semi-annually (to the extent unpaid), whether or not earned or declared at a rate, through the fourth anniversary of the Initial Issue Date, of 8.5% per annum and, after the fourth anniversary of the Initial Issue Date, of 17% per annum on the stated amount of \$1,000 per share until paid, subject to Section 4(j) hereof. Dividends accruing pursuant to this Section 2(a) shall be payable semi-annually in arrears upon declaration by the Board and (i) during the first four years following the Initial Issue Date shall be payable, at the option of the Company, either by the delivery of additional shares of Series B Preferred Stock with a liquidation value equal to the amount of the dividend or by the delivery of cash and (ii) after the fourth anniversary of the Initial Issue Date shall be paid only in cash. If, during the first four years following the Initial Issue Date, the Company does not make any dividend payment in full in cash to the holders of the then-outstanding shares of Series B Preferred Stock upon a semi-annual dividend payment date, the Company shall be deemed to have declared and delivered such dividend in additional shares of Series B Preferred Stock, as set forth above. Dividends shall be cumulative so that, if all accrued dividends shall not have been paid, such accrued and unpaid dividends shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for any Junior Stock.

(b) Priority. Until such time as all current and accrued dividends on the Series B Preferred Stock for all periods from and after the Initial Issue Date shall have been

## Statement of Stock Designation

Page 9

paid (i) no dividend whatsoever (other than a dividend payable solely in Common Stock) shall be paid or declared, and no Distribution shall be made, on any Junior Stock, and (ii) no shares of Junior Stock shall be purchased, redeemed or acquired by the Company, and no monies shall be paid into or set aside or made available for a sinking fund for the purchase, redemption or acquisition thereof other than shares of Junior Stock purchased, redeemed or acquired by the Company to fund the Company's deferred compensation arrangements. So long as any shares of Series B Preferred Stock are outstanding, the Company shall not issue, or obligate itself to issue, any other Equity Security senior to the Series B Preferred Stock as to dividend or redemption rights or liquidation preferences or, unless the consent of the holders of 80% of the outstanding shares of Series B Preferred Stock is obtained, any other Equity Security on a parity with Series B Preferred Stock as to dividend or redemption rights or liquidation preferences.

## Section 3. Liquidation Rights of Series B Preferred Stock.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the then-outstanding shares of Series B Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of the Junior Stock, an amount (the "Liquidation Preference") equal to \$1,000 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the date full payment shall be tendered to the holders of the then-outstanding shares of Series B Preferred Stock with respect to such liquidation, dissolution or winding up, and no more. If upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the then-outstanding shares of Series B Preferred Stock shall be insufficient to permit the payment to such shareholders of the full preferential amounts to which they are entitled, then all of the assets of the Company shall be distributed ratably to the holders of the then-outstanding shares of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock held by each such shareholder as compared to the aggregate number of then-outstanding shares of Series B Preferred Stock. The (i) merger or consolidation of the Company with or into any other entity or entities where the Company is not the surviving entity (other than a merger solely for the purpose of changing the Company's state of incorporation) or in which in excess of 50% of the Company's voting power is transferred, or (ii) the sale or transfer by the Company of all or substantially all of its assets, shall be deemed to be a liquidation, dissolution and winding up of the Company within the meaning of this Section 3.

(b) Remaining Assets. After the payment or distribution to the holders of the then-outstanding shares of Series B Preferred Stock of the full preferential amounts to which they are entitled, the holders

of the then-outstanding shares of Junior Stock shall be entitled to receive ratably all remaining assets of the Company.

Statement of Stock Designation

Page 10

Section 4. Redemption.

(a) Restriction on Redemption and Purchase. Except as expressly provided in this Section 4, the Company shall not have the right to purchase, call, redeem or otherwise acquire for value any or all of the Series B Preferred Stock.

(b) Optional Redemption. At any time after the fourth anniversary of the Initial Issue Date, the Company may, at its option, upon provision of written notice at least sixty (60) days prior to the date set for redemption, redeem the Series B Preferred Stock, in whole or in part, at the Redemption Price hereinafter specified; provided, that the Company shall redeem shares of Series B Preferred Stock having an aggregate Liquidation Preference of at least Two Million Five Hundred Thousand Dollars (\$2,500,000) upon each Payment Date; and provided further, any partial redemption shall be effected ratably among the holders of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock then held by each holder.

(c) Mandatory Redemption. The Company shall redeem all outstanding shares of Series B Preferred Stock at the Redemption Price hereinafter specified upon (i) the twelfth anniversary of the Initial Issue Date or (ii) the occurrence of a Triggering Event (in either case, "Mandatory Redemption Date").

(d) Optional Redemption Notice. The Company shall, not less than sixty (60) days prior to the Payment Date for an optional redemption pursuant to Section 4(b), give written notice to each holder of record of shares of Series B Preferred Stock that the Company has determined to exercise its optional redemption rights hereunder. This notice shall state the number of then-outstanding shares of Series B Preferred Stock to be redeemed, the Redemption Price, including the amount of dividends included in such price and the calculation thereof, the Payment Date and the time, place and manner in which the holder is to surrender to the Company the certificate or certificates representing the shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(d), shall mean the date set by the Company with respect to an optional redemption designated by the Company for payment of the Redemption Price.

(e) Mandatory Redemption Notice. The Company shall provide prompt, but in no event later than two (2) Business Days after the Mandatory Redemption Date, notice to the holders of the Series B Preferred Stock of the Mandatory Redemption Date. Such notice shall state the Redemption Price, including the amount of dividends included in such price and the calculation thereof, and the Payment Date, place and manner in which the holders are to surrender to the Company the certificates representing shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(e), shall mean the date on or prior to the fifth Business Day after the Mandatory Redemption Date designated by the Company for payment of the Redemption Price.

Statement of Stock Designation

Page 11

(f) Redemption Price. In all events, the Redemption Price of the Series B Preferred Stock (the "Redemption Price") shall be an amount per share equal to \$1,000 plus the amount of all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the Payment Date.

(g) Payment of Redemption Price and Surrender of Stock. On the Payment Date, the Redemption Price of the Series B Preferred Stock shall be paid to the holders of the Series B Preferred Stock. On or before the Payment Date, each holder of shares of Series B Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares to the Company, duly endorsed, together with such other instruments as the Company may reasonably require to insure that such shares of Series B Preferred Stock are duly and validly transferred to the Company, free of all Liens, and on the Payment Date the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. Upon an optional redemption of less than all of the then-outstanding shares of Series B Preferred Stock, upon the surrender to the Company of a certificate or certificates representing shares of Series B Preferred Stock to be redeemed and payment by the Company of the Redemption Price, the Company shall issue to the holder thereof a certificate representing any shares of Series B Preferred Stock not redeemed but represented by the certificate or certificates surrendered.

(h) Insufficient Funds. If the funds of the Company legally available for redemption of Series B Preferred Stock on the Payment Date with respect to a Mandatory Redemption Date are insufficient to redeem all of the Series B Preferred Stock that are subject to redemption pursuant to Section 4(c) on such date, those funds that are so available will be used to redeem the maximum possible number of such shares of the Series B Preferred Stock ratably among the holders thereof on the basis of the number of shares of Series B Preferred Stock held by each such shareholder. At the earliest time thereafter as additional funds of the Company are legally available for redemption of Series B Preferred Stock in the manner provided above, such funds will be immediately used to redeem the balance of such Series B Preferred Stock subject to redemption.

(i) Deposit of Funds. At least three (3) Business Days prior to a Payment Date, the Company shall deposit with any bank or trust company in the United States, having a capital and surplus of at least \$1 billion as a trust fund, a sum equal to the aggregate Redemption Price, with irrevocable instructions and authority to the bank or trust company to pay, on or after the Payment Date, the Redemption Price to the respective holders of then-outstanding shares of Series B Preferred Stock upon the surrender of their share certificates. The deposit shall constitute full payment of the shares to their holders; provided, that, until all shares of Series B Preferred Stock are redeemed and full payment made therefor, the holders thereof shall continue to be considered shareholders with respect to such shares and shall have all rights with respect thereto, including the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor.

Statement of Stock Designation  
Page 12

Any monies so deposited and unclaimed at the end of one year from the Payment Date shall be released or repaid to the Company, after which the holders of shares of Series B Preferred Stock called for redemption shall be entitled to receive payment of the Redemption Price only from the Company.

(j) Accrual of Dividends. Unless the Company defaults in making the payment of the Redemption Price in accordance with Section 4(i) hereof, dividends on Series B Preferred Stock subject to redemption will cease to accrue on and after the Payment Date.

(k) Waiver. At any time after receiving notice of Mandatory Redemption and prior to two Business Days before the Payment Date, the holders of Series B Preferred Stock may, by written consent of holders of at least 80% of the then outstanding Series B Preferred Stock, waive the redemption of the Series B Preferred Stock as to such mandatory redemption event in which case the Company shall not be obligated to redeem the shares of Series B Preferred Stock as to such redemption event. Upon receipt of any such waiver, the Company shall promptly provide written notice to all holders of Series B Preferred Stock.

Section 5. Voting Rights.

(a) Series B Preferred Stock. Each holder of shares of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Class A Common Stock and, except as otherwise expressly provided herein, shall be entitled to the number of votes equal to the largest number of full shares of Class A Common Stock into which such shares of Series B Preferred Stock could be converted, pursuant to the provisions of Section 8(b) hereof, at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken.

(b) Common Stock. Each holder of shares of Class A Common Stock shall be entitled to one vote for each share thereof held, and each holder of shares of Class B Common Stock shall be entitled to ten votes for each share thereof held, as provided in Article IV, Section (b) of the Restated Articles of Incorporation. Except as otherwise expressly provided herein or as required by law, the holders of Series B Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

Section 6. Restrictions and Limitations. So long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of 80% with respect to items (c), (e) or (g), or a majority with respect to items (a), (b), (d) or (f), of the then-outstanding shares of Series B Preferred Stock:

(a) Purchase, redeem or otherwise acquire for value (or pay into or set aside as a sinking fund for such purpose) any Junior Stock or any warrant, option or right to

Statement of Stock Designation  
Page 13

purchase any Junior Stock, other than purchases of shares of Junior Stock for



the purpose of funding deferred compensation arrangements;

(b) Declare or pay any dividends on or declare or make any other Distribution, direct or indirect (other than a dividend payable solely in shares of Class A Common Stock), on account of Junior Stock or set apart any sum for any such purpose;

(c) Amend its Articles of Incorporation in any manner that would significantly and adversely affect the rights or preferences of the Series B Preferred Stock;

(d) Take any action which would result in taxation of the holders of the Series B Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (the "Code") (or any comparable provision of the Code as hereafter from time to time amended);

(e) Issue any additional shares of Series B Preferred Stock after the Initial Issue Date, except pursuant to Section 2 hereof;

(f) Following the effective date of the Proposed Amendments, liquidate or dissolve the Company; or

(g) Following the effective date of the Proposed Amendments, permit the Company to be merged with or into, or consolidated with any other entity or sell all or substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

Section 7. Debt Incurrence Covenant. At all times that any shares of Series B Preferred Stock are outstanding, the Company shall not incur any Funded Debt if, as a result of such additional Funded Debt, the Company's Total Leverage Ratio would exceed 7.0:1.

Section 8. Conversion. The holders of Series B Preferred Stock shall have the following conversion rights:

(a) Right to Convert. Each share of Series B Preferred Stock shall be convertible, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Class A Common Stock. Such conversion right shall continue to apply to any share of Series B Preferred Stock called for redemption pursuant to Section 4 hereof until the close of business on the Business Day immediately preceding the applicable Payment Date.

(b) Conversion Price. Each share of Series B Preferred Stock shall initially be convertible into that number of shares of Class A Common Stock determined by dividing the then Liquidation Preference of such share of Series B Preferred Stock by the then

Statement of Stock Designation

Page 14

conversion price, as adjusted pursuant to this Section 8, which conversion price shall initially be equal to \$5.55 per share (the "Conversion Price").

(c) Mechanics of Conversion. Each holder of Series B Preferred Stock who desires to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series B Preferred Stock or Class A Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Series B Preferred Stock being converted. Thereupon the Company shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Series B Preferred Stock to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

(d) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the Initial Issue Date effects a subdivision of the outstanding Class A Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the Company at any time or from time to time after the Initial Issue Date combines the outstanding shares of Class A Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this subsection (d) shall become effective at the open of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Initial

Issue Date makes, or fixes a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in additional shares of Class A Common Stock, then and in each such event the Conversion Price then in effect shall be reset as of the time of such issuance or, in the event such record date is fixed, as of the open of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Class A Common Stock issuable in payment of such dividend or Distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such Distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter

Statement of Stock Designation

Page 15

the Conversion Price shall be adjusted pursuant to this subsection (e) as of the time of actual payment of such dividends or Distributions.

(f) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Initial Issue Date makes, or fixes, a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Series B Preferred Stock been converted into Class A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 8 with respect to the rights of the holders of the Series B Preferred Stock.

(g) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Initial Issue Date, the Class A Common Stock issuable upon the conversion of the Series B Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 8), then and in any such event each holder of Series B Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Class A Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(h) Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Initial Issue Date there is a capital reorganization of the Class A Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 8) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series B Preferred Stock shall thereafter be entitled to receive upon conversion of the Series B Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Class A Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 8 with respect to the rights of the holders of the Series B Preferred Stock after the reorganization,

Statement of Stock Designation

Page 16

merger, consolidation or sale to the end that the provisions of this Section 8 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series B Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

(i) Sale of Shares Below Conversion Price.

a) If at any time or from time to time after

the Initial Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (i) to have issued or sold, Additional Shares of Class A Common Stock (as hereinafter defined) (other than (A) as a dividend or other Distribution on any class of stock as provided in subsection (e) above, (B) upon a subdivision or combination of shares of Class A Common Stock as provided in subsection (d) above, or (C) shares to be issued to officers, directors, employees, agents or consultants of the Company pursuant to stock options or equity incentive plans approved by the Board of Directors of the Company and representing not more than 5% of the outstanding Class A Common Stock as of the Initial Issue Date (the "Exempt Issuances")) for an Effective Price (as hereinafter defined) less than the then existing Conversion Price, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, by multiplying such Conversion Price in effect immediately prior to such new issuance by a fraction (i) the numerator of which shall be (A) the number of shares of Class A Common Stock outstanding at the close of business on the day preceding the date of such issue or sale (assuming conversion of all outstanding shares of Series B Preferred Stock at the then Conversion Price) plus (B) the number of Shares of Class A Common Stock which the aggregate consideration received (or by the express provisions hereof deemed to have been received by the Company for the total number of Additional Shares of Class A Common Stock so issued) would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of shares of Class A Common Stock outstanding at the close of business on the date of such issuance or sale after giving effect to such issue of Additional Shares of Class A Common Stock (assuming conversion of all outstanding shares of Preferred Stock into shares of Class A Common Stock at the then Conversion Price).

b) For the purpose of making any adjustment required under this subsection (i), the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash be computed at the amount of cash received by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, (C) if Additional Shares of Class A Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Class A Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Class A

Statement of Stock Designation

Page 17

Common Stock, Convertible Securities or rights or options, and (D) be computed after reduction for all expenses payable by the Company in connection with such issue or sale.

c) For the purpose of the adjustment required under this subsection (i), if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Class A Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities") or rights or options for the purchase of Convertible Securities, and if the Effective Price of such Additional Shares of Class A Common Stock ultimately issuable pursuant thereto is less than the then Conversion Price, then in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Class A Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Class A Common Stock on the exercise of any such rights or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Class A Common Stock so issued were the Additional Shares of Class A Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Class A Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the

consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities. A similar readjustment will be made if the amount actually paid to the Company upon exercise of conversion of any Convertible Securities exceeds the minimum amount assumed pursuant to this Section 8(i).

d) "Additional Shares of Class A Common Stock" shall mean all shares of Class A Common Stock issued by the Company after the Series B Issuance Date,

Statement of Stock Designation

Page 18

whether or not subsequently reacquired or retired by the Company, other than (i) shares of Class A Common Stock issued upon conversion of the Series B Preferred Stock and (ii) the shares of Class A Common Stock issued as Exempt Issuances. The "Effective Price" of Additional Shares of Class A Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Class A Common Stock issued or sold, or deemed to have been issued or sold by the Company under this subsection (i), into the aggregate consideration received, or deemed to have been received, by the Company for such issue under this subsection (i), for such Additional Shares of Class A Common Stock.

(j) Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price, the Company, at its expense, shall cause independent public accountants of recognized standing selected by the Company (who may be the independent public accountants then auditing the books of the Company) to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series B Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Shares of Class A Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price at the time in effect, (3) the number of Additional Shares of Class A Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Series B Preferred Stock.

(k) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other Distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series B Preferred Stock at least ten (10) days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or Distribution and a description of such dividend or Distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Class A Common Stock (or other securities) shall be entitled to exchange their shares of Class A Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

Statement of Stock Designation

Page 19

(l) Mandatory Conversion. At any time following the third anniversary of the Initial Issue Date, the Company may require the immediate conversion of all outstanding shares of Series B Preferred Stock into shares of Class A Common Stock pursuant to the procedures set forth in this Section 8 by written notice to all holders of Series B Preferred Stock at the then effective Conversion Price; provided however, the Company may require conversion pursuant to this Section 8(l) only if the shares of Class A Common Stock are traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System and such shares then have a Closing Price equal to or greater than two times the then effective Conversion Price and have had such a Closing Price for a period of thirty consecutive Trading Days.

(m) Conversion Following Default in Payment of Redemption Price. Notwithstanding anything herein to the contrary, in the event that the Company fails to make full payment of the Redemption Price on any

Payment Date pursuant to Section 4 hereof, for any reason, including the prohibition of such payment pursuant to the Credit Agreement, the holders of shares of Series B Preferred Stock remaining outstanding shall have the right to convert such shares of Series B Preferred Stock, in whole or in part, pursuant to the procedures set forth in this Section 8, into shares of Class A Common Stock at a Conversion Price equal to ninety-five percent (95%) of the average Closing Price of the Company's Class A Common Stock for the ten (10) Trading Days immediately prior to the date of conversion. Any shares of Series B Preferred Stock not so converted shall remain outstanding and shall continue to represent an obligation of the Company to pay the Redemption Price with respect thereto. Notwithstanding anything herein to the contrary, the aggregate number of shares of Class A Common Stock issued upon conversion of shares of Series B Preferred Stock pursuant to this Section 8(m) shall, in any event, not exceed 19.9% of the total number of issued and outstanding shares of capital stock of the Company as of the Initial Issue Date.

Section 10. Exclusive Remedy. So long as any obligation is outstanding under the Credit Agreement, the sole remedy available to holders of Series B Preferred Stock for the Company's failure to make full payment in cash of the Redemption Price when required pursuant to Section 4 hereof, shall be the conversion of the Series B Preferred Stock into shares of Class A Common Stock pursuant to Section 8(m) hereof unless the lenders under the Credit Agreement consent to payment in cash.

Section 11. No Reissuance of Series B Preferred Stock. No share of Series B Preferred Stock acquired by the Company upon conversion, by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Company shall be authorized to issue.

RESOLVED FURTHER, that, because certain of the terms and conditions of the issuance of the Series B Preferred Stock relating to rights of holders of that stock to vote

Statement of Stock Designation

Page 20

as a class on certain specific activities of the Company, as further described in Sections 1-11 above, will not become effective until certain amendments to the Company's Restated Articles of Incorporation become effective, the Board of Directors shall seek approval of amendments to those articles from the shareholders of the Company at the annual shareholder meeting to be held on or about June 10, 1999 or such other date on which it is held, and such terms relating to those class votes will not become effective until that portion of those amendments are approved by those shareholders and the amendments are filed with the Alaska Department of Commerce and Economic Development;

RESOLVED FURTHER, that the president of the Company or any vice president designated by him and the secretary of the Company or any assistant secretary of the Company are hereby authorized and directed to take those steps necessary to cause the issuance and sale of the Series B Preferred Stock including to execute a statement to be filed in accordance with the requirements of AS 10.06.320 of the Alaska Statutes and to seek shareholder approval of those amendments to the Company's Restated Articles of Incorporation to allow all of the terms of ownership of the Series B Preferred Stock to become effective."

IN WITNESS WHEREOF, the Company has caused this Statement of Stock Designation to be duly executed on its behalf at Anchorage, Alaska as of this 21st day of April, 1999.

GENERAL COMMUNICATION, INC.

By: /s/  
G. Wilson Hughes  
Its: Executive Vice President

By: /s/  
John M. Lowber  
Its: Secretary

Statement of Stock Designation

Page 21

STATEMENT OF STOCK DESIGNATION

-----  
Setting forth a copy of a resolution creating and authorizing the issuance of a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock" adopted by the board of directors of General Communication, Inc.  
-----

Pursuant to AS 10.06.315 and 10.06.320 of the Alaska Statutes  
-----

We, the undersigned officers of General Communication, Inc., an Alaska corporation ("Company"), hereby state and otherwise certify that, on April 21, 1999, the board of directors of the Company, pursuant to authority vested in it by Article IV of the Company's Restated Articles of Incorporation and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, duly adopted the following resolution creating a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock":

RESOLUTION

"WHEREAS, General Communication, Inc. is authorized through its Restated Articles of Incorporation to issue up to 100 million shares of Class A Common Stock and up to 1 million shares of Preferred Stock, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions contained in the Restated Articles of Incorporation, to fix or alter the dividend rate, conversion rate, voting rights, redemption prices, and liquidation preferences of any wholly unissued series of Preferred Stock, the number of shares constituting any such series, the designation of such series, and other terms and conditions of the issuance of such stock;

Statement of Stock Designation  
Page 1

WHEREAS, the Company, through its Board of Directors, approved a statement of stock designation pursuant to Article IV of the Restated Articles of Incorporation and that statement was filed of record with the Alaska Department of Commerce and Economic Development on or about January 17, 1991 pursuant to authority set forth in AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, and the board subsequently authorized the issuance of Series A Preferred Stock under that designation which was subsequently issued and later retired, and the Company does not presently have outstanding any shares of its Preferred Stock and is not otherwise obligated to issue such shares in the future, and the Board of Directors desires to cancel and otherwise delete that 1991 statement of stock designation at this time and to fix the terms of a second series of that Preferred Stock and the number of shares constituting that series;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company, and in accordance with AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, the board hereby cancels and otherwise deletes the 1991 statement of stock designation for the Series A preferred stock and hereby declares that such statement is no longer a part of those articles;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, the board hereby approves and otherwise directs the issuance, from 1 million shares of Preferred Stock authorized under those articles, a series of Preferred Stock of the Company to consist of 35,000 shares designated as Series B Convertible Redeemable Accreting Preferred Stock ("Series B Preferred Stock") and hereby fixes the designation, rights, preferences, privileges, and restrictions of the shares of that series, in addition to the designation, rights, preferences, privileges and restrictions set forth in those articles which are directly applicable to the Preferred Stock as follows:

Preface. Series B Convertible Redeemable Accreting Preferred Stock. Of the 1,000,000 shares of Preferred Stock, authorized pursuant to Article IV of the Restated Articles of Incorporation of the Company, 35,000 shall be designated Series B Convertible Redeemable Accreting Preferred Stock, with the rights, preferences, privileges and restrictions set forth in this

paragraph.

Section 1. Definitions. For purposes of the following Sections, the following definitions shall apply:

Statement of Stock Designation

Page 2

"Additional Shares of Class A Common Stock" shall have the meaning ascribed to such term in Section 8(i)(d) hereof.

"Annualized Operating Cash Flow" shall mean, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters.

"Bankruptcy Event" shall mean the occurrence of any of the following: (i) a court or governmental agency having appropriate jurisdiction shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs; (ii) there shall be commenced against the Company an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; (iii) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Company shall be unable to, or shall admit in writing to its inability to, pay its debts generally as they become due.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean a day on which banks and foreign exchange markets are open for the transaction of business in New York, New York as relevant to the determination to be made or action to be taken.

"Capitalized Leases" shall mean capital leases and subleases, as defined in accordance with GAAP.

"Change of Control" shall mean the occurrence of one or more of the following events: (a) any change in the ownership of the Company resulting in MCI WorldCom, Inc. and any of its wholly owned Subsidiaries, owning Voting Stock with less than eighteen percent (18%) of the total combined voting power of the Company, (b) MCI WorldCom, Inc. shall at any time have less than two (2) representatives sitting on the Board for more than a sixty-day period, (c) Ronald A. Duncan resigns or is removed from his position as Chief Executive

Statement of Stock Designation

Page 3

Officer of the Company, other than as a result of death or disability, and is not replaced within sixty (60) days of such resignation or removal with a person acceptable to the holders of a majority of the outstanding Series B Preferred Stock or (d) Ronald A. Duncan or his heirs transfers, sells or in any way disposes of a material amount of the capital stock of the Company owned by him as of the date hereof. A Change of Control shall be deemed to occur as of the effective date of the first event, action or transaction leading to one of the results described above.

"Class A Common Stock" shall mean the Class A Common Stock of the Company.

"Class B Common Stock" shall mean the Class B Common Stock of the Company.

"Closing Date" shall mean April 30, 1999.

"Closing Price" if the Class A Common Stock is traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System, shall mean the closing price as reported for composite transactions on the applicable

date, or, if no sales occurred on an applicable date, then the average of the highest bid and lowest asked prices on such exchange or the National Market System at the end of the day on such date. If the Class A Common Stock is not traded on an exchange or the National Market System but is otherwise traded over-the-counter, Closing Price shall mean the average of the highest bid and lowest asked prices quoted in the National Association of Security Dealers, Inc. Automated Quotation System as of the close of business on the applicable date, or if not so quoted on such date, the average of the representative bid and asked prices on such date in the domestic over-the-counter market as reported by the National Quotation Bureau, Inc., or any similar successor organization.

"Common Stock" shall mean, collectively, the Class A Common Stock and Class B Common Stock of the Company.

"Company" shall mean this corporation.

"Contingent Liability" shall mean, as to any person, any obligation contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other person in any manner, whether directly or indirectly, including without limitation any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt, (b) to purchase property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor

Statement of Stock Designation

Page 4

to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Conversion Price" shall have the meaning ascribed to such term in Section 8(b) hereof.

"Convertible Securities" shall have the meaning ascribed to such term in Section 8(i)(c) hereof.

"Credit Agreement" shall mean that certain \$200,000,000 Amended and Restated Credit Agreement dated November 14, 1997 between GCI Holdings, Inc. as borrower and NationsBank of Texas, N.A., Credit Lyonnais New York Branch and TD Securities (USA), Inc., as it may be amended or supplemented from time to time.

"Debt" shall mean, all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capitalized Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" shall mean, without duplication, (a) all obligations of a person for borrowed money, (b) all obligations of a person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of a person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, and (d) all obligations of a person secured by a Lien on any assets or property of any person.

"Distribution" shall mean the declaration or payment of any dividend (whether in cash or otherwise) on or in respect of any shares of any class of capital stock of any person, other than dividends payable solely in shares of common stock of such person; the purchase, redemption, or other retirement of any shares of any class of capital stock of any person, directly or indirectly through a subsidiary or otherwise; the return of capital by any person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of any person.

"Effective Price" shall have the meaning ascribed in Section 8(i)(d) hereof.

"Equity Security" shall mean any capital stock of the Company or any security (whether stock or Debt for Borrowed Money) convertible or exchangeable, with or without consideration, into or for any capital stock, or any security (whether capital stock or Debt

Statement of Stock Designation

Page 5

for Borrowed Money) carrying any warrant or right to subscribe to or purchase



any stock or similar security, or any such warrant or right.

"Exempt Issuances" shall have the meaning ascribed to such term in Section 8(i) (a) hereof.

"Funded Debt" shall mean, without duplication, with respect to any person, all Debt of such person, determined on a consolidated basis and measured in accordance with GAAP that is either: (a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one (1) year after the date of creation thereof, notwithstanding the fact that the payments are required to be made less than one (1) year after such date, (c) Capitalized Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit (without duplication), (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with interest hedge agreements, (h) payments due under any non-compete agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than ninety (90) days old and any thereof that are being contested in good faith).

"GAAP" shall mean, as in effect from time to time, generally accepted accounting principles used in the United States, consistently applied.

"Initial Issue Date" shall mean the first date upon which shares of Series B Preferred Stock are issued.

"Issue Date" shall mean the date of the original issuance of a share of the Series B Preferred Stock.

"Junior Stock" shall mean the Common Stock and all other shares of capital stock of the Company, whether presently outstanding or hereafter issued, other than Series B Preferred Stock.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including, any conditional sale or other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Liquidation Preference" shall have the meaning set forth in Section 3(a) hereof.

Statement of Stock Designation

Page 6

"Mandatory Redemption Date" shall have the meaning ascribed thereto in Section 4(c) hereof.

"Net Total Interest Expense" shall have the definition ascribed thereto in the Credit Agreement.

"Operating Cash Flow" shall mean, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense, (e) deferred income taxes, plus (f) for the fiscal quarter in which the Company or any of its Subsidiaries purchases the transponders pursuant to that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among GCI Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, and that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Satellite Services, Inc. (the "Galaxy X Transponders"), now held by PanAmSat Corp, as assignee, the annualized amount of economic savings of the Company or any of its Subsidiaries resulting from the direct purchase by the Company or any of its Subsidiaries of such Galaxy X Transponders instead of leasing such Galaxy X Transponders from GCI Satellite Co., Inc., an indirect wholly owned subsidiary of the Company, and leasing transponders from other providers; provided, the calculation is made after giving effect to acquisitions and dispositions of assets during such period as if such transactions had occurred on the first day of such period. In calculating "Operating Cash Flow," losses from local telephone businesses shall be offset by amounts not exceeding \$20,000,000 contributed to the Company or any of its Subsidiaries from the net proceeds of any offering of the Series B Preferred Stock issued by the Company. The amount attributable to such net proceeds which is available for such offset shall be reduced by the amount of net proceeds actually used for such offset as of any point in time.

"Payment Date" shall have the meaning ascribed

thereto in Section 4(d) and Section 4(e) hereof.

"Proposed Amendments" shall mean the proposed amendments to Restated Articles of Incorporation of the Company which shall be submitted by the Board to the shareholders of the Company and voted upon by the shareholders at their next annual meeting of shareholders as required by the Purchase Agreement. The Proposed Amendments provide that so long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of a majority of the then-outstanding shares of Series B Preferred Stock (i) liquidate or dissolve the Company or (ii) permit the Company to be merged with or into, or consolidated with, any other entity or sell all or

Statement of Stock Designation

Page 7

substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

"Purchase Agreement" shall mean the Series B Preferred Stock Purchase Agreement by and between the Company, Toronto Dominion Investments, Inc. and the other purchasers listed therein, dated as of April 30, 1999.

"Redemption Price" shall have the meaning ascribed thereto in Section 4(f) hereof.

"Series B Preferred Stock" shall mean the Series B Convertible Redeemable Accreting Preferred Stock of the Company.

"Subsidiary" of a person shall mean (i) any corporation of which fifty one (51%) percent or more of the Voting Stock, or any partnership of which 51% or more of outstanding partnership interests, is at any time owned by the person, or by one or more Subsidiaries of such person, or by such person and one or more Subsidiaries of such person, and (ii) any other entity which is controlled or capable of being controlled by such person or by one or more Subsidiaries of such person or by such person and one or more Subsidiaries of such person.

"Total Debt" shall mean the outstanding principal amount of all Funded Debt.

"Total Leverage Ratio" shall mean, without duplication, as of any date of determination, the ratio of (i) Total Debt of the Company (on an unconsolidated basis), its subsidiary, GCI, Inc., its subsidiary GCI Holdings, Inc. and the Restricted Subsidiaries of GCI Holdings, Inc. (as defined in the Credit Agreement) on such date of determination, to (ii) Annualized Operating Cash Flow of such entities, all calculated on a consolidated basis (except as noted above) in accordance with GAAP consistently applied.

"Trading Day" shall mean, any date that a nationally recognized exchange or the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System is open and accepting bids for the sale of securities listed thereon.

"Triggering Event" shall mean (i) the acceleration of any obligation outstanding under Funded Debt of the Company or any of its Subsidiaries having an outstanding balance in excess of \$5,000,000, (ii) a Change of Control, (iii) a Bankruptcy Event, (iv) the breach of Section 7 hereof, (v) the liquidation or dissolution of the Company, or (vi) the merger of the Company with or into, or the consolidation of the Company with any other entity or the sale by the Company of all or substantially all of the assets of the Company, where the terms of

Statement of Stock Designation

Page 8

such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock; provided however, that clauses (v) and (vi) above shall cease to be Triggering Events upon the approval by the shareholders of the Company of the Proposed Amendments to the Restated Articles of Incorporation and the effective filing of the Proposed Amendments with the Alaska Department of Commerce and Economic Development. If the shareholders of the Company fail to approve the Proposed Amendments or if such amendments are not filed with the Alaska Department of Commerce and Economic Development by August 31, 1999, then clauses (v) and (vi) shall remain Triggering Events for so long as any shares of Series B Preferred Stock remain outstanding.

"Voting Stock" shall mean any shares having general voting power in electing the board of directors of any person (irrespective of whether or not at the time stock of any other class or classes has or might have voting power by reason or the happening of any contingency).

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of the Employee Retirement Income Security Act of 1974, as amended.

## Section 2. Dividends.

(a) Right to Dividends. Dividends on each share of Series B Preferred Stock shall accumulate and accrue from the Issue Date and shall accrue from day to day thereafter, compounding semi-annually (to the extent unpaid), whether or not earned or declared at a rate, through the fourth anniversary of the Initial Issue Date, of 8.5% per annum and, after the fourth anniversary of the Initial Issue Date, of 17% per annum on the stated amount of \$1,000 per share until paid, subject to Section 4(j) hereof. Dividends accruing pursuant to this Section 2(a) shall be payable semi-annually in arrears upon declaration by the Board and (i) during the first four years following the Initial Issue Date shall be payable, at the option of the Company, either by the delivery of additional shares of Series B Preferred Stock with a liquidation value equal to the amount of the dividend or by the delivery of cash and (ii) after the fourth anniversary of the Initial Issue Date shall be paid only in cash. If, during the first four years following the Initial Issue Date, the Company does not make any dividend payment in full in cash to the holders of the then-outstanding shares of Series B Preferred Stock upon a semi-annual dividend payment date, the Company shall be deemed to have declared and delivered such dividend in additional shares of Series B Preferred Stock, as set forth above. Dividends shall be cumulative so that, if all accrued dividends shall not have been paid, such accrued and unpaid dividends shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for any Junior Stock.

(b) Priority. Until such time as all current and accrued dividends on the Series B Preferred Stock for all periods from and after the Initial Issue Date shall have been

## Statement of Stock Designation

Page 9

paid (i) no dividend whatsoever (other than a dividend payable solely in Common Stock) shall be paid or declared, and no Distribution shall be made, on any Junior Stock, and (ii) no shares of Junior Stock shall be purchased, redeemed or acquired by the Company, and no monies shall be paid into or set aside or made available for a sinking fund for the purchase, redemption or acquisition thereof other than shares of Junior Stock purchased, redeemed or acquired by the Company to fund the Company's deferred compensation arrangements. So long as any shares of Series B Preferred Stock are outstanding, the Company shall not issue, or obligate itself to issue, any other Equity Security senior to the Series B Preferred Stock as to dividend or redemption rights or liquidation preferences or, unless the consent of the holders of 80% of the outstanding shares of Series B Preferred Stock is obtained, any other Equity Security on a parity with Series B Preferred Stock as to dividend or redemption rights or liquidation preferences.

## Section 3. Liquidation Rights of Series B Preferred Stock.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the then-outstanding shares of Series B Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of the Junior Stock, an amount (the "Liquidation Preference") equal to \$1,000 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the date full payment shall be tendered to the holders of the then-outstanding shares of Series B Preferred Stock with respect to such liquidation, dissolution or winding up, and no more. If upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the then-outstanding shares of Series B Preferred Stock shall be insufficient to permit the payment to such shareholders of the full preferential amounts to which they are entitled, then all of the assets of the Company shall be distributed ratably to the holders of the then-outstanding shares of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock held by each such shareholder as compared to the aggregate number of then-outstanding shares of Series B Preferred Stock. The (i) merger or consolidation of the Company with or into any other entity or entities where the Company is not the surviving entity (other than a merger solely for the purpose of changing the Company's state of incorporation) or in which in excess of 50% of the Company's voting power is transferred, or (ii) the sale or transfer by the Company of all or substantially all of its assets, shall be deemed to be a liquidation, dissolution and winding up of the Company within the meaning of this Section 3.

(b) Remaining Assets. After the payment or distribution to the holders of the then-outstanding shares of Series B Preferred Stock of the full preferential amounts to which they are entitled, the holders

of the then-outstanding shares of Junior Stock shall be entitled to receive ratably all remaining assets of the Company.

Statement of Stock Designation

Page 10

Section 4. Redemption.

(a) Restriction on Redemption and Purchase. Except as expressly provided in this Section 4, the Company shall not have the right to purchase, call, redeem or otherwise acquire for value any or all of the Series B Preferred Stock.

(b) Optional Redemption. At any time after the fourth anniversary of the Initial Issue Date, the Company may, at its option, upon provision of written notice at least sixty (60) days prior to the date set for redemption, redeem the Series B Preferred Stock, in whole or in part, at the Redemption Price hereinafter specified; provided, that the Company shall redeem shares of Series B Preferred Stock having an aggregate Liquidation Preference of at least Two Million Five Hundred Thousand Dollars (\$2,500,000) upon each Payment Date; and provided further, any partial redemption shall be effected ratably among the holders of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock then held by each holder.

(c) Mandatory Redemption. The Company shall redeem all outstanding shares of Series B Preferred Stock at the Redemption Price hereinafter specified upon (i) the twelfth anniversary of the Initial Issue Date or (ii) the occurrence of a Triggering Event (in either case, "Mandatory Redemption Date").

(d) Optional Redemption Notice. The Company shall, not less than sixty (60) days prior to the Payment Date for an optional redemption pursuant to Section 4(b), give written notice to each holder of record of shares of Series B Preferred Stock that the Company has determined to exercise its optional redemption rights hereunder. This notice shall state the number of then-outstanding shares of Series B Preferred Stock to be redeemed, the Redemption Price, including the amount of dividends included in such price and the calculation thereof, the Payment Date and the time, place and manner in which the holder is to surrender to the Company the certificate or certificates representing the shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(d), shall mean the date set by the Company with respect to an optional redemption designated by the Company for payment of the Redemption Price.

(e) Mandatory Redemption Notice. The Company shall provide prompt, but in no event later than two (2) Business Days after the Mandatory Redemption Date, notice to the holders of the Series B Preferred Stock of the Mandatory Redemption Date. Such notice shall state the Redemption Price, including the amount of dividends included in such price and the calculation thereof, and the Payment Date, place and manner in which the holders are to surrender to the Company the certificates representing shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(e), shall mean the date on or prior to the fifth Business Day after the Mandatory Redemption Date designated by the Company for payment of the Redemption Price.

Statement of Stock Designation

Page 11

(f) Redemption Price. In all events, the Redemption Price of the Series B Preferred Stock (the "Redemption Price") shall be an amount per share equal to \$1,000 plus the amount of all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the Payment Date.

(g) Payment of Redemption Price and Surrender of Stock. On the Payment Date, the Redemption Price of the Series B Preferred Stock shall be paid to the holders of the Series B Preferred Stock. On or before the Payment Date, each holder of shares of Series B Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares to the Company, duly endorsed, together with such other instruments as the Company may reasonably require to insure that such shares of Series B Preferred Stock are duly and validly transferred to the Company, free of all Liens, and on the Payment Date the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. Upon an optional redemption of less than all of the then-outstanding shares of Series B Preferred Stock, upon the surrender to the Company of a certificate or certificates representing shares of Series B Preferred Stock to be redeemed and payment by the Company of the Redemption Price, the Company shall issue to the holder thereof a certificate representing any shares of Series B Preferred Stock not redeemed but represented by the certificate or certificates surrendered.

(h) Insufficient Funds. If the funds of the Company legally available for redemption of Series B Preferred Stock on the Payment Date with respect to a Mandatory Redemption Date are insufficient to redeem all of the Series B Preferred Stock that are subject to redemption pursuant to Section 4(c) on such date, those funds that are so available will be used to redeem the maximum possible number of such shares of the Series B Preferred Stock ratably among the holders thereof on the basis of the number of shares of Series B Preferred Stock held by each such shareholder. At the earliest time thereafter as additional funds of the Company are legally available for redemption of Series B Preferred Stock in the manner provided above, such funds will be immediately used to redeem the balance of such Series B Preferred Stock subject to redemption.

(i) Deposit of Funds. At least three (3) Business Days prior to a Payment Date, the Company shall deposit with any bank or trust company in the United States, having a capital and surplus of at least \$1 billion as a trust fund, a sum equal to the aggregate Redemption Price, with irrevocable instructions and authority to the bank or trust company to pay, on or after the Payment Date, the Redemption Price to the respective holders of then-outstanding shares of Series B Preferred Stock upon the surrender of their share certificates. The deposit shall constitute full payment of the shares to their holders; provided, that, until all shares of Series B Preferred Stock are redeemed and full payment made therefor, the holders thereof shall continue to be considered shareholders with respect to such shares and shall have all rights with respect thereto, including the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor.

Statement of Stock Designation  
Page 12

Any monies so deposited and unclaimed at the end of one year from the Payment Date shall be released or repaid to the Company, after which the holders of shares of Series B Preferred Stock called for redemption shall be entitled to receive payment of the Redemption Price only from the Company.

(j) Accrual of Dividends. Unless the Company defaults in making the payment of the Redemption Price in accordance with Section 4(i) hereof, dividends on Series B Preferred Stock subject to redemption will cease to accrue on and after the Payment Date.

(k) Waiver. At any time after receiving notice of Mandatory Redemption and prior to two Business Days before the Payment Date, the holders of Series B Preferred Stock may, by written consent of holders of at least 80% of the then outstanding Series B Preferred Stock, waive the redemption of the Series B Preferred Stock as to such mandatory redemption event in which case the Company shall not be obligated to redeem the shares of Series B Preferred Stock as to such redemption event. Upon receipt of any such waiver, the Company shall promptly provide written notice to all holders of Series B Preferred Stock.

Section 5. Voting Rights.

(a) Series B Preferred Stock. Each holder of shares of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Class A Common Stock and, except as otherwise expressly provided herein, shall be entitled to the number of votes equal to the largest number of full shares of Class A Common Stock into which such shares of Series B Preferred Stock could be converted, pursuant to the provisions of Section 8(b) hereof, at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken.

(b) Common Stock. Each holder of shares of Class A Common Stock shall be entitled to one vote for each share thereof held, and each holder of shares of Class B Common Stock shall be entitled to ten votes for each share thereof held, as provided in Article IV, Section (b) of the Restated Articles of Incorporation. Except as otherwise expressly provided herein or as required by law, the holders of Series B Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

Section 6. Restrictions and Limitations. So long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of 80% with respect to items (c), (e) or (g), or a majority with respect to items (a), (b), (d) or (f), of the then-outstanding shares of Series B Preferred Stock:

(a) Purchase, redeem or otherwise acquire for value (or pay into or set aside as a sinking fund for such purpose) any Junior Stock or any warrant, option or right to

Statement of Stock Designation  
Page 13

purchase any Junior Stock, other than purchases of shares of Junior Stock for

the purpose of funding deferred compensation arrangements;

(b) Declare or pay any dividends on or declare or make any other Distribution, direct or indirect (other than a dividend payable solely in shares of Class A Common Stock), on account of Junior Stock or set apart any sum for any such purpose;

(c) Amend its Articles of Incorporation in any manner that would significantly and adversely affect the rights or preferences of the Series B Preferred Stock;

(d) Take any action which would result in taxation of the holders of the Series B Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (the "Code") (or any comparable provision of the Code as hereafter from time to time amended);

(e) Issue any additional shares of Series B Preferred Stock after the Initial Issue Date, except pursuant to Section 2 hereof;

(f) Following the effective date of the Proposed Amendments, liquidate or dissolve the Company; or

(g) Following the effective date of the Proposed Amendments, permit the Company to be merged with or into, or consolidated with any other entity or sell all or substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

Section 7. Debt Incurrence Covenant. At all times that any shares of Series B Preferred Stock are outstanding, the Company shall not incur any Funded Debt if, as a result of such additional Funded Debt, the Company's Total Leverage Ratio would exceed 7.0:1.

Section 8. Conversion. The holders of Series B Preferred Stock shall have the following conversion rights:

(a) Right to Convert. Each share of Series B Preferred Stock shall be convertible, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Class A Common Stock. Such conversion right shall continue to apply to any share of Series B Preferred Stock called for redemption pursuant to Section 4 hereof until the close of business on the Business Day immediately preceding the applicable Payment Date.

(b) Conversion Price. Each share of Series B Preferred Stock shall initially be convertible into that number of shares of Class A Common Stock determined by dividing the then Liquidation Preference of such share of Series B Preferred Stock by the then

Statement of Stock Designation

Page 14

conversion price, as adjusted pursuant to this Section 8, which conversion price shall initially be equal to \$5.55 per share (the "Conversion Price").

(c) Mechanics of Conversion. Each holder of Series B Preferred Stock who desires to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series B Preferred Stock or Class A Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Series B Preferred Stock being converted. Thereupon the Company shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Series B Preferred Stock to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

(d) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the Initial Issue Date effects a subdivision of the outstanding Class A Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the Company at any time or from time to time after the Initial Issue Date combines the outstanding shares of Class A Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this subsection (d) shall become effective at the open of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Initial

Issue Date makes, or fixes a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in additional shares of Class A Common Stock, then and in each such event the Conversion Price then in effect shall be reset as of the time of such issuance or, in the event such record date is fixed, as of the open of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Class A Common Stock issuable in payment of such dividend or Distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such Distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter

Statement of Stock Designation

Page 15

the Conversion Price shall be adjusted pursuant to this subsection (e) as of the time of actual payment of such dividends or Distributions.

(f) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Initial Issue Date makes, or fixes, a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Series B Preferred Stock been converted into Class A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 8 with respect to the rights of the holders of the Series B Preferred Stock.

(g) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Initial Issue Date, the Class A Common Stock issuable upon the conversion of the Series B Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 8), then and in any such event each holder of Series B Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Class A Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(h) Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Initial Issue Date there is a capital reorganization of the Class A Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 8) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series B Preferred Stock shall thereafter be entitled to receive upon conversion of the Series B Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Class A Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 8 with respect to the rights of the holders of the Series B Preferred Stock after the reorganization,

Statement of Stock Designation

Page 16

merger, consolidation or sale to the end that the provisions of this Section 8 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series B Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

(i) Sale of Shares Below Conversion Price.

a) If at any time or from time to time after

the Initial Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (i) to have issued or sold, Additional Shares of Class A Common Stock (as hereinafter defined) (other than (A) as a dividend or other Distribution on any class of stock as provided in subsection (e) above, (B) upon a subdivision or combination of shares of Class A Common Stock as provided in subsection (d) above, or (C) shares to be issued to officers, directors, employees, agents or consultants of the Company pursuant to stock options or equity incentive plans approved by the Board of Directors of the Company and representing not more than 5% of the outstanding Class A Common Stock as of the Initial Issue Date (the "Exempt Issuances")) for an Effective Price (as hereinafter defined) less than the then existing Conversion Price, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, by multiplying such Conversion Price in effect immediately prior to such new issuance by a fraction (i) the numerator of which shall be (A) the number of shares of Class A Common Stock outstanding at the close of business on the day preceding the date of such issue or sale (assuming conversion of all outstanding shares of Series B Preferred Stock at the then Conversion Price) plus (B) the number of Shares of Class A Common Stock which the aggregate consideration received (or by the express provisions hereof deemed to have been received by the Company for the total number of Additional Shares of Class A Common Stock so issued) would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of shares of Class A Common Stock outstanding at the close of business on the date of such issuance or sale after giving effect to such issue of Additional Shares of Class A Common Stock (assuming conversion of all outstanding shares of Preferred Stock into shares of Class A Common Stock at the then Conversion Price).

b) For the purpose of making any adjustment required under this subsection (i), the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash be computed at the amount of cash received by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, (C) if Additional Shares of Class A Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Class A Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Class A

Statement of Stock Designation

Page 17

Common Stock, Convertible Securities or rights or options, and (D) be computed after reduction for all expenses payable by the Company in connection with such issue or sale.

c) For the purpose of the adjustment required under this subsection (i), if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Class A Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities") or rights or options for the purchase of Convertible Securities, and if the Effective Price of such Additional Shares of Class A Common Stock ultimately issuable pursuant thereto is less than the then Conversion Price, then in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Class A Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Class A Common Stock on the exercise of any such rights or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Class A Common Stock so issued were the Additional Shares of Class A Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Class A Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the



consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities. A similar readjustment will be made if the amount actually paid to the Company upon exercise of conversion of any Convertible Securities exceeds the minimum amount assumed pursuant to this Section 8(i).

d) "Additional Shares of Class A Common Stock" shall mean all shares of Class A Common Stock issued by the Company after the Series B Issuance Date,

Statement of Stock Designation

Page 18

whether or not subsequently reacquired or retired by the Company, other than (i) shares of Class A Common Stock issued upon conversion of the Series B Preferred Stock and (ii) the shares of Class A Common Stock issued as Exempt Issuances. The "Effective Price" of Additional Shares of Class A Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Class A Common Stock issued or sold, or deemed to have been issued or sold by the Company under this subsection (i), into the aggregate consideration received, or deemed to have been received, by the Company for such issue under this subsection (i), for such Additional Shares of Class A Common Stock.

(j) Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price, the Company, at its expense, shall cause independent public accountants of recognized standing selected by the Company (who may be the independent public accountants then auditing the books of the Company) to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series B Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Shares of Class A Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price at the time in effect, (3) the number of Additional Shares of Class A Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Series B Preferred Stock.

(k) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other Distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series B Preferred Stock at least ten (10) days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or Distribution and a description of such dividend or Distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Class A Common Stock (or other securities) shall be entitled to exchange their shares of Class A Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

Statement of Stock Designation

Page 19

(l) Mandatory Conversion. At any time following the third anniversary of the Initial Issue Date, the Company may require the immediate conversion of all outstanding shares of Series B Preferred Stock into shares of Class A Common Stock pursuant to the procedures set forth in this Section 8 by written notice to all holders of Series B Preferred Stock at the then effective Conversion Price; provided however, the Company may require conversion pursuant to this Section 8(l) only if the shares of Class A Common Stock are traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System and such shares then have a Closing Price equal to or greater than two times the then effective Conversion Price and have had such a Closing Price for a period of thirty consecutive Trading Days.

(m) Conversion Following Default in Payment of Redemption Price. Notwithstanding anything herein to the contrary, in the event that the Company fails to make full payment of the Redemption Price on any

Payment Date pursuant to Section 4 hereof, for any reason, including the prohibition of such payment pursuant to the Credit Agreement, the holders of shares of Series B Preferred Stock remaining outstanding shall have the right to convert such shares of Series B Preferred Stock, in whole or in part, pursuant to the procedures set forth in this Section 8, into shares of Class A Common Stock at a Conversion Price equal to ninety-five percent (95%) of the average Closing Price of the Company's Class A Common Stock for the ten (10) Trading Days immediately prior to the date of conversion. Any shares of Series B Preferred Stock not so converted shall remain outstanding and shall continue to represent an obligation of the Company to pay the Redemption Price with respect thereto. Notwithstanding anything herein to the contrary, the aggregate number of shares of Class A Common Stock issued upon conversion of shares of Series B Preferred Stock pursuant to this Section 8(m) shall, in any event, not exceed 19.9% of the total number of issued and outstanding shares of capital stock of the Company as of the Initial Issue Date.

Section 10. Exclusive Remedy. So long as any obligation is outstanding under the Credit Agreement, the sole remedy available to holders of Series B Preferred Stock for the Company's failure to make full payment in cash of the Redemption Price when required pursuant to Section 4 hereof, shall be the conversion of the Series B Preferred Stock into shares of Class A Common Stock pursuant to Section 8(m) hereof unless the lenders under the Credit Agreement consent to payment in cash.

Section 11. No Reissuance of Series B Preferred Stock. No share of Series B Preferred Stock acquired by the Company upon conversion, by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Company shall be authorized to issue.

RESOLVED FURTHER, that, because certain of the terms and conditions of the issuance of the Series B Preferred Stock relating to rights of holders of that stock to vote

Statement of Stock Designation

Page 20

as a class on certain specific activities of the Company, as further described in Sections 1-11 above, will not become effective until certain amendments to the Company's Restated Articles of Incorporation become effective, the Board of Directors shall seek approval of amendments to those articles from the shareholders of the Company at the annual shareholder meeting to be held on or about June 10, 1999 or such other date on which it is held, and such terms relating to those class votes will not become effective until that portion of those amendments are approved by those shareholders and the amendments are filed with the Alaska Department of Commerce and Economic Development;

RESOLVED FURTHER, that the president of the Company or any vice president designated by him and the secretary of the Company or any assistant secretary of the Company are hereby authorized and directed to take those steps necessary to cause the issuance and sale of the Series B Preferred Stock including to execute a statement to be filed in accordance with the requirements of AS 10.06.320 of the Alaska Statutes and to seek shareholder approval of those amendments to the Company's Restated Articles of Incorporation to allow all of the terms of ownership of the Series B Preferred Stock to become effective."

IN WITNESS WHEREOF, the Company has caused this Statement of Stock Designation to be duly executed on its behalf at Anchorage, Alaska as of this 21st day of April, 1999.

GENERAL COMMUNICATION, INC.

By: /s/  
G. Wilson Hughes  
Its: Executive Vice President

By: /s/  
John M. Lowber  
Its: Secretary

Statement of Stock Designation

Page 21

STATEMENT OF STOCK DESIGNATION

-----  
Setting forth a copy of a resolution creating and authorizing the issuance of a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock" adopted by the board of directors of General Communication, Inc.  
-----

Pursuant to AS 10.06.315 and 10.06.320 of the Alaska Statutes  
-----

We, the undersigned officers of General Communication, Inc., an Alaska corporation ("Company"), hereby state and otherwise certify that, on April 21, 1999, the board of directors of the Company, pursuant to authority vested in it by Article IV of the Company's Restated Articles of Incorporation and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, duly adopted the following resolution creating a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock":

RESOLUTION

"WHEREAS, General Communication, Inc. is authorized through its Restated Articles of Incorporation to issue up to 100 million shares of Class A Common Stock and up to 1 million shares of Preferred Stock, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions contained in the Restated Articles of Incorporation, to fix or alter the dividend rate, conversion rate, voting rights, redemption prices, and liquidation preferences of any wholly unissued series of Preferred Stock, the number of shares constituting any such series, the designation of such series, and other terms and conditions of the issuance of such stock;

Statement of Stock Designation  
Page 1

WHEREAS, the Company, through its Board of Directors, approved a statement of stock designation pursuant to Article IV of the Restated Articles of Incorporation and that statement was filed of record with the Alaska Department of Commerce and Economic Development on or about January 17, 1991 pursuant to authority set forth in AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, and the board subsequently authorized the issuance of Series A Preferred Stock under that designation which was subsequently issued and later retired, and the Company does not presently have outstanding any shares of its Preferred Stock and is not otherwise obligated to issue such shares in the future, and the Board of Directors desires to cancel and otherwise delete that 1991 statement of stock designation at this time and to fix the terms of a second series of that Preferred Stock and the number of shares constituting that series;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company, and in accordance with AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, the board hereby cancels and otherwise deletes the 1991 statement of stock designation for the Series A preferred stock and hereby declares that such statement is no longer a part of those articles;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, the board hereby approves and otherwise directs the issuance, from 1 million shares of Preferred Stock authorized under those articles, a series of Preferred Stock of the Company to consist of 35,000 shares designated as Series B Convertible Redeemable Accreting Preferred Stock ("Series B Preferred Stock") and hereby fixes the designation, rights, preferences, privileges, and restrictions of the shares of that series, in addition to the designation, rights, preferences, privileges and restrictions set forth in those articles which are directly applicable to the Preferred Stock as follows:

Preface. Series B Convertible Redeemable Accreting Preferred Stock. Of the 1,000,000 shares of Preferred Stock, authorized pursuant to Article IV of the Restated Articles of Incorporation of the Company, 35,000 shall be designated Series B Convertible Redeemable Accreting Preferred Stock, with the rights, preferences, privileges and restrictions set forth in this

paragraph.

Section 1. Definitions. For purposes of the following Sections, the following definitions shall apply:

Statement of Stock Designation

Page 2

"Additional Shares of Class A Common Stock" shall have the meaning ascribed to such term in Section 8(i)(d) hereof.

"Annualized Operating Cash Flow" shall mean, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters.

"Bankruptcy Event" shall mean the occurrence of any of the following: (i) a court or governmental agency having appropriate jurisdiction shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs; (ii) there shall be commenced against the Company an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; (iii) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Company shall be unable to, or shall admit in writing to its inability to, pay its debts generally as they become due.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean a day on which banks and foreign exchange markets are open for the transaction of business in New York, New York as relevant to the determination to be made or action to be taken.

"Capitalized Leases" shall mean capital leases and subleases, as defined in accordance with GAAP.

"Change of Control" shall mean the occurrence of one or more of the following events: (a) any change in the ownership of the Company resulting in MCI WorldCom, Inc. and any of its wholly owned Subsidiaries, owning Voting Stock with less than eighteen percent (18%) of the total combined voting power of the Company, (b) MCI WorldCom, Inc. shall at any time have less than two (2) representatives sitting on the Board for more than a sixty-day period, (c) Ronald A. Duncan resigns or is removed from his position as Chief Executive

Statement of Stock Designation

Page 3

Officer of the Company, other than as a result of death or disability, and is not replaced within sixty (60) days of such resignation or removal with a person acceptable to the holders of a majority of the outstanding Series B Preferred Stock or (d) Ronald A. Duncan or his heirs transfers, sells or in any way disposes of a material amount of the capital stock of the Company owned by him as of the date hereof. A Change of Control shall be deemed to occur as of the effective date of the first event, action or transaction leading to one of the results described above.

"Class A Common Stock" shall mean the Class A Common Stock of the Company.

"Class B Common Stock" shall mean the Class B Common Stock of the Company.

"Closing Date" shall mean April 30, 1999.

"Closing Price" if the Class A Common Stock is traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System, shall mean the closing price as reported for composite transactions on the applicable

date, or, if no sales occurred on an applicable date, then the average of the highest bid and lowest asked prices on such exchange or the National Market System at the end of the day on such date. If the Class A Common Stock is not traded on an exchange or the National Market System but is otherwise traded over-the-counter, Closing Price shall mean the average of the highest bid and lowest asked prices quoted in the National Association of Security Dealers, Inc. Automated Quotation System as of the close of business on the applicable date, or if not so quoted on such date, the average of the representative bid and asked prices on such date in the domestic over-the-counter market as reported by the National Quotation Bureau, Inc., or any similar successor organization.

"Common Stock" shall mean, collectively, the Class A Common Stock and Class B Common Stock of the Company.

"Company" shall mean this corporation.

"Contingent Liability" shall mean, as to any person, any obligation contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other person in any manner, whether directly or indirectly, including without limitation any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt, (b) to purchase property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor

Statement of Stock Designation

Page 4

to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Conversion Price" shall have the meaning ascribed to such term in Section 8(b) hereof.

"Convertible Securities" shall have the meaning ascribed to such term in Section 8(i)(c) hereof.

"Credit Agreement" shall mean that certain \$200,000,000 Amended and Restated Credit Agreement dated November 14, 1997 between GCI Holdings, Inc. as borrower and NationsBank of Texas, N.A., Credit Lyonnais New York Branch and TD Securities (USA), Inc., as it may be amended or supplemented from time to time.

"Debt" shall mean, all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capitalized Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" shall mean, without duplication, (a) all obligations of a person for borrowed money, (b) all obligations of a person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of a person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, and (d) all obligations of a person secured by a Lien on any assets or property of any person.

"Distribution" shall mean the declaration or payment of any dividend (whether in cash or otherwise) on or in respect of any shares of any class of capital stock of any person, other than dividends payable solely in shares of common stock of such person; the purchase, redemption, or other retirement of any shares of any class of capital stock of any person, directly or indirectly through a subsidiary or otherwise; the return of capital by any person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of any person.

"Effective Price" shall have the meaning ascribed in Section 8(i)(d) hereof.

"Equity Security" shall mean any capital stock of the Company or any security (whether stock or Debt for Borrowed Money) convertible or exchangeable, with or without consideration, into or for any capital stock, or any security (whether capital stock or Debt

Statement of Stock Designation

Page 5

for Borrowed Money) carrying any warrant or right to subscribe to or purchase

any stock or similar security, or any such warrant or right.

"Exempt Issuances" shall have the meaning ascribed to such term in Section 8(i) (a) hereof.

"Funded Debt" shall mean, without duplication, with respect to any person, all Debt of such person, determined on a consolidated basis and measured in accordance with GAAP that is either: (a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one (1) year after the date of creation thereof, notwithstanding the fact that the payments are required to be made less than one (1) year after such date, (c) Capitalized Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit (without duplication), (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with interest hedge agreements, (h) payments due under any non-compete agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than ninety (90) days old and any thereof that are being contested in good faith).

"GAAP" shall mean, as in effect from time to time, generally accepted accounting principles used in the United States, consistently applied.

"Initial Issue Date" shall mean the first date upon which shares of Series B Preferred Stock are issued.

"Issue Date" shall mean the date of the original issuance of a share of the Series B Preferred Stock.

"Junior Stock" shall mean the Common Stock and all other shares of capital stock of the Company, whether presently outstanding or hereafter issued, other than Series B Preferred Stock.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including, any conditional sale or other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Liquidation Preference" shall have the meaning set forth in Section 3(a) hereof.

Statement of Stock Designation

Page 6

"Mandatory Redemption Date" shall have the meaning ascribed thereto in Section 4(c) hereof.

"Net Total Interest Expense" shall have the definition ascribed thereto in the Credit Agreement.

"Operating Cash Flow" shall mean, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense, (e) deferred income taxes, plus (f) for the fiscal quarter in which the Company or any of its Subsidiaries purchases the transponders pursuant to that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among GCI Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, and that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Satellite Services, Inc. (the "Galaxy X Transponders"), now held by PanAmSat Corp, as assignee, the annualized amount of economic savings of the Company or any of its Subsidiaries resulting from the direct purchase by the Company or any of its Subsidiaries of such Galaxy X Transponders instead of leasing such Galaxy X Transponders from GCI Satellite Co., Inc., an indirect wholly owned subsidiary of the Company, and leasing transponders from other providers; provided, the calculation is made after giving effect to acquisitions and dispositions of assets during such period as if such transactions had occurred on the first day of such period. In calculating "Operating Cash Flow," losses from local telephone businesses shall be offset by amounts not exceeding \$20,000,000 contributed to the Company or any of its Subsidiaries from the net proceeds of any offering of the Series B Preferred Stock issued by the Company. The amount attributable to such net proceeds which is available for such offset shall be reduced by the amount of net proceeds actually used for such offset as of any point in time.

"Payment Date" shall have the meaning ascribed

thereto in Section 4(d) and Section 4(e) hereof.

"Proposed Amendments" shall mean the proposed amendments to Restated Articles of Incorporation of the Company which shall be submitted by the Board to the shareholders of the Company and voted upon by the shareholders at their next annual meeting of shareholders as required by the Purchase Agreement. The Proposed Amendments provide that so long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of a majority of the then-outstanding shares of Series B Preferred Stock (i) liquidate or dissolve the Company or (ii) permit the Company to be merged with or into, or consolidated with, any other entity or sell all or

Statement of Stock Designation

Page 7

substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

"Purchase Agreement" shall mean the Series B Preferred Stock Purchase Agreement by and between the Company, Toronto Dominion Investments, Inc. and the other purchasers listed therein, dated as of April 30, 1999.

"Redemption Price" shall have the meaning ascribed thereto in Section 4(f) hereof.

"Series B Preferred Stock" shall mean the Series B Convertible Redeemable Accreting Preferred Stock of the Company.

"Subsidiary" of a person shall mean (i) any corporation of which fifty one (51%) percent or more of the Voting Stock, or any partnership of which 51% or more of outstanding partnership interests, is at any time owned by the person, or by one or more Subsidiaries of such person, or by such person and one or more Subsidiaries of such person, and (ii) any other entity which is controlled or capable of being controlled by such person or by one or more Subsidiaries of such person or by such person and one or more Subsidiaries of such person.

"Total Debt" shall mean the outstanding principal amount of all Funded Debt.

"Total Leverage Ratio" shall mean, without duplication, as of any date of determination, the ratio of (i) Total Debt of the Company (on an unconsolidated basis), its subsidiary, GCI, Inc., its subsidiary GCI Holdings, Inc. and the Restricted Subsidiaries of GCI Holdings, Inc. (as defined in the Credit Agreement) on such date of determination, to (ii) Annualized Operating Cash Flow of such entities, all calculated on a consolidated basis (except as noted above) in accordance with GAAP consistently applied.

"Trading Day" shall mean, any date that a nationally recognized exchange or the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System is open and accepting bids for the sale of securities listed thereon.

"Triggering Event" shall mean (i) the acceleration of any obligation outstanding under Funded Debt of the Company or any of its Subsidiaries having an outstanding balance in excess of \$5,000,000, (ii) a Change of Control, (iii) a Bankruptcy Event, (iv) the breach of Section 7 hereof, (v) the liquidation or dissolution of the Company, or (vi) the merger of the Company with or into, or the consolidation of the Company with any other entity or the sale by the Company of all or substantially all of the assets of the Company, where the terms of

Statement of Stock Designation

Page 8

such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock; provided however, that clauses (v) and (vi) above shall cease to be Triggering Events upon the approval by the shareholders of the Company of the Proposed Amendments to the Restated Articles of Incorporation and the effective filing of the Proposed Amendments with the Alaska Department of Commerce and Economic Development. If the shareholders of the Company fail to approve the Proposed Amendments or if such amendments are not filed with the Alaska Department of Commerce and Economic Development by August 31, 1999, then clauses (v) and (vi) shall remain Triggering Events for so long as any shares of Series B Preferred Stock remain outstanding.

"Voting Stock" shall mean any shares having general voting power in electing the board of directors of any person (irrespective of whether or not at the time stock of any other class or classes has or might have voting power by reason or the happening of any contingency).

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of the Employee Retirement Income Security Act of 1974, as amended.

## Section 2. Dividends.

(a) Right to Dividends. Dividends on each share of Series B Preferred Stock shall accumulate and accrue from the Issue Date and shall accrue from day to day thereafter, compounding semi-annually (to the extent unpaid), whether or not earned or declared at a rate, through the fourth anniversary of the Initial Issue Date, of 8.5% per annum and, after the fourth anniversary of the Initial Issue Date, of 17% per annum on the stated amount of \$1,000 per share until paid, subject to Section 4(j) hereof. Dividends accruing pursuant to this Section 2(a) shall be payable semi-annually in arrears upon declaration by the Board and (i) during the first four years following the Initial Issue Date shall be payable, at the option of the Company, either by the delivery of additional shares of Series B Preferred Stock with a liquidation value equal to the amount of the dividend or by the delivery of cash and (ii) after the fourth anniversary of the Initial Issue Date shall be paid only in cash. If, during the first four years following the Initial Issue Date, the Company does not make any dividend payment in full in cash to the holders of the then-outstanding shares of Series B Preferred Stock upon a semi-annual dividend payment date, the Company shall be deemed to have declared and delivered such dividend in additional shares of Series B Preferred Stock, as set forth above. Dividends shall be cumulative so that, if all accrued dividends shall not have been paid, such accrued and unpaid dividends shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for any Junior Stock.

(b) Priority. Until such time as all current and accrued dividends on the Series B Preferred Stock for all periods from and after the Initial Issue Date shall have been

## Statement of Stock Designation

Page 9

paid (i) no dividend whatsoever (other than a dividend payable solely in Common Stock) shall be paid or declared, and no Distribution shall be made, on any Junior Stock, and (ii) no shares of Junior Stock shall be purchased, redeemed or acquired by the Company, and no monies shall be paid into or set aside or made available for a sinking fund for the purchase, redemption or acquisition thereof other than shares of Junior Stock purchased, redeemed or acquired by the Company to fund the Company's deferred compensation arrangements. So long as any shares of Series B Preferred Stock are outstanding, the Company shall not issue, or obligate itself to issue, any other Equity Security senior to the Series B Preferred Stock as to dividend or redemption rights or liquidation preferences or, unless the consent of the holders of 80% of the outstanding shares of Series B Preferred Stock is obtained, any other Equity Security on a parity with Series B Preferred Stock as to dividend or redemption rights or liquidation preferences.

## Section 3. Liquidation Rights of Series B Preferred Stock.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the then-outstanding shares of Series B Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of the Junior Stock, an amount (the "Liquidation Preference") equal to \$1,000 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the date full payment shall be tendered to the holders of the then-outstanding shares of Series B Preferred Stock with respect to such liquidation, dissolution or winding up, and no more. If upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the then-outstanding shares of Series B Preferred Stock shall be insufficient to permit the payment to such shareholders of the full preferential amounts to which they are entitled, then all of the assets of the Company shall be distributed ratably to the holders of the then-outstanding shares of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock held by each such shareholder as compared to the aggregate number of then-outstanding shares of Series B Preferred Stock. The (i) merger or consolidation of the Company with or into any other entity or entities where the Company is not the surviving entity (other than a merger solely for the purpose of changing the Company's state of incorporation) or in which in excess of 50% of the Company's voting power is transferred, or (ii) the sale or transfer by the Company of all or substantially all of its assets, shall be deemed to be a liquidation, dissolution and winding up of the Company within the meaning of this Section 3.

(b) Remaining Assets. After the payment or distribution to the holders of the then-outstanding shares of Series B Preferred Stock of the full preferential amounts to which they are entitled, the holders



of the then-outstanding shares of Junior Stock shall be entitled to receive ratably all remaining assets of the Company.

Statement of Stock Designation

Page 10

Section 4. Redemption.

(a) Restriction on Redemption and Purchase. Except as expressly provided in this Section 4, the Company shall not have the right to purchase, call, redeem or otherwise acquire for value any or all of the Series B Preferred Stock.

(b) Optional Redemption. At any time after the fourth anniversary of the Initial Issue Date, the Company may, at its option, upon provision of written notice at least sixty (60) days prior to the date set for redemption, redeem the Series B Preferred Stock, in whole or in part, at the Redemption Price hereinafter specified; provided, that the Company shall redeem shares of Series B Preferred Stock having an aggregate Liquidation Preference of at least Two Million Five Hundred Thousand Dollars (\$2,500,000) upon each Payment Date; and provided further, any partial redemption shall be effected ratably among the holders of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock then held by each holder.

(c) Mandatory Redemption. The Company shall redeem all outstanding shares of Series B Preferred Stock at the Redemption Price hereinafter specified upon (i) the twelfth anniversary of the Initial Issue Date or (ii) the occurrence of a Triggering Event (in either case, "Mandatory Redemption Date").

(d) Optional Redemption Notice. The Company shall, not less than sixty (60) days prior to the Payment Date for an optional redemption pursuant to Section 4(b), give written notice to each holder of record of shares of Series B Preferred Stock that the Company has determined to exercise its optional redemption rights hereunder. This notice shall state the number of then-outstanding shares of Series B Preferred Stock to be redeemed, the Redemption Price, including the amount of dividends included in such price and the calculation thereof, the Payment Date and the time, place and manner in which the holder is to surrender to the Company the certificate or certificates representing the shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(d), shall mean the date set by the Company with respect to an optional redemption designated by the Company for payment of the Redemption Price.

(e) Mandatory Redemption Notice. The Company shall provide prompt, but in no event later than two (2) Business Days after the Mandatory Redemption Date, notice to the holders of the Series B Preferred Stock of the Mandatory Redemption Date. Such notice shall state the Redemption Price, including the amount of dividends included in such price and the calculation thereof, and the Payment Date, place and manner in which the holders are to surrender to the Company the certificates representing shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(e), shall mean the date on or prior to the fifth Business Day after the Mandatory Redemption Date designated by the Company for payment of the Redemption Price.

Statement of Stock Designation

Page 11

(f) Redemption Price. In all events, the Redemption Price of the Series B Preferred Stock (the "Redemption Price") shall be an amount per share equal to \$1,000 plus the amount of all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the Payment Date.

(g) Payment of Redemption Price and Surrender of Stock. On the Payment Date, the Redemption Price of the Series B Preferred Stock shall be paid to the holders of the Series B Preferred Stock. On or before the Payment Date, each holder of shares of Series B Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares to the Company, duly endorsed, together with such other instruments as the Company may reasonably require to insure that such shares of Series B Preferred Stock are duly and validly transferred to the Company, free of all Liens, and on the Payment Date the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. Upon an optional redemption of less than all of the then-outstanding shares of Series B Preferred Stock, upon the surrender to the Company of a certificate or certificates representing shares of Series B Preferred Stock to be redeemed and payment by the Company of the Redemption Price, the Company shall issue to the holder thereof a certificate representing any shares of Series B Preferred Stock not redeemed but represented by the certificate or certificates surrendered.

(h) Insufficient Funds. If the funds of the Company legally available for redemption of Series B Preferred Stock on the Payment Date with respect to a Mandatory Redemption Date are insufficient to redeem all of the Series B Preferred Stock that are subject to redemption pursuant to Section 4(c) on such date, those funds that are so available will be used to redeem the maximum possible number of such shares of the Series B Preferred Stock ratably among the holders thereof on the basis of the number of shares of Series B Preferred Stock held by each such shareholder. At the earliest time thereafter as additional funds of the Company are legally available for redemption of Series B Preferred Stock in the manner provided above, such funds will be immediately used to redeem the balance of such Series B Preferred Stock subject to redemption.

(i) Deposit of Funds. At least three (3) Business Days prior to a Payment Date, the Company shall deposit with any bank or trust company in the United States, having a capital and surplus of at least \$1 billion as a trust fund, a sum equal to the aggregate Redemption Price, with irrevocable instructions and authority to the bank or trust company to pay, on or after the Payment Date, the Redemption Price to the respective holders of then-outstanding shares of Series B Preferred Stock upon the surrender of their share certificates. The deposit shall constitute full payment of the shares to their holders; provided, that, until all shares of Series B Preferred Stock are redeemed and full payment made therefor, the holders thereof shall continue to be considered shareholders with respect to such shares and shall have all rights with respect thereto, including the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor.

Statement of Stock Designation  
Page 12

Any monies so deposited and unclaimed at the end of one year from the Payment Date shall be released or repaid to the Company, after which the holders of shares of Series B Preferred Stock called for redemption shall be entitled to receive payment of the Redemption Price only from the Company.

(j) Accrual of Dividends. Unless the Company defaults in making the payment of the Redemption Price in accordance with Section 4(i) hereof, dividends on Series B Preferred Stock subject to redemption will cease to accrue on and after the Payment Date.

(k) Waiver. At any time after receiving notice of Mandatory Redemption and prior to two Business Days before the Payment Date, the holders of Series B Preferred Stock may, by written consent of holders of at least 80% of the then outstanding Series B Preferred Stock, waive the redemption of the Series B Preferred Stock as to such mandatory redemption event in which case the Company shall not be obligated to redeem the shares of Series B Preferred Stock as to such redemption event. Upon receipt of any such waiver, the Company shall promptly provide written notice to all holders of Series B Preferred Stock.

Section 5. Voting Rights.

(a) Series B Preferred Stock. Each holder of shares of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Class A Common Stock and, except as otherwise expressly provided herein, shall be entitled to the number of votes equal to the largest number of full shares of Class A Common Stock into which such shares of Series B Preferred Stock could be converted, pursuant to the provisions of Section 8(b) hereof, at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken.

(b) Common Stock. Each holder of shares of Class A Common Stock shall be entitled to one vote for each share thereof held, and each holder of shares of Class B Common Stock shall be entitled to ten votes for each share thereof held, as provided in Article IV, Section (b) of the Restated Articles of Incorporation. Except as otherwise expressly provided herein or as required by law, the holders of Series B Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

Section 6. Restrictions and Limitations. So long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of 80% with respect to items (c), (e) or (g), or a majority with respect to items (a), (b), (d) or (f), of the then-outstanding shares of Series B Preferred Stock:

(a) Purchase, redeem or otherwise acquire for value (or pay into or set aside as a sinking fund for such purpose) any Junior Stock or any warrant, option or right to

Statement of Stock Designation  
Page 13

purchase any Junior Stock, other than purchases of shares of Junior Stock for

the purpose of funding deferred compensation arrangements;

(b) Declare or pay any dividends on or declare or make any other Distribution, direct or indirect (other than a dividend payable solely in shares of Class A Common Stock), on account of Junior Stock or set apart any sum for any such purpose;

(c) Amend its Articles of Incorporation in any manner that would significantly and adversely affect the rights or preferences of the Series B Preferred Stock;

(d) Take any action which would result in taxation of the holders of the Series B Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (the "Code") (or any comparable provision of the Code as hereafter from time to time amended);

(e) Issue any additional shares of Series B Preferred Stock after the Initial Issue Date, except pursuant to Section 2 hereof;

(f) Following the effective date of the Proposed Amendments, liquidate or dissolve the Company; or

(g) Following the effective date of the Proposed Amendments, permit the Company to be merged with or into, or consolidated with any other entity or sell all or substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

Section 7. Debt Incurrence Covenant. At all times that any shares of Series B Preferred Stock are outstanding, the Company shall not incur any Funded Debt if, as a result of such additional Funded Debt, the Company's Total Leverage Ratio would exceed 7.0:1.

Section 8. Conversion. The holders of Series B Preferred Stock shall have the following conversion rights:

(a) Right to Convert. Each share of Series B Preferred Stock shall be convertible, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Class A Common Stock. Such conversion right shall continue to apply to any share of Series B Preferred Stock called for redemption pursuant to Section 4 hereof until the close of business on the Business Day immediately preceding the applicable Payment Date.

(b) Conversion Price. Each share of Series B Preferred Stock shall initially be convertible into that number of shares of Class A Common Stock determined by dividing the then Liquidation Preference of such share of Series B Preferred Stock by the then

Statement of Stock Designation

Page 14

conversion price, as adjusted pursuant to this Section 8, which conversion price shall initially be equal to \$5.55 per share (the "Conversion Price").

(c) Mechanics of Conversion. Each holder of Series B Preferred Stock who desires to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series B Preferred Stock or Class A Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Series B Preferred Stock being converted. Thereupon the Company shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Series B Preferred Stock to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

(d) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the Initial Issue Date effects a subdivision of the outstanding Class A Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the Company at any time or from time to time after the Initial Issue Date combines the outstanding shares of Class A Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this subsection (d) shall become effective at the open of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Initial

Issue Date makes, or fixes a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in additional shares of Class A Common Stock, then and in each such event the Conversion Price then in effect shall be reset as of the time of such issuance or, in the event such record date is fixed, as of the open of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Class A Common Stock issuable in payment of such dividend or Distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such Distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter

Statement of Stock Designation

Page 15

the Conversion Price shall be adjusted pursuant to this subsection (e) as of the time of actual payment of such dividends or Distributions.

(f) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Initial Issue Date makes, or fixes, a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Series B Preferred Stock been converted into Class A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 8 with respect to the rights of the holders of the Series B Preferred Stock.

(g) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Initial Issue Date, the Class A Common Stock issuable upon the conversion of the Series B Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 8), then and in any such event each holder of Series B Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Class A Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(h) Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Initial Issue Date there is a capital reorganization of the Class A Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 8) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series B Preferred Stock shall thereafter be entitled to receive upon conversion of the Series B Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Class A Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 8 with respect to the rights of the holders of the Series B Preferred Stock after the reorganization,

Statement of Stock Designation

Page 16

merger, consolidation or sale to the end that the provisions of this Section 8 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series B Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

(i) Sale of Shares Below Conversion Price.

a) If at any time or from time to time after

the Initial Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (i) to have issued or sold, Additional Shares of Class A Common Stock (as hereinafter defined) (other than (A) as a dividend or other Distribution on any class of stock as provided in subsection (e) above, (B) upon a subdivision or combination of shares of Class A Common Stock as provided in subsection (d) above, or (C) shares to be issued to officers, directors, employees, agents or consultants of the Company pursuant to stock options or equity incentive plans approved by the Board of Directors of the Company and representing not more than 5% of the outstanding Class A Common Stock as of the Initial Issue Date (the "Exempt Issuances")) for an Effective Price (as hereinafter defined) less than the then existing Conversion Price, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, by multiplying such Conversion Price in effect immediately prior to such new issuance by a fraction (i) the numerator of which shall be (A) the number of shares of Class A Common Stock outstanding at the close of business on the day preceding the date of such issue or sale (assuming conversion of all outstanding shares of Series B Preferred Stock at the then Conversion Price) plus (B) the number of Shares of Class A Common Stock which the aggregate consideration received (or by the express provisions hereof deemed to have been received by the Company for the total number of Additional Shares of Class A Common Stock so issued) would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of shares of Class A Common Stock outstanding at the close of business on the date of such issuance or sale after giving effect to such issue of Additional Shares of Class A Common Stock (assuming conversion of all outstanding shares of Preferred Stock into shares of Class A Common Stock at the then Conversion Price).

b) For the purpose of making any adjustment required under this subsection (i), the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash be computed at the amount of cash received by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, (C) if Additional Shares of Class A Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Class A Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Class A

Statement of Stock Designation

Page 17

Common Stock, Convertible Securities or rights or options, and (D) be computed after reduction for all expenses payable by the Company in connection with such issue or sale.

c) For the purpose of the adjustment required under this subsection (i), if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Class A Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities") or rights or options for the purchase of Convertible Securities, and if the Effective Price of such Additional Shares of Class A Common Stock ultimately issuable pursuant thereto is less than the then Conversion Price, then in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Class A Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Class A Common Stock on the exercise of any such rights or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Class A Common Stock so issued were the Additional Shares of Class A Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Class A Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the

consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities. A similar readjustment will be made if the amount actually paid to the Company upon exercise of conversion of any Convertible Securities exceeds the minimum amount assumed pursuant to this Section 8(i).

d) "Additional Shares of Class A Common Stock" shall mean all shares of Class A Common Stock issued by the Company after the Series B Issuance Date,

Statement of Stock Designation

Page 18

whether or not subsequently reacquired or retired by the Company, other than (i) shares of Class A Common Stock issued upon conversion of the Series B Preferred Stock and (ii) the shares of Class A Common Stock issued as Exempt Issuances. The "Effective Price" of Additional Shares of Class A Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Class A Common Stock issued or sold, or deemed to have been issued or sold by the Company under this subsection (i), into the aggregate consideration received, or deemed to have been received, by the Company for such issue under this subsection (i), for such Additional Shares of Class A Common Stock.

(j) Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price, the Company, at its expense, shall cause independent public accountants of recognized standing selected by the Company (who may be the independent public accountants then auditing the books of the Company) to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series B Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Shares of Class A Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price at the time in effect, (3) the number of Additional Shares of Class A Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Series B Preferred Stock.

(k) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other Distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series B Preferred Stock at least ten (10) days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or Distribution and a description of such dividend or Distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Class A Common Stock (or other securities) shall be entitled to exchange their shares of Class A Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

Statement of Stock Designation

Page 19

(l) Mandatory Conversion. At any time following the third anniversary of the Initial Issue Date, the Company may require the immediate conversion of all outstanding shares of Series B Preferred Stock into shares of Class A Common Stock pursuant to the procedures set forth in this Section 8 by written notice to all holders of Series B Preferred Stock at the then effective Conversion Price; provided however, the Company may require conversion pursuant to this Section 8(l) only if the shares of Class A Common Stock are traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System and such shares then have a Closing Price equal to or greater than two times the then effective Conversion Price and have had such a Closing Price for a period of thirty consecutive Trading Days.

(m) Conversion Following Default in Payment of Redemption Price. Notwithstanding anything herein to the contrary, in the event that the Company fails to make full payment of the Redemption Price on any

Payment Date pursuant to Section 4 hereof, for any reason, including the prohibition of such payment pursuant to the Credit Agreement, the holders of shares of Series B Preferred Stock remaining outstanding shall have the right to convert such shares of Series B Preferred Stock, in whole or in part, pursuant to the procedures set forth in this Section 8, into shares of Class A Common Stock at a Conversion Price equal to ninety-five percent (95%) of the average Closing Price of the Company's Class A Common Stock for the ten (10) Trading Days immediately prior to the date of conversion. Any shares of Series B Preferred Stock not so converted shall remain outstanding and shall continue to represent an obligation of the Company to pay the Redemption Price with respect thereto. Notwithstanding anything herein to the contrary, the aggregate number of shares of Class A Common Stock issued upon conversion of shares of Series B Preferred Stock pursuant to this Section 8(m) shall, in any event, not exceed 19.9% of the total number of issued and outstanding shares of capital stock of the Company as of the Initial Issue Date.

Section 10. Exclusive Remedy. So long as any obligation is outstanding under the Credit Agreement, the sole remedy available to holders of Series B Preferred Stock for the Company's failure to make full payment in cash of the Redemption Price when required pursuant to Section 4 hereof, shall be the conversion of the Series B Preferred Stock into shares of Class A Common Stock pursuant to Section 8(m) hereof unless the lenders under the Credit Agreement consent to payment in cash.

Section 11. No Reissuance of Series B Preferred Stock. No share of Series B Preferred Stock acquired by the Company upon conversion, by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Company shall be authorized to issue.

RESOLVED FURTHER, that, because certain of the terms and conditions of the issuance of the Series B Preferred Stock relating to rights of holders of that stock to vote

Statement of Stock Designation

Page 20

as a class on certain specific activities of the Company, as further described in Sections 1-11 above, will not become effective until certain amendments to the Company's Restated Articles of Incorporation become effective, the Board of Directors shall seek approval of amendments to those articles from the shareholders of the Company at the annual shareholder meeting to be held on or about June 10, 1999 or such other date on which it is held, and such terms relating to those class votes will not become effective until that portion of those amendments are approved by those shareholders and the amendments are filed with the Alaska Department of Commerce and Economic Development;

RESOLVED FURTHER, that the president of the Company or any vice president designated by him and the secretary of the Company or any assistant secretary of the Company are hereby authorized and directed to take those steps necessary to cause the issuance and sale of the Series B Preferred Stock including to execute a statement to be filed in accordance with the requirements of AS 10.06.320 of the Alaska Statutes and to seek shareholder approval of those amendments to the Company's Restated Articles of Incorporation to allow all of the terms of ownership of the Series B Preferred Stock to become effective."

IN WITNESS WHEREOF, the Company has caused this Statement of Stock Designation to be duly executed on its behalf at Anchorage, Alaska as of this 21st day of April, 1999.

GENERAL COMMUNICATION, INC.

By: /s/  
G. Wilson Hughes  
Its: Executive Vice President

By: /s/  
John M. Lowber  
Its: Secretary

Statement of Stock Designation

Page 21

STATEMENT OF STOCK DESIGNATION

-----  
Setting forth a copy of a resolution creating and authorizing the issuance of a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock" adopted by the board of directors of General Communication, Inc.  
-----

Pursuant to AS 10.06.315 and 10.06.320 of the Alaska Statutes  
-----

We, the undersigned officers of General Communication, Inc., an Alaska corporation ("Company"), hereby state and otherwise certify that, on April 21, 1999, the board of directors of the Company, pursuant to authority vested in it by Article IV of the Company's Restated Articles of Incorporation and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, duly adopted the following resolution creating a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock":

RESOLUTION

"WHEREAS, General Communication, Inc. is authorized through its Restated Articles of Incorporation to issue up to 100 million shares of Class A Common Stock and up to 1 million shares of Preferred Stock, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions contained in the Restated Articles of Incorporation, to fix or alter the dividend rate, conversion rate, voting rights, redemption prices, and liquidation preferences of any wholly unissued series of Preferred Stock, the number of shares constituting any such series, the designation of such series, and other terms and conditions of the issuance of such stock;

Statement of Stock Designation  
Page 1

WHEREAS, the Company, through its Board of Directors, approved a statement of stock designation pursuant to Article IV of the Restated Articles of Incorporation and that statement was filed of record with the Alaska Department of Commerce and Economic Development on or about January 17, 1991 pursuant to authority set forth in AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, and the board subsequently authorized the issuance of Series A Preferred Stock under that designation which was subsequently issued and later retired, and the Company does not presently have outstanding any shares of its Preferred Stock and is not otherwise obligated to issue such shares in the future, and the Board of Directors desires to cancel and otherwise delete that 1991 statement of stock designation at this time and to fix the terms of a second series of that Preferred Stock and the number of shares constituting that series;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company, and in accordance with AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, the board hereby cancels and otherwise deletes the 1991 statement of stock designation for the Series A preferred stock and hereby declares that such statement is no longer a part of those articles;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, the board hereby approves and otherwise directs the issuance, from 1 million shares of Preferred Stock authorized under those articles, a series of Preferred Stock of the Company to consist of 35,000 shares designated as Series B Convertible Redeemable Accreting Preferred Stock ("Series B Preferred Stock") and hereby fixes the designation, rights, preferences, privileges, and restrictions of the shares of that series, in addition to the designation, rights, preferences, privileges and restrictions set forth in those articles which are directly applicable to the Preferred Stock as follows:

Preface. Series B Convertible Redeemable Accreting Preferred Stock. Of the 1,000,000 shares of Preferred Stock, authorized pursuant to Article IV of the Restated Articles of Incorporation of the Company, 35,000 shall be designated Series B Convertible Redeemable Accreting Preferred Stock, with the rights, preferences, privileges and restrictions set forth in this



paragraph.

Section 1. Definitions. For purposes of the following Sections, the following definitions shall apply:

Statement of Stock Designation

Page 2

"Additional Shares of Class A Common Stock" shall have the meaning ascribed to such term in Section 8(i)(d) hereof.

"Annualized Operating Cash Flow" shall mean, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters.

"Bankruptcy Event" shall mean the occurrence of any of the following: (i) a court or governmental agency having appropriate jurisdiction shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs; (ii) there shall be commenced against the Company an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; (iii) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Company shall be unable to, or shall admit in writing to its inability to, pay its debts generally as they become due.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean a day on which banks and foreign exchange markets are open for the transaction of business in New York, New York as relevant to the determination to be made or action to be taken.

"Capitalized Leases" shall mean capital leases and subleases, as defined in accordance with GAAP.

"Change of Control" shall mean the occurrence of one or more of the following events: (a) any change in the ownership of the Company resulting in MCI WorldCom, Inc. and any of its wholly owned Subsidiaries, owning Voting Stock with less than eighteen percent (18%) of the total combined voting power of the Company, (b) MCI WorldCom, Inc. shall at any time have less than two (2) representatives sitting on the Board for more than a sixty-day period, (c) Ronald A. Duncan resigns or is removed from his position as Chief Executive

Statement of Stock Designation

Page 3

Officer of the Company, other than as a result of death or disability, and is not replaced within sixty (60) days of such resignation or removal with a person acceptable to the holders of a majority of the outstanding Series B Preferred Stock or (d) Ronald A. Duncan or his heirs transfers, sells or in any way disposes of a material amount of the capital stock of the Company owned by him as of the date hereof. A Change of Control shall be deemed to occur as of the effective date of the first event, action or transaction leading to one of the results described above.

"Class A Common Stock" shall mean the Class A Common Stock of the Company.

"Class B Common Stock" shall mean the Class B Common Stock of the Company.

"Closing Date" shall mean April 30, 1999.

"Closing Price" if the Class A Common Stock is traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System, shall mean the closing price as reported for composite transactions on the applicable

date, or, if no sales occurred on an applicable date, then the average of the highest bid and lowest asked prices on such exchange or the National Market System at the end of the day on such date. If the Class A Common Stock is not traded on an exchange or the National Market System but is otherwise traded over-the-counter, Closing Price shall mean the average of the highest bid and lowest asked prices quoted in the National Association of Security Dealers, Inc. Automated Quotation System as of the close of business on the applicable date, or if not so quoted on such date, the average of the representative bid and asked prices on such date in the domestic over-the-counter market as reported by the National Quotation Bureau, Inc., or any similar successor organization.

"Common Stock" shall mean, collectively, the Class A Common Stock and Class B Common Stock of the Company.

"Company" shall mean this corporation.

"Contingent Liability" shall mean, as to any person, any obligation contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other person in any manner, whether directly or indirectly, including without limitation any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt, (b) to purchase property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor

Statement of Stock Designation  
Page 4

to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Conversion Price" shall have the meaning ascribed to such term in Section 8(b) hereof.

"Convertible Securities" shall have the meaning ascribed to such term in Section 8(i)(c) hereof.

"Credit Agreement" shall mean that certain \$200,000,000 Amended and Restated Credit Agreement dated November 14, 1997 between GCI Holdings, Inc. as borrower and NationsBank of Texas, N.A., Credit Lyonnais New York Branch and TD Securities (USA), Inc., as it may be amended or supplemented from time to time.

"Debt" shall mean, all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capitalized Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" shall mean, without duplication, (a) all obligations of a person for borrowed money, (b) all obligations of a person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of a person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, and (d) all obligations of a person secured by a Lien on any assets or property of any person.

"Distribution" shall mean the declaration or payment of any dividend (whether in cash or otherwise) on or in respect of any shares of any class of capital stock of any person, other than dividends payable solely in shares of common stock of such person; the purchase, redemption, or other retirement of any shares of any class of capital stock of any person, directly or indirectly through a subsidiary or otherwise; the return of capital by any person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of any person.

"Effective Price" shall have the meaning ascribed in Section 8(i)(d) hereof.

"Equity Security" shall mean any capital stock of the Company or any security (whether stock or Debt for Borrowed Money) convertible or exchangeable, with or without consideration, into or for any capital stock, or any security (whether capital stock or Debt

Statement of Stock Designation  
Page 5

for Borrowed Money) carrying any warrant or right to subscribe to or purchase

any stock or similar security, or any such warrant or right.

"Exempt Issuances" shall have the meaning ascribed to such term in Section 8(i) (a) hereof.

"Funded Debt" shall mean, without duplication, with respect to any person, all Debt of such person, determined on a consolidated basis and measured in accordance with GAAP that is either: (a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one (1) year after the date of creation thereof, notwithstanding the fact that the payments are required to be made less than one (1) year after such date, (c) Capitalized Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit (without duplication), (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with interest hedge agreements, (h) payments due under any non-compete agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than ninety (90) days old and any thereof that are being contested in good faith).

"GAAP" shall mean, as in effect from time to time, generally accepted accounting principles used in the United States, consistently applied.

"Initial Issue Date" shall mean the first date upon which shares of Series B Preferred Stock are issued.

"Issue Date" shall mean the date of the original issuance of a share of the Series B Preferred Stock.

"Junior Stock" shall mean the Common Stock and all other shares of capital stock of the Company, whether presently outstanding or hereafter issued, other than Series B Preferred Stock.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including, any conditional sale or other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Liquidation Preference" shall have the meaning set forth in Section 3(a) hereof.

Statement of Stock Designation

Page 6

"Mandatory Redemption Date" shall have the meaning ascribed thereto in Section 4(c) hereof.

"Net Total Interest Expense" shall have the definition ascribed thereto in the Credit Agreement.

"Operating Cash Flow" shall mean, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense, (e) deferred income taxes, plus (f) for the fiscal quarter in which the Company or any of its Subsidiaries purchases the transponders pursuant to that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among GCI Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, and that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Satellite Services, Inc. (the "Galaxy X Transponders"), now held by PanAmSat Corp, as assignee, the annualized amount of economic savings of the Company or any of its Subsidiaries resulting from the direct purchase by the Company or any of its Subsidiaries of such Galaxy X Transponders instead of leasing such Galaxy X Transponders from GCI Satellite Co., Inc., an indirect wholly owned subsidiary of the Company, and leasing transponders from other providers; provided, the calculation is made after giving effect to acquisitions and dispositions of assets during such period as if such transactions had occurred on the first day of such period. In calculating "Operating Cash Flow," losses from local telephone businesses shall be offset by amounts not exceeding \$20,000,000 contributed to the Company or any of its Subsidiaries from the net proceeds of any offering of the Series B Preferred Stock issued by the Company. The amount attributable to such net proceeds which is available for such offset shall be reduced by the amount of net proceeds actually used for such offset as of any point in time.

"Payment Date" shall have the meaning ascribed

thereto in Section 4(d) and Section 4(e) hereof.

"Proposed Amendments" shall mean the proposed amendments to Restated Articles of Incorporation of the Company which shall be submitted by the Board to the shareholders of the Company and voted upon by the shareholders at their next annual meeting of shareholders as required by the Purchase Agreement. The Proposed Amendments provide that so long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of a majority of the then-outstanding shares of Series B Preferred Stock (i) liquidate or dissolve the Company or (ii) permit the Company to be merged with or into, or consolidated with, any other entity or sell all or

Statement of Stock Designation

Page 7

substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

"Purchase Agreement" shall mean the Series B Preferred Stock Purchase Agreement by and between the Company, Toronto Dominion Investments, Inc. and the other purchasers listed therein, dated as of April 30, 1999.

"Redemption Price" shall have the meaning ascribed thereto in Section 4(f) hereof.

"Series B Preferred Stock" shall mean the Series B Convertible Redeemable Accreting Preferred Stock of the Company.

"Subsidiary" of a person shall mean (i) any corporation of which fifty one (51%) percent or more of the Voting Stock, or any partnership of which 51% or more of outstanding partnership interests, is at any time owned by the person, or by one or more Subsidiaries of such person, or by such person and one or more Subsidiaries of such person, and (ii) any other entity which is controlled or capable of being controlled by such person or by one or more Subsidiaries of such person or by such person and one or more Subsidiaries of such person.

"Total Debt" shall mean the outstanding principal amount of all Funded Debt.

"Total Leverage Ratio" shall mean, without duplication, as of any date of determination, the ratio of (i) Total Debt of the Company (on an unconsolidated basis), its subsidiary, GCI, Inc., its subsidiary GCI Holdings, Inc. and the Restricted Subsidiaries of GCI Holdings, Inc. (as defined in the Credit Agreement) on such date of determination, to (ii) Annualized Operating Cash Flow of such entities, all calculated on a consolidated basis (except as noted above) in accordance with GAAP consistently applied.

"Trading Day" shall mean, any date that a nationally recognized exchange or the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System is open and accepting bids for the sale of securities listed thereon.

"Triggering Event" shall mean (i) the acceleration of any obligation outstanding under Funded Debt of the Company or any of its Subsidiaries having an outstanding balance in excess of \$5,000,000, (ii) a Change of Control, (iii) a Bankruptcy Event, (iv) the breach of Section 7 hereof, (v) the liquidation or dissolution of the Company, or (vi) the merger of the Company with or into, or the consolidation of the Company with any other entity or the sale by the Company of all or substantially all of the assets of the Company, where the terms of

Statement of Stock Designation

Page 8

such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock; provided however, that clauses (v) and (vi) above shall cease to be Triggering Events upon the approval by the shareholders of the Company of the Proposed Amendments to the Restated Articles of Incorporation and the effective filing of the Proposed Amendments with the Alaska Department of Commerce and Economic Development. If the shareholders of the Company fail to approve the Proposed Amendments or if such amendments are not filed with the Alaska Department of Commerce and Economic Development by August 31, 1999, then clauses (v) and (vi) shall remain Triggering Events for so long as any shares of Series B Preferred Stock remain outstanding.

"Voting Stock" shall mean any shares having general voting power in electing the board of directors of any person (irrespective of whether or not at the time stock of any other class or classes has or might have voting power by reason or the happening of any contingency).

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of the Employee Retirement Income Security Act of 1974, as amended.

## Section 2. Dividends.

(a) Right to Dividends. Dividends on each share of Series B Preferred Stock shall accumulate and accrue from the Issue Date and shall accrue from day to day thereafter, compounding semi-annually (to the extent unpaid), whether or not earned or declared at a rate, through the fourth anniversary of the Initial Issue Date, of 8.5% per annum and, after the fourth anniversary of the Initial Issue Date, of 17% per annum on the stated amount of \$1,000 per share until paid, subject to Section 4(j) hereof. Dividends accruing pursuant to this Section 2(a) shall be payable semi-annually in arrears upon declaration by the Board and (i) during the first four years following the Initial Issue Date shall be payable, at the option of the Company, either by the delivery of additional shares of Series B Preferred Stock with a liquidation value equal to the amount of the dividend or by the delivery of cash and (ii) after the fourth anniversary of the Initial Issue Date shall be paid only in cash. If, during the first four years following the Initial Issue Date, the Company does not make any dividend payment in full in cash to the holders of the then-outstanding shares of Series B Preferred Stock upon a semi-annual dividend payment date, the Company shall be deemed to have declared and delivered such dividend in additional shares of Series B Preferred Stock, as set forth above. Dividends shall be cumulative so that, if all accrued dividends shall not have been paid, such accrued and unpaid dividends shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for any Junior Stock.

(b) Priority. Until such time as all current and accrued dividends on the Series B Preferred Stock for all periods from and after the Initial Issue Date shall have been

## Statement of Stock Designation

Page 9

paid (i) no dividend whatsoever (other than a dividend payable solely in Common Stock) shall be paid or declared, and no Distribution shall be made, on any Junior Stock, and (ii) no shares of Junior Stock shall be purchased, redeemed or acquired by the Company, and no monies shall be paid into or set aside or made available for a sinking fund for the purchase, redemption or acquisition thereof other than shares of Junior Stock purchased, redeemed or acquired by the Company to fund the Company's deferred compensation arrangements. So long as any shares of Series B Preferred Stock are outstanding, the Company shall not issue, or obligate itself to issue, any other Equity Security senior to the Series B Preferred Stock as to dividend or redemption rights or liquidation preferences or, unless the consent of the holders of 80% of the outstanding shares of Series B Preferred Stock is obtained, any other Equity Security on a parity with Series B Preferred Stock as to dividend or redemption rights or liquidation preferences.

## Section 3. Liquidation Rights of Series B Preferred Stock.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the then-outstanding shares of Series B Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of the Junior Stock, an amount (the "Liquidation Preference") equal to \$1,000 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the date full payment shall be tendered to the holders of the then-outstanding shares of Series B Preferred Stock with respect to such liquidation, dissolution or winding up, and no more. If upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the then-outstanding shares of Series B Preferred Stock shall be insufficient to permit the payment to such shareholders of the full preferential amounts to which they are entitled, then all of the assets of the Company shall be distributed ratably to the holders of the then-outstanding shares of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock held by each such shareholder as compared to the aggregate number of then-outstanding shares of Series B Preferred Stock. The (i) merger or consolidation of the Company with or into any other entity or entities where the Company is not the surviving entity (other than a merger solely for the purpose of changing the Company's state of incorporation) or in which in excess of 50% of the Company's voting power is transferred, or (ii) the sale or transfer by the Company of all or substantially all of its assets, shall be deemed to be a liquidation, dissolution and winding up of the Company within the meaning of this Section 3.

(b) Remaining Assets. After the payment or distribution to the holders of the then-outstanding shares of Series B Preferred Stock of the full preferential amounts to which they are entitled, the holders

of the then-outstanding shares of Junior Stock shall be entitled to receive ratably all remaining assets of the Company.

Statement of Stock Designation

Page 10

Section 4. Redemption.

(a) Restriction on Redemption and Purchase. Except as expressly provided in this Section 4, the Company shall not have the right to purchase, call, redeem or otherwise acquire for value any or all of the Series B Preferred Stock.

(b) Optional Redemption. At any time after the fourth anniversary of the Initial Issue Date, the Company may, at its option, upon provision of written notice at least sixty (60) days prior to the date set for redemption, redeem the Series B Preferred Stock, in whole or in part, at the Redemption Price hereinafter specified; provided, that the Company shall redeem shares of Series B Preferred Stock having an aggregate Liquidation Preference of at least Two Million Five Hundred Thousand Dollars (\$2,500,000) upon each Payment Date; and provided further, any partial redemption shall be effected ratably among the holders of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock then held by each holder.

(c) Mandatory Redemption. The Company shall redeem all outstanding shares of Series B Preferred Stock at the Redemption Price hereinafter specified upon (i) the twelfth anniversary of the Initial Issue Date or (ii) the occurrence of a Triggering Event (in either case, "Mandatory Redemption Date").

(d) Optional Redemption Notice. The Company shall, not less than sixty (60) days prior to the Payment Date for an optional redemption pursuant to Section 4(b), give written notice to each holder of record of shares of Series B Preferred Stock that the Company has determined to exercise its optional redemption rights hereunder. This notice shall state the number of then-outstanding shares of Series B Preferred Stock to be redeemed, the Redemption Price, including the amount of dividends included in such price and the calculation thereof, the Payment Date and the time, place and manner in which the holder is to surrender to the Company the certificate or certificates representing the shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(d), shall mean the date set by the Company with respect to an optional redemption designated by the Company for payment of the Redemption Price.

(e) Mandatory Redemption Notice. The Company shall provide prompt, but in no event later than two (2) Business Days after the Mandatory Redemption Date, notice to the holders of the Series B Preferred Stock of the Mandatory Redemption Date. Such notice shall state the Redemption Price, including the amount of dividends included in such price and the calculation thereof, and the Payment Date, place and manner in which the holders are to surrender to the Company the certificates representing shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(e), shall mean the date on or prior to the fifth Business Day after the Mandatory Redemption Date designated by the Company for payment of the Redemption Price.

Statement of Stock Designation

Page 11

(f) Redemption Price. In all events, the Redemption Price of the Series B Preferred Stock (the "Redemption Price") shall be an amount per share equal to \$1,000 plus the amount of all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the Payment Date.

(g) Payment of Redemption Price and Surrender of Stock. On the Payment Date, the Redemption Price of the Series B Preferred Stock shall be paid to the holders of the Series B Preferred Stock. On or before the Payment Date, each holder of shares of Series B Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares to the Company, duly endorsed, together with such other instruments as the Company may reasonably require to insure that such shares of Series B Preferred Stock are duly and validly transferred to the Company, free of all Liens, and on the Payment Date the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. Upon an optional redemption of less than all of the then-outstanding shares of Series B Preferred Stock, upon the surrender to the Company of a certificate or certificates representing shares of Series B Preferred Stock to be redeemed and payment by the Company of the Redemption Price, the Company shall issue to the holder thereof a certificate representing any shares of Series B Preferred Stock not redeemed but represented by the certificate or certificates surrendered.

(h) Insufficient Funds. If the funds of the Company legally available for redemption of Series B Preferred Stock on the Payment Date with respect to a Mandatory Redemption Date are insufficient to redeem all of the Series B Preferred Stock that are subject to redemption pursuant to Section 4(c) on such date, those funds that are so available will be used to redeem the maximum possible number of such shares of the Series B Preferred Stock ratably among the holders thereof on the basis of the number of shares of Series B Preferred Stock held by each such shareholder. At the earliest time thereafter as additional funds of the Company are legally available for redemption of Series B Preferred Stock in the manner provided above, such funds will be immediately used to redeem the balance of such Series B Preferred Stock subject to redemption.

(i) Deposit of Funds. At least three (3) Business Days prior to a Payment Date, the Company shall deposit with any bank or trust company in the United States, having a capital and surplus of at least \$1 billion as a trust fund, a sum equal to the aggregate Redemption Price, with irrevocable instructions and authority to the bank or trust company to pay, on or after the Payment Date, the Redemption Price to the respective holders of then-outstanding shares of Series B Preferred Stock upon the surrender of their share certificates. The deposit shall constitute full payment of the shares to their holders; provided, that, until all shares of Series B Preferred Stock are redeemed and full payment made therefor, the holders thereof shall continue to be considered shareholders with respect to such shares and shall have all rights with respect thereto, including the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor.

Statement of Stock Designation  
Page 12

Any monies so deposited and unclaimed at the end of one year from the Payment Date shall be released or repaid to the Company, after which the holders of shares of Series B Preferred Stock called for redemption shall be entitled to receive payment of the Redemption Price only from the Company.

(j) Accrual of Dividends. Unless the Company defaults in making the payment of the Redemption Price in accordance with Section 4(i) hereof, dividends on Series B Preferred Stock subject to redemption will cease to accrue on and after the Payment Date.

(k) Waiver. At any time after receiving notice of Mandatory Redemption and prior to two Business Days before the Payment Date, the holders of Series B Preferred Stock may, by written consent of holders of at least 80% of the then outstanding Series B Preferred Stock, waive the redemption of the Series B Preferred Stock as to such mandatory redemption event in which case the Company shall not be obligated to redeem the shares of Series B Preferred Stock as to such redemption event. Upon receipt of any such waiver, the Company shall promptly provide written notice to all holders of Series B Preferred Stock.

Section 5. Voting Rights.

(a) Series B Preferred Stock. Each holder of shares of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Class A Common Stock and, except as otherwise expressly provided herein, shall be entitled to the number of votes equal to the largest number of full shares of Class A Common Stock into which such shares of Series B Preferred Stock could be converted, pursuant to the provisions of Section 8(b) hereof, at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken.

(b) Common Stock. Each holder of shares of Class A Common Stock shall be entitled to one vote for each share thereof held, and each holder of shares of Class B Common Stock shall be entitled to ten votes for each share thereof held, as provided in Article IV, Section (b) of the Restated Articles of Incorporation. Except as otherwise expressly provided herein or as required by law, the holders of Series B Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

Section 6. Restrictions and Limitations. So long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of 80% with respect to items (c), (e) or (g), or a majority with respect to items (a), (b), (d) or (f), of the then-outstanding shares of Series B Preferred Stock:

(a) Purchase, redeem or otherwise acquire for value (or pay into or set aside as a sinking fund for such purpose) any Junior Stock or any warrant, option or right to

Statement of Stock Designation  
Page 13

purchase any Junior Stock, other than purchases of shares of Junior Stock for

the purpose of funding deferred compensation arrangements;

(b) Declare or pay any dividends on or declare or make any other Distribution, direct or indirect (other than a dividend payable solely in shares of Class A Common Stock), on account of Junior Stock or set apart any sum for any such purpose;

(c) Amend its Articles of Incorporation in any manner that would significantly and adversely affect the rights or preferences of the Series B Preferred Stock;

(d) Take any action which would result in taxation of the holders of the Series B Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (the "Code") (or any comparable provision of the Code as hereafter from time to time amended);

(e) Issue any additional shares of Series B Preferred Stock after the Initial Issue Date, except pursuant to Section 2 hereof;

(f) Following the effective date of the Proposed Amendments, liquidate or dissolve the Company; or

(g) Following the effective date of the Proposed Amendments, permit the Company to be merged with or into, or consolidated with any other entity or sell all or substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

Section 7. Debt Incurrence Covenant. At all times that any shares of Series B Preferred Stock are outstanding, the Company shall not incur any Funded Debt if, as a result of such additional Funded Debt, the Company's Total Leverage Ratio would exceed 7.0:1.

Section 8. Conversion. The holders of Series B Preferred Stock shall have the following conversion rights:

(a) Right to Convert. Each share of Series B Preferred Stock shall be convertible, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Class A Common Stock. Such conversion right shall continue to apply to any share of Series B Preferred Stock called for redemption pursuant to Section 4 hereof until the close of business on the Business Day immediately preceding the applicable Payment Date.

(b) Conversion Price. Each share of Series B Preferred Stock shall initially be convertible into that number of shares of Class A Common Stock determined by dividing the then Liquidation Preference of such share of Series B Preferred Stock by the then

Statement of Stock Designation

Page 14

conversion price, as adjusted pursuant to this Section 8, which conversion price shall initially be equal to \$5.55 per share (the "Conversion Price").

(c) Mechanics of Conversion. Each holder of Series B Preferred Stock who desires to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series B Preferred Stock or Class A Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Series B Preferred Stock being converted. Thereupon the Company shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Series B Preferred Stock to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

(d) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the Initial Issue Date effects a subdivision of the outstanding Class A Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the Company at any time or from time to time after the Initial Issue Date combines the outstanding shares of Class A Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this subsection (d) shall become effective at the open of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Initial



Issue Date makes, or fixes a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in additional shares of Class A Common Stock, then and in each such event the Conversion Price then in effect shall be reset as of the time of such issuance or, in the event such record date is fixed, as of the open of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Class A Common Stock issuable in payment of such dividend or Distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such Distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter

Statement of Stock Designation

Page 15

the Conversion Price shall be adjusted pursuant to this subsection (e) as of the time of actual payment of such dividends or Distributions.

(f) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Initial Issue Date makes, or fixes, a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Series B Preferred Stock been converted into Class A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 8 with respect to the rights of the holders of the Series B Preferred Stock.

(g) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Initial Issue Date, the Class A Common Stock issuable upon the conversion of the Series B Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 8), then and in any such event each holder of Series B Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Class A Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(h) Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Initial Issue Date there is a capital reorganization of the Class A Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 8) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series B Preferred Stock shall thereafter be entitled to receive upon conversion of the Series B Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Class A Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 8 with respect to the rights of the holders of the Series B Preferred Stock after the reorganization,

Statement of Stock Designation

Page 16

merger, consolidation or sale to the end that the provisions of this Section 8 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series B Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

(i) Sale of Shares Below Conversion Price.

a) If at any time or from time to time after

the Initial Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (i) to have issued or sold, Additional Shares of Class A Common Stock (as hereinafter defined) (other than (A) as a dividend or other Distribution on any class of stock as provided in subsection (e) above, (B) upon a subdivision or combination of shares of Class A Common Stock as provided in subsection (d) above, or (C) shares to be issued to officers, directors, employees, agents or consultants of the Company pursuant to stock options or equity incentive plans approved by the Board of Directors of the Company and representing not more than 5% of the outstanding Class A Common Stock as of the Initial Issue Date (the "Exempt Issuances")) for an Effective Price (as hereinafter defined) less than the then existing Conversion Price, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, by multiplying such Conversion Price in effect immediately prior to such new issuance by a fraction (i) the numerator of which shall be (A) the number of shares of Class A Common Stock outstanding at the close of business on the day preceding the date of such issue or sale (assuming conversion of all outstanding shares of Series B Preferred Stock at the then Conversion Price) plus (B) the number of Shares of Class A Common Stock which the aggregate consideration received (or by the express provisions hereof deemed to have been received by the Company for the total number of Additional Shares of Class A Common Stock so issued) would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of shares of Class A Common Stock outstanding at the close of business on the date of such issuance or sale after giving effect to such issue of Additional Shares of Class A Common Stock (assuming conversion of all outstanding shares of Preferred Stock into shares of Class A Common Stock at the then Conversion Price).

b) For the purpose of making any adjustment required under this subsection (i), the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash be computed at the amount of cash received by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, (C) if Additional Shares of Class A Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Class A Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Class A

Statement of Stock Designation

Page 17

Common Stock, Convertible Securities or rights or options, and (D) be computed after reduction for all expenses payable by the Company in connection with such issue or sale.

c) For the purpose of the adjustment required under this subsection (i), if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Class A Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities") or rights or options for the purchase of Convertible Securities, and if the Effective Price of such Additional Shares of Class A Common Stock ultimately issuable pursuant thereto is less than the then Conversion Price, then in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Class A Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Class A Common Stock on the exercise of any such rights or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Class A Common Stock so issued were the Additional Shares of Class A Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Class A Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the

consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities. A similar readjustment will be made if the amount actually paid to the Company upon exercise of conversion of any Convertible Securities exceeds the minimum amount assumed pursuant to this Section 8(i).

d) "Additional Shares of Class A Common Stock" shall mean all shares of Class A Common Stock issued by the Company after the Series B Issuance Date,

Statement of Stock Designation

Page 18

whether or not subsequently reacquired or retired by the Company, other than (i) shares of Class A Common Stock issued upon conversion of the Series B Preferred Stock and (ii) the shares of Class A Common Stock issued as Exempt Issuances. The "Effective Price" of Additional Shares of Class A Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Class A Common Stock issued or sold, or deemed to have been issued or sold by the Company under this subsection (i), into the aggregate consideration received, or deemed to have been received, by the Company for such issue under this subsection (i), for such Additional Shares of Class A Common Stock.

(j) Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price, the Company, at its expense, shall cause independent public accountants of recognized standing selected by the Company (who may be the independent public accountants then auditing the books of the Company) to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series B Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Shares of Class A Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price at the time in effect, (3) the number of Additional Shares of Class A Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Series B Preferred Stock.

(k) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other Distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series B Preferred Stock at least ten (10) days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or Distribution and a description of such dividend or Distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Class A Common Stock (or other securities) shall be entitled to exchange their shares of Class A Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

Statement of Stock Designation

Page 19

(l) Mandatory Conversion. At any time following the third anniversary of the Initial Issue Date, the Company may require the immediate conversion of all outstanding shares of Series B Preferred Stock into shares of Class A Common Stock pursuant to the procedures set forth in this Section 8 by written notice to all holders of Series B Preferred Stock at the then effective Conversion Price; provided however, the Company may require conversion pursuant to this Section 8(l) only if the shares of Class A Common Stock are traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System and such shares then have a Closing Price equal to or greater than two times the then effective Conversion Price and have had such a Closing Price for a period of thirty consecutive Trading Days.

(m) Conversion Following Default in Payment of Redemption Price. Notwithstanding anything herein to the contrary, in the event that the Company fails to make full payment of the Redemption Price on any

Payment Date pursuant to Section 4 hereof, for any reason, including the prohibition of such payment pursuant to the Credit Agreement, the holders of shares of Series B Preferred Stock remaining outstanding shall have the right to convert such shares of Series B Preferred Stock, in whole or in part, pursuant to the procedures set forth in this Section 8, into shares of Class A Common Stock at a Conversion Price equal to ninety-five percent (95%) of the average Closing Price of the Company's Class A Common Stock for the ten (10) Trading Days immediately prior to the date of conversion. Any shares of Series B Preferred Stock not so converted shall remain outstanding and shall continue to represent an obligation of the Company to pay the Redemption Price with respect thereto. Notwithstanding anything herein to the contrary, the aggregate number of shares of Class A Common Stock issued upon conversion of shares of Series B Preferred Stock pursuant to this Section 8(m) shall, in any event, not exceed 19.9% of the total number of issued and outstanding shares of capital stock of the Company as of the Initial Issue Date.

Section 10. Exclusive Remedy. So long as any obligation is outstanding under the Credit Agreement, the sole remedy available to holders of Series B Preferred Stock for the Company's failure to make full payment in cash of the Redemption Price when required pursuant to Section 4 hereof, shall be the conversion of the Series B Preferred Stock into shares of Class A Common Stock pursuant to Section 8(m) hereof unless the lenders under the Credit Agreement consent to payment in cash.

Section 11. No Reissuance of Series B Preferred Stock. No share of Series B Preferred Stock acquired by the Company upon conversion, by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Company shall be authorized to issue.

RESOLVED FURTHER, that, because certain of the terms and conditions of the issuance of the Series B Preferred Stock relating to rights of holders of that stock to vote

Statement of Stock Designation

Page 20

as a class on certain specific activities of the Company, as further described in Sections 1-11 above, will not become effective until certain amendments to the Company's Restated Articles of Incorporation become effective, the Board of Directors shall seek approval of amendments to those articles from the shareholders of the Company at the annual shareholder meeting to be held on or about June 10, 1999 or such other date on which it is held, and such terms relating to those class votes will not become effective until that portion of those amendments are approved by those shareholders and the amendments are filed with the Alaska Department of Commerce and Economic Development;

RESOLVED FURTHER, that the president of the Company or any vice president designated by him and the secretary of the Company or any assistant secretary of the Company are hereby authorized and directed to take those steps necessary to cause the issuance and sale of the Series B Preferred Stock including to execute a statement to be filed in accordance with the requirements of AS 10.06.320 of the Alaska Statutes and to seek shareholder approval of those amendments to the Company's Restated Articles of Incorporation to allow all of the terms of ownership of the Series B Preferred Stock to become effective."

IN WITNESS WHEREOF, the Company has caused this Statement of Stock Designation to be duly executed on its behalf at Anchorage, Alaska as of this 21st day of April, 1999.

GENERAL COMMUNICATION, INC.

By: /s/  
G. Wilson Hughes  
Its: Executive Vice President

By: /s/  
John M. Lowber  
Its: Secretary

Statement of Stock Designation

Page 21

STATEMENT OF STOCK DESIGNATION

-----  
Setting forth a copy of a resolution creating and authorizing the issuance of a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock" adopted by the board of directors of General Communication, Inc.  
-----

Pursuant to AS 10.06.315 and 10.06.320 of the Alaska Statutes  
-----

We, the undersigned officers of General Communication, Inc., an Alaska corporation ("Company"), hereby state and otherwise certify that, on April 21, 1999, the board of directors of the Company, pursuant to authority vested in it by Article IV of the Company's Restated Articles of Incorporation and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, duly adopted the following resolution creating a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock":

RESOLUTION

"WHEREAS, General Communication, Inc. is authorized through its Restated Articles of Incorporation to issue up to 100 million shares of Class A Common Stock and up to 1 million shares of Preferred Stock, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions contained in the Restated Articles of Incorporation, to fix or alter the dividend rate, conversion rate, voting rights, redemption prices, and liquidation preferences of any wholly unissued series of Preferred Stock, the number of shares constituting any such series, the designation of such series, and other terms and conditions of the issuance of such stock;

Statement of Stock Designation  
Page 1

WHEREAS, the Company, through its Board of Directors, approved a statement of stock designation pursuant to Article IV of the Restated Articles of Incorporation and that statement was filed of record with the Alaska Department of Commerce and Economic Development on or about January 17, 1991 pursuant to authority set forth in AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, and the board subsequently authorized the issuance of Series A Preferred Stock under that designation which was subsequently issued and later retired, and the Company does not presently have outstanding any shares of its Preferred Stock and is not otherwise obligated to issue such shares in the future, and the Board of Directors desires to cancel and otherwise delete that 1991 statement of stock designation at this time and to fix the terms of a second series of that Preferred Stock and the number of shares constituting that series;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company, and in accordance with AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, the board hereby cancels and otherwise deletes the 1991 statement of stock designation for the Series A preferred stock and hereby declares that such statement is no longer a part of those articles;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, the board hereby approves and otherwise directs the issuance, from 1 million shares of Preferred Stock authorized under those articles, a series of Preferred Stock of the Company to consist of 35,000 shares designated as Series B Convertible Redeemable Accreting Preferred Stock ("Series B Preferred Stock") and hereby fixes the designation, rights, preferences, privileges, and restrictions of the shares of that series, in addition to the designation, rights, preferences, privileges and restrictions set forth in those articles which are directly applicable to the Preferred Stock as follows:

Preface. Series B Convertible Redeemable Accreting Preferred Stock. Of the 1,000,000 shares of Preferred Stock, authorized pursuant to Article IV of the Restated Articles of Incorporation of the Company, 35,000 shall be designated Series B Convertible Redeemable Accreting Preferred Stock, with the rights, preferences, privileges and restrictions set forth in this

paragraph.

Section 1. Definitions. For purposes of the following Sections, the following definitions shall apply:

Statement of Stock Designation

Page 2

"Additional Shares of Class A Common Stock" shall have the meaning ascribed to such term in Section 8(i)(d) hereof.

"Annualized Operating Cash Flow" shall mean, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters.

"Bankruptcy Event" shall mean the occurrence of any of the following: (i) a court or governmental agency having appropriate jurisdiction shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs; (ii) there shall be commenced against the Company an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; (iii) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Company shall be unable to, or shall admit in writing to its inability to, pay its debts generally as they become due.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean a day on which banks and foreign exchange markets are open for the transaction of business in New York, New York as relevant to the determination to be made or action to be taken.

"Capitalized Leases" shall mean capital leases and subleases, as defined in accordance with GAAP.

"Change of Control" shall mean the occurrence of one or more of the following events: (a) any change in the ownership of the Company resulting in MCI WorldCom, Inc. and any of its wholly owned Subsidiaries, owning Voting Stock with less than eighteen percent (18%) of the total combined voting power of the Company, (b) MCI WorldCom, Inc. shall at any time have less than two (2) representatives sitting on the Board for more than a sixty-day period, (c) Ronald A. Duncan resigns or is removed from his position as Chief Executive

Statement of Stock Designation

Page 3

Officer of the Company, other than as a result of death or disability, and is not replaced within sixty (60) days of such resignation or removal with a person acceptable to the holders of a majority of the outstanding Series B Preferred Stock or (d) Ronald A. Duncan or his heirs transfers, sells or in any way disposes of a material amount of the capital stock of the Company owned by him as of the date hereof. A Change of Control shall be deemed to occur as of the effective date of the first event, action or transaction leading to one of the results described above.

"Class A Common Stock" shall mean the Class A Common Stock of the Company.

"Class B Common Stock" shall mean the Class B Common Stock of the Company.

"Closing Date" shall mean April 30, 1999.

"Closing Price" if the Class A Common Stock is traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System, shall mean the closing price as reported for composite transactions on the applicable

date, or, if no sales occurred on an applicable date, then the average of the highest bid and lowest asked prices on such exchange or the National Market System at the end of the day on such date. If the Class A Common Stock is not traded on an exchange or the National Market System but is otherwise traded over-the-counter, Closing Price shall mean the average of the highest bid and lowest asked prices quoted in the National Association of Security Dealers, Inc. Automated Quotation System as of the close of business on the applicable date, or if not so quoted on such date, the average of the representative bid and asked prices on such date in the domestic over-the-counter market as reported by the National Quotation Bureau, Inc., or any similar successor organization.

"Common Stock" shall mean, collectively, the Class A Common Stock and Class B Common Stock of the Company.

"Company" shall mean this corporation.

"Contingent Liability" shall mean, as to any person, any obligation contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other person in any manner, whether directly or indirectly, including without limitation any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt, (b) to purchase property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor

Statement of Stock Designation

Page 4

to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Conversion Price" shall have the meaning ascribed to such term in Section 8(b) hereof.

"Convertible Securities" shall have the meaning ascribed to such term in Section 8(i)(c) hereof.

"Credit Agreement" shall mean that certain \$200,000,000 Amended and Restated Credit Agreement dated November 14, 1997 between GCI Holdings, Inc. as borrower and NationsBank of Texas, N.A., Credit Lyonnais New York Branch and TD Securities (USA), Inc., as it may be amended or supplemented from time to time.

"Debt" shall mean, all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capitalized Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" shall mean, without duplication, (a) all obligations of a person for borrowed money, (b) all obligations of a person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of a person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, and (d) all obligations of a person secured by a Lien on any assets or property of any person.

"Distribution" shall mean the declaration or payment of any dividend (whether in cash or otherwise) on or in respect of any shares of any class of capital stock of any person, other than dividends payable solely in shares of common stock of such person; the purchase, redemption, or other retirement of any shares of any class of capital stock of any person, directly or indirectly through a subsidiary or otherwise; the return of capital by any person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of any person.

"Effective Price" shall have the meaning ascribed in Section 8(i)(d) hereof.

"Equity Security" shall mean any capital stock of the Company or any security (whether stock or Debt for Borrowed Money) convertible or exchangeable, with or without consideration, into or for any capital stock, or any security (whether capital stock or Debt

Statement of Stock Designation

Page 5

for Borrowed Money) carrying any warrant or right to subscribe to or purchase

any stock or similar security, or any such warrant or right.

"Exempt Issuances" shall have the meaning ascribed to such term in Section 8(i) (a) hereof.

"Funded Debt" shall mean, without duplication, with respect to any person, all Debt of such person, determined on a consolidated basis and measured in accordance with GAAP that is either: (a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one (1) year after the date of creation thereof, notwithstanding the fact that the payments are required to be made less than one (1) year after such date, (c) Capitalized Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit (without duplication), (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with interest hedge agreements, (h) payments due under any non-compete agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than ninety (90) days old and any thereof that are being contested in good faith).

"GAAP" shall mean, as in effect from time to time, generally accepted accounting principles used in the United States, consistently applied.

"Initial Issue Date" shall mean the first date upon which shares of Series B Preferred Stock are issued.

"Issue Date" shall mean the date of the original issuance of a share of the Series B Preferred Stock.

"Junior Stock" shall mean the Common Stock and all other shares of capital stock of the Company, whether presently outstanding or hereafter issued, other than Series B Preferred Stock.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including, any conditional sale or other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Liquidation Preference" shall have the meaning set forth in Section 3(a) hereof.

Statement of Stock Designation

Page 6

"Mandatory Redemption Date" shall have the meaning ascribed thereto in Section 4(c) hereof.

"Net Total Interest Expense" shall have the definition ascribed thereto in the Credit Agreement.

"Operating Cash Flow" shall mean, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense, (e) deferred income taxes, plus (f) for the fiscal quarter in which the Company or any of its Subsidiaries purchases the transponders pursuant to that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among GCI Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, and that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Satellite Services, Inc. (the "Galaxy X Transponders"), now held by PanAmSat Corp, as assignee, the annualized amount of economic savings of the Company or any of its Subsidiaries resulting from the direct purchase by the Company or any of its Subsidiaries of such Galaxy X Transponders instead of leasing such Galaxy X Transponders from GCI Satellite Co., Inc., an indirect wholly owned subsidiary of the Company, and leasing transponders from other providers; provided, the calculation is made after giving effect to acquisitions and dispositions of assets during such period as if such transactions had occurred on the first day of such period. In calculating "Operating Cash Flow," losses from local telephone businesses shall be offset by amounts not exceeding \$20,000,000 contributed to the Company or any of its Subsidiaries from the net proceeds of any offering of the Series B Preferred Stock issued by the Company. The amount attributable to such net proceeds which is available for such offset shall be reduced by the amount of net proceeds actually used for such offset as of any point in time.

"Payment Date" shall have the meaning ascribed



thereto in Section 4(d) and Section 4(e) hereof.

"Proposed Amendments" shall mean the proposed amendments to Restated Articles of Incorporation of the Company which shall be submitted by the Board to the shareholders of the Company and voted upon by the shareholders at their next annual meeting of shareholders as required by the Purchase Agreement. The Proposed Amendments provide that so long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of a majority of the then-outstanding shares of Series B Preferred Stock (i) liquidate or dissolve the Company or (ii) permit the Company to be merged with or into, or consolidated with, any other entity or sell all or

Statement of Stock Designation

Page 7

substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

"Purchase Agreement" shall mean the Series B Preferred Stock Purchase Agreement by and between the Company, Toronto Dominion Investments, Inc. and the other purchasers listed therein, dated as of April 30, 1999.

"Redemption Price" shall have the meaning ascribed thereto in Section 4(f) hereof.

"Series B Preferred Stock" shall mean the Series B Convertible Redeemable Accreting Preferred Stock of the Company.

"Subsidiary" of a person shall mean (i) any corporation of which fifty one (51%) percent or more of the Voting Stock, or any partnership of which 51% or more of outstanding partnership interests, is at any time owned by the person, or by one or more Subsidiaries of such person, or by such person and one or more Subsidiaries of such person, and (ii) any other entity which is controlled or capable of being controlled by such person or by one or more Subsidiaries of such person or by such person and one or more Subsidiaries of such person.

"Total Debt" shall mean the outstanding principal amount of all Funded Debt.

"Total Leverage Ratio" shall mean, without duplication, as of any date of determination, the ratio of (i) Total Debt of the Company (on an unconsolidated basis), its subsidiary, GCI, Inc., its subsidiary GCI Holdings, Inc. and the Restricted Subsidiaries of GCI Holdings, Inc. (as defined in the Credit Agreement) on such date of determination, to (ii) Annualized Operating Cash Flow of such entities, all calculated on a consolidated basis (except as noted above) in accordance with GAAP consistently applied.

"Trading Day" shall mean, any date that a nationally recognized exchange or the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System is open and accepting bids for the sale of securities listed thereon.

"Triggering Event" shall mean (i) the acceleration of any obligation outstanding under Funded Debt of the Company or any of its Subsidiaries having an outstanding balance in excess of \$5,000,000, (ii) a Change of Control, (iii) a Bankruptcy Event, (iv) the breach of Section 7 hereof, (v) the liquidation or dissolution of the Company, or (vi) the merger of the Company with or into, or the consolidation of the Company with any other entity or the sale by the Company of all or substantially all of the assets of the Company, where the terms of

Statement of Stock Designation

Page 8

such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock; provided however, that clauses (v) and (vi) above shall cease to be Triggering Events upon the approval by the shareholders of the Company of the Proposed Amendments to the Restated Articles of Incorporation and the effective filing of the Proposed Amendments with the Alaska Department of Commerce and Economic Development. If the shareholders of the Company fail to approve the Proposed Amendments or if such amendments are not filed with the Alaska Department of Commerce and Economic Development by August 31, 1999, then clauses (v) and (vi) shall remain Triggering Events for so long as any shares of Series B Preferred Stock remain outstanding.

"Voting Stock" shall mean any shares having general voting power in electing the board of directors of any person (irrespective of whether or not at the time stock of any other class or classes has or might have voting power by reason or the happening of any contingency).

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of the Employee Retirement Income Security Act of 1974, as amended.

## Section 2. Dividends.

(a) Right to Dividends. Dividends on each share of Series B Preferred Stock shall accumulate and accrue from the Issue Date and shall accrue from day to day thereafter, compounding semi-annually (to the extent unpaid), whether or not earned or declared at a rate, through the fourth anniversary of the Initial Issue Date, of 8.5% per annum and, after the fourth anniversary of the Initial Issue Date, of 17% per annum on the stated amount of \$1,000 per share until paid, subject to Section 4(j) hereof. Dividends accruing pursuant to this Section 2(a) shall be payable semi-annually in arrears upon declaration by the Board and (i) during the first four years following the Initial Issue Date shall be payable, at the option of the Company, either by the delivery of additional shares of Series B Preferred Stock with a liquidation value equal to the amount of the dividend or by the delivery of cash and (ii) after the fourth anniversary of the Initial Issue Date shall be paid only in cash. If, during the first four years following the Initial Issue Date, the Company does not make any dividend payment in full in cash to the holders of the then-outstanding shares of Series B Preferred Stock upon a semi-annual dividend payment date, the Company shall be deemed to have declared and delivered such dividend in additional shares of Series B Preferred Stock, as set forth above. Dividends shall be cumulative so that, if all accrued dividends shall not have been paid, such accrued and unpaid dividends shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for any Junior Stock.

(b) Priority. Until such time as all current and accrued dividends on the Series B Preferred Stock for all periods from and after the Initial Issue Date shall have been

## Statement of Stock Designation

Page 9

paid (i) no dividend whatsoever (other than a dividend payable solely in Common Stock) shall be paid or declared, and no Distribution shall be made, on any Junior Stock, and (ii) no shares of Junior Stock shall be purchased, redeemed or acquired by the Company, and no monies shall be paid into or set aside or made available for a sinking fund for the purchase, redemption or acquisition thereof other than shares of Junior Stock purchased, redeemed or acquired by the Company to fund the Company's deferred compensation arrangements. So long as any shares of Series B Preferred Stock are outstanding, the Company shall not issue, or obligate itself to issue, any other Equity Security senior to the Series B Preferred Stock as to dividend or redemption rights or liquidation preferences or, unless the consent of the holders of 80% of the outstanding shares of Series B Preferred Stock is obtained, any other Equity Security on a parity with Series B Preferred Stock as to dividend or redemption rights or liquidation preferences.

## Section 3. Liquidation Rights of Series B Preferred Stock.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the then-outstanding shares of Series B Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of the Junior Stock, an amount (the "Liquidation Preference") equal to \$1,000 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the date full payment shall be tendered to the holders of the then-outstanding shares of Series B Preferred Stock with respect to such liquidation, dissolution or winding up, and no more. If upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the then-outstanding shares of Series B Preferred Stock shall be insufficient to permit the payment to such shareholders of the full preferential amounts to which they are entitled, then all of the assets of the Company shall be distributed ratably to the holders of the then-outstanding shares of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock held by each such shareholder as compared to the aggregate number of then-outstanding shares of Series B Preferred Stock. The (i) merger or consolidation of the Company with or into any other entity or entities where the Company is not the surviving entity (other than a merger solely for the purpose of changing the Company's state of incorporation) or in which in excess of 50% of the Company's voting power is transferred, or (ii) the sale or transfer by the Company of all or substantially all of its assets, shall be deemed to be a liquidation, dissolution and winding up of the Company within the meaning of this Section 3.

(b) Remaining Assets. After the payment or distribution to the holders of the then-outstanding shares of Series B Preferred Stock of the full preferential amounts to which they are entitled, the holders

of the then-outstanding shares of Junior Stock shall be entitled to receive ratably all remaining assets of the Company.

Statement of Stock Designation

Page 10

Section 4. Redemption.

(a) Restriction on Redemption and Purchase. Except as expressly provided in this Section 4, the Company shall not have the right to purchase, call, redeem or otherwise acquire for value any or all of the Series B Preferred Stock.

(b) Optional Redemption. At any time after the fourth anniversary of the Initial Issue Date, the Company may, at its option, upon provision of written notice at least sixty (60) days prior to the date set for redemption, redeem the Series B Preferred Stock, in whole or in part, at the Redemption Price hereinafter specified; provided, that the Company shall redeem shares of Series B Preferred Stock having an aggregate Liquidation Preference of at least Two Million Five Hundred Thousand Dollars (\$2,500,000) upon each Payment Date; and provided further, any partial redemption shall be effected ratably among the holders of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock then held by each holder.

(c) Mandatory Redemption. The Company shall redeem all outstanding shares of Series B Preferred Stock at the Redemption Price hereinafter specified upon (i) the twelfth anniversary of the Initial Issue Date or (ii) the occurrence of a Triggering Event (in either case, "Mandatory Redemption Date").

(d) Optional Redemption Notice. The Company shall, not less than sixty (60) days prior to the Payment Date for an optional redemption pursuant to Section 4(b), give written notice to each holder of record of shares of Series B Preferred Stock that the Company has determined to exercise its optional redemption rights hereunder. This notice shall state the number of then-outstanding shares of Series B Preferred Stock to be redeemed, the Redemption Price, including the amount of dividends included in such price and the calculation thereof, the Payment Date and the time, place and manner in which the holder is to surrender to the Company the certificate or certificates representing the shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(d), shall mean the date set by the Company with respect to an optional redemption designated by the Company for payment of the Redemption Price.

(e) Mandatory Redemption Notice. The Company shall provide prompt, but in no event later than two (2) Business Days after the Mandatory Redemption Date, notice to the holders of the Series B Preferred Stock of the Mandatory Redemption Date. Such notice shall state the Redemption Price, including the amount of dividends included in such price and the calculation thereof, and the Payment Date, place and manner in which the holders are to surrender to the Company the certificates representing shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(e), shall mean the date on or prior to the fifth Business Day after the Mandatory Redemption Date designated by the Company for payment of the Redemption Price.

Statement of Stock Designation

Page 11

(f) Redemption Price. In all events, the Redemption Price of the Series B Preferred Stock (the "Redemption Price") shall be an amount per share equal to \$1,000 plus the amount of all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the Payment Date.

(g) Payment of Redemption Price and Surrender of Stock. On the Payment Date, the Redemption Price of the Series B Preferred Stock shall be paid to the holders of the Series B Preferred Stock. On or before the Payment Date, each holder of shares of Series B Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares to the Company, duly endorsed, together with such other instruments as the Company may reasonably require to insure that such shares of Series B Preferred Stock are duly and validly transferred to the Company, free of all Liens, and on the Payment Date the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. Upon an optional redemption of less than all of the then-outstanding shares of Series B Preferred Stock, upon the surrender to the Company of a certificate or certificates representing shares of Series B Preferred Stock to be redeemed and payment by the Company of the Redemption Price, the Company shall issue to the holder thereof a certificate representing any shares of Series B Preferred Stock not redeemed but represented by the certificate or certificates surrendered.

(h) Insufficient Funds. If the funds of the Company legally available for redemption of Series B Preferred Stock on the Payment Date with respect to a Mandatory Redemption Date are insufficient to redeem all of the Series B Preferred Stock that are subject to redemption pursuant to Section 4(c) on such date, those funds that are so available will be used to redeem the maximum possible number of such shares of the Series B Preferred Stock ratably among the holders thereof on the basis of the number of shares of Series B Preferred Stock held by each such shareholder. At the earliest time thereafter as additional funds of the Company are legally available for redemption of Series B Preferred Stock in the manner provided above, such funds will be immediately used to redeem the balance of such Series B Preferred Stock subject to redemption.

(i) Deposit of Funds. At least three (3) Business Days prior to a Payment Date, the Company shall deposit with any bank or trust company in the United States, having a capital and surplus of at least \$1 billion as a trust fund, a sum equal to the aggregate Redemption Price, with irrevocable instructions and authority to the bank or trust company to pay, on or after the Payment Date, the Redemption Price to the respective holders of then-outstanding shares of Series B Preferred Stock upon the surrender of their share certificates. The deposit shall constitute full payment of the shares to their holders; provided, that, until all shares of Series B Preferred Stock are redeemed and full payment made therefor, the holders thereof shall continue to be considered shareholders with respect to such shares and shall have all rights with respect thereto, including the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor.

Statement of Stock Designation  
Page 12

Any monies so deposited and unclaimed at the end of one year from the Payment Date shall be released or repaid to the Company, after which the holders of shares of Series B Preferred Stock called for redemption shall be entitled to receive payment of the Redemption Price only from the Company.

(j) Accrual of Dividends. Unless the Company defaults in making the payment of the Redemption Price in accordance with Section 4(i) hereof, dividends on Series B Preferred Stock subject to redemption will cease to accrue on and after the Payment Date.

(k) Waiver. At any time after receiving notice of Mandatory Redemption and prior to two Business Days before the Payment Date, the holders of Series B Preferred Stock may, by written consent of holders of at least 80% of the then outstanding Series B Preferred Stock, waive the redemption of the Series B Preferred Stock as to such mandatory redemption event in which case the Company shall not be obligated to redeem the shares of Series B Preferred Stock as to such redemption event. Upon receipt of any such waiver, the Company shall promptly provide written notice to all holders of Series B Preferred Stock.

Section 5. Voting Rights.

(a) Series B Preferred Stock. Each holder of shares of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Class A Common Stock and, except as otherwise expressly provided herein, shall be entitled to the number of votes equal to the largest number of full shares of Class A Common Stock into which such shares of Series B Preferred Stock could be converted, pursuant to the provisions of Section 8(b) hereof, at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken.

(b) Common Stock. Each holder of shares of Class A Common Stock shall be entitled to one vote for each share thereof held, and each holder of shares of Class B Common Stock shall be entitled to ten votes for each share thereof held, as provided in Article IV, Section (b) of the Restated Articles of Incorporation. Except as otherwise expressly provided herein or as required by law, the holders of Series B Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

Section 6. Restrictions and Limitations. So long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of 80% with respect to items (c), (e) or (g), or a majority with respect to items (a), (b), (d) or (f), of the then-outstanding shares of Series B Preferred Stock:

(a) Purchase, redeem or otherwise acquire for value (or pay into or set aside as a sinking fund for such purpose) any Junior Stock or any warrant, option or right to

Statement of Stock Designation  
Page 13

purchase any Junior Stock, other than purchases of shares of Junior Stock for

the purpose of funding deferred compensation arrangements;

(b) Declare or pay any dividends on or declare or make any other Distribution, direct or indirect (other than a dividend payable solely in shares of Class A Common Stock), on account of Junior Stock or set apart any sum for any such purpose;

(c) Amend its Articles of Incorporation in any manner that would significantly and adversely affect the rights or preferences of the Series B Preferred Stock;

(d) Take any action which would result in taxation of the holders of the Series B Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (the "Code") (or any comparable provision of the Code as hereafter from time to time amended);

(e) Issue any additional shares of Series B Preferred Stock after the Initial Issue Date, except pursuant to Section 2 hereof;

(f) Following the effective date of the Proposed Amendments, liquidate or dissolve the Company; or

(g) Following the effective date of the Proposed Amendments, permit the Company to be merged with or into, or consolidated with any other entity or sell all or substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

Section 7. Debt Incurrence Covenant. At all times that any shares of Series B Preferred Stock are outstanding, the Company shall not incur any Funded Debt if, as a result of such additional Funded Debt, the Company's Total Leverage Ratio would exceed 7.0:1.

Section 8. Conversion. The holders of Series B Preferred Stock shall have the following conversion rights:

(a) Right to Convert. Each share of Series B Preferred Stock shall be convertible, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Class A Common Stock. Such conversion right shall continue to apply to any share of Series B Preferred Stock called for redemption pursuant to Section 4 hereof until the close of business on the Business Day immediately preceding the applicable Payment Date.

(b) Conversion Price. Each share of Series B Preferred Stock shall initially be convertible into that number of shares of Class A Common Stock determined by dividing the then Liquidation Preference of such share of Series B Preferred Stock by the then

Statement of Stock Designation

Page 14

conversion price, as adjusted pursuant to this Section 8, which conversion price shall initially be equal to \$5.55 per share (the "Conversion Price").

(c) Mechanics of Conversion. Each holder of Series B Preferred Stock who desires to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series B Preferred Stock or Class A Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Series B Preferred Stock being converted. Thereupon the Company shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Series B Preferred Stock to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

(d) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the Initial Issue Date effects a subdivision of the outstanding Class A Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the Company at any time or from time to time after the Initial Issue Date combines the outstanding shares of Class A Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this subsection (d) shall become effective at the open of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Initial

Issue Date makes, or fixes a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in additional shares of Class A Common Stock, then and in each such event the Conversion Price then in effect shall be reset as of the time of such issuance or, in the event such record date is fixed, as of the open of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Class A Common Stock issuable in payment of such dividend or Distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such Distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter

Statement of Stock Designation

Page 15

the Conversion Price shall be adjusted pursuant to this subsection (e) as of the time of actual payment of such dividends or Distributions.

(f) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Initial Issue Date makes, or fixes, a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Series B Preferred Stock been converted into Class A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 8 with respect to the rights of the holders of the Series B Preferred Stock.

(g) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Initial Issue Date, the Class A Common Stock issuable upon the conversion of the Series B Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 8), then and in any such event each holder of Series B Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Class A Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(h) Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Initial Issue Date there is a capital reorganization of the Class A Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 8) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series B Preferred Stock shall thereafter be entitled to receive upon conversion of the Series B Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Class A Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 8 with respect to the rights of the holders of the Series B Preferred Stock after the reorganization,

Statement of Stock Designation

Page 16

merger, consolidation or sale to the end that the provisions of this Section 8 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series B Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

(i) Sale of Shares Below Conversion Price.

a) If at any time or from time to time after

the Initial Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (i) to have issued or sold, Additional Shares of Class A Common Stock (as hereinafter defined) (other than (A) as a dividend or other Distribution on any class of stock as provided in subsection (e) above, (B) upon a subdivision or combination of shares of Class A Common Stock as provided in subsection (d) above, or (C) shares to be issued to officers, directors, employees, agents or consultants of the Company pursuant to stock options or equity incentive plans approved by the Board of Directors of the Company and representing not more than 5% of the outstanding Class A Common Stock as of the Initial Issue Date (the "Exempt Issuances")) for an Effective Price (as hereinafter defined) less than the then existing Conversion Price, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, by multiplying such Conversion Price in effect immediately prior to such new issuance by a fraction (i) the numerator of which shall be (A) the number of shares of Class A Common Stock outstanding at the close of business on the day preceding the date of such issue or sale (assuming conversion of all outstanding shares of Series B Preferred Stock at the then Conversion Price) plus (B) the number of Shares of Class A Common Stock which the aggregate consideration received (or by the express provisions hereof deemed to have been received by the Company for the total number of Additional Shares of Class A Common Stock so issued) would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of shares of Class A Common Stock outstanding at the close of business on the date of such issuance or sale after giving effect to such issue of Additional Shares of Class A Common Stock (assuming conversion of all outstanding shares of Preferred Stock into shares of Class A Common Stock at the then Conversion Price).

b) For the purpose of making any adjustment required under this subsection (i), the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash be computed at the amount of cash received by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, (C) if Additional Shares of Class A Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Class A Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Class A

Statement of Stock Designation

Page 17

Common Stock, Convertible Securities or rights or options, and (D) be computed after reduction for all expenses payable by the Company in connection with such issue or sale.

c) For the purpose of the adjustment required under this subsection (i), if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Class A Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities") or rights or options for the purchase of Convertible Securities, and if the Effective Price of such Additional Shares of Class A Common Stock ultimately issuable pursuant thereto is less than the then Conversion Price, then in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Class A Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Class A Common Stock on the exercise of any such rights or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Class A Common Stock so issued were the Additional Shares of Class A Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Class A Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the

consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities. A similar readjustment will be made if the amount actually paid to the Company upon exercise of conversion of any Convertible Securities exceeds the minimum amount assumed pursuant to this Section 8(i).

d) "Additional Shares of Class A Common Stock" shall mean all shares of Class A Common Stock issued by the Company after the Series B Issuance Date,

Statement of Stock Designation

Page 18

whether or not subsequently reacquired or retired by the Company, other than (i) shares of Class A Common Stock issued upon conversion of the Series B Preferred Stock and (ii) the shares of Class A Common Stock issued as Exempt Issuances. The "Effective Price" of Additional Shares of Class A Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Class A Common Stock issued or sold, or deemed to have been issued or sold by the Company under this subsection (i), into the aggregate consideration received, or deemed to have been received, by the Company for such issue under this subsection (i), for such Additional Shares of Class A Common Stock.

(j) Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price, the Company, at its expense, shall cause independent public accountants of recognized standing selected by the Company (who may be the independent public accountants then auditing the books of the Company) to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series B Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Shares of Class A Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price at the time in effect, (3) the number of Additional Shares of Class A Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Series B Preferred Stock.

(k) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other Distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series B Preferred Stock at least ten (10) days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or Distribution and a description of such dividend or Distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Class A Common Stock (or other securities) shall be entitled to exchange their shares of Class A Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

Statement of Stock Designation

Page 19

(l) Mandatory Conversion. At any time following the third anniversary of the Initial Issue Date, the Company may require the immediate conversion of all outstanding shares of Series B Preferred Stock into shares of Class A Common Stock pursuant to the procedures set forth in this Section 8 by written notice to all holders of Series B Preferred Stock at the then effective Conversion Price; provided however, the Company may require conversion pursuant to this Section 8(l) only if the shares of Class A Common Stock are traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System and such shares then have a Closing Price equal to or greater than two times the then effective Conversion Price and have had such a Closing Price for a period of thirty consecutive Trading Days.

(m) Conversion Following Default in Payment of Redemption Price. Notwithstanding anything herein to the contrary, in the event that the Company fails to make full payment of the Redemption Price on any



Payment Date pursuant to Section 4 hereof, for any reason, including the prohibition of such payment pursuant to the Credit Agreement, the holders of shares of Series B Preferred Stock remaining outstanding shall have the right to convert such shares of Series B Preferred Stock, in whole or in part, pursuant to the procedures set forth in this Section 8, into shares of Class A Common Stock at a Conversion Price equal to ninety-five percent (95%) of the average Closing Price of the Company's Class A Common Stock for the ten (10) Trading Days immediately prior to the date of conversion. Any shares of Series B Preferred Stock not so converted shall remain outstanding and shall continue to represent an obligation of the Company to pay the Redemption Price with respect thereto. Notwithstanding anything herein to the contrary, the aggregate number of shares of Class A Common Stock issued upon conversion of shares of Series B Preferred Stock pursuant to this Section 8(m) shall, in any event, not exceed 19.9% of the total number of issued and outstanding shares of capital stock of the Company as of the Initial Issue Date.

Section 10. Exclusive Remedy. So long as any obligation is outstanding under the Credit Agreement, the sole remedy available to holders of Series B Preferred Stock for the Company's failure to make full payment in cash of the Redemption Price when required pursuant to Section 4 hereof, shall be the conversion of the Series B Preferred Stock into shares of Class A Common Stock pursuant to Section 8(m) hereof unless the lenders under the Credit Agreement consent to payment in cash.

Section 11. No Reissuance of Series B Preferred Stock. No share of Series B Preferred Stock acquired by the Company upon conversion, by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Company shall be authorized to issue.

RESOLVED FURTHER, that, because certain of the terms and conditions of the issuance of the Series B Preferred Stock relating to rights of holders of that stock to vote

Statement of Stock Designation

Page 20

as a class on certain specific activities of the Company, as further described in Sections 1-11 above, will not become effective until certain amendments to the Company's Restated Articles of Incorporation become effective, the Board of Directors shall seek approval of amendments to those articles from the shareholders of the Company at the annual shareholder meeting to be held on or about June 10, 1999 or such other date on which it is held, and such terms relating to those class votes will not become effective until that portion of those amendments are approved by those shareholders and the amendments are filed with the Alaska Department of Commerce and Economic Development;

RESOLVED FURTHER, that the president of the Company or any vice president designated by him and the secretary of the Company or any assistant secretary of the Company are hereby authorized and directed to take those steps necessary to cause the issuance and sale of the Series B Preferred Stock including to execute a statement to be filed in accordance with the requirements of AS 10.06.320 of the Alaska Statutes and to seek shareholder approval of those amendments to the Company's Restated Articles of Incorporation to allow all of the terms of ownership of the Series B Preferred Stock to become effective."

IN WITNESS WHEREOF, the Company has caused this Statement of Stock Designation to be duly executed on its behalf at Anchorage, Alaska as of this 21st day of April, 1999.

GENERAL COMMUNICATION, INC.

By: /s/  
G. Wilson Hughes  
Its: Executive Vice President

By: /s/  
John M. Lowber  
Its: Secretary

Statement of Stock Designation

Page 21

STATEMENT OF STOCK DESIGNATION

-----  
Setting forth a copy of a resolution creating and authorizing the issuance of a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock" adopted by the board of directors of General Communication, Inc.  
-----

Pursuant to AS 10.06.315 and 10.06.320 of the Alaska Statutes  
-----

We, the undersigned officers of General Communication, Inc., an Alaska corporation ("Company"), hereby state and otherwise certify that, on April 21, 1999, the board of directors of the Company, pursuant to authority vested in it by Article IV of the Company's Restated Articles of Incorporation and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, duly adopted the following resolution creating a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock":

RESOLUTION

"WHEREAS, General Communication, Inc. is authorized through its Restated Articles of Incorporation to issue up to 100 million shares of Class A Common Stock and up to 1 million shares of Preferred Stock, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions contained in the Restated Articles of Incorporation, to fix or alter the dividend rate, conversion rate, voting rights, redemption prices, and liquidation preferences of any wholly unissued series of Preferred Stock, the number of shares constituting any such series, the designation of such series, and other terms and conditions of the issuance of such stock;

Statement of Stock Designation  
Page 1

WHEREAS, the Company, through its Board of Directors, approved a statement of stock designation pursuant to Article IV of the Restated Articles of Incorporation and that statement was filed of record with the Alaska Department of Commerce and Economic Development on or about January 17, 1991 pursuant to authority set forth in AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, and the board subsequently authorized the issuance of Series A Preferred Stock under that designation which was subsequently issued and later retired, and the Company does not presently have outstanding any shares of its Preferred Stock and is not otherwise obligated to issue such shares in the future, and the Board of Directors desires to cancel and otherwise delete that 1991 statement of stock designation at this time and to fix the terms of a second series of that Preferred Stock and the number of shares constituting that series;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company, and in accordance with AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, the board hereby cancels and otherwise deletes the 1991 statement of stock designation for the Series A preferred stock and hereby declares that such statement is no longer a part of those articles;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, the board hereby approves and otherwise directs the issuance, from 1 million shares of Preferred Stock authorized under those articles, a series of Preferred Stock of the Company to consist of 35,000 shares designated as Series B Convertible Redeemable Accreting Preferred Stock ("Series B Preferred Stock") and hereby fixes the designation, rights, preferences, privileges, and restrictions of the shares of that series, in addition to the designation, rights, preferences, privileges and restrictions set forth in those articles which are directly applicable to the Preferred Stock as follows:

Preface. Series B Convertible Redeemable Accreting Preferred Stock. Of the 1,000,000 shares of Preferred Stock, authorized pursuant to Article IV of the Restated Articles of Incorporation of the Company, 35,000 shall be designated Series B Convertible Redeemable Accreting Preferred Stock, with the rights, preferences, privileges and restrictions set forth in this

paragraph.

Section 1. Definitions. For purposes of the following Sections, the following definitions shall apply:

Statement of Stock Designation

Page 2

"Additional Shares of Class A Common Stock" shall have the meaning ascribed to such term in Section 8(i)(d) hereof.

"Annualized Operating Cash Flow" shall mean, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters.

"Bankruptcy Event" shall mean the occurrence of any of the following: (i) a court or governmental agency having appropriate jurisdiction shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs; (ii) there shall be commenced against the Company an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; (iii) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Company shall be unable to, or shall admit in writing to its inability to, pay its debts generally as they become due.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean a day on which banks and foreign exchange markets are open for the transaction of business in New York, New York as relevant to the determination to be made or action to be taken.

"Capitalized Leases" shall mean capital leases and subleases, as defined in accordance with GAAP.

"Change of Control" shall mean the occurrence of one or more of the following events: (a) any change in the ownership of the Company resulting in MCI WorldCom, Inc. and any of its wholly owned Subsidiaries, owning Voting Stock with less than eighteen percent (18%) of the total combined voting power of the Company, (b) MCI WorldCom, Inc. shall at any time have less than two (2) representatives sitting on the Board for more than a sixty-day period, (c) Ronald A. Duncan resigns or is removed from his position as Chief Executive

Statement of Stock Designation

Page 3

Officer of the Company, other than as a result of death or disability, and is not replaced within sixty (60) days of such resignation or removal with a person acceptable to the holders of a majority of the outstanding Series B Preferred Stock or (d) Ronald A. Duncan or his heirs transfers, sells or in any way disposes of a material amount of the capital stock of the Company owned by him as of the date hereof. A Change of Control shall be deemed to occur as of the effective date of the first event, action or transaction leading to one of the results described above.

"Class A Common Stock" shall mean the Class A Common Stock of the Company.

"Class B Common Stock" shall mean the Class B Common Stock of the Company.

"Closing Date" shall mean April 30, 1999.

"Closing Price" if the Class A Common Stock is traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System, shall mean the closing price as reported for composite transactions on the applicable

date, or, if no sales occurred on an applicable date, then the average of the highest bid and lowest asked prices on such exchange or the National Market System at the end of the day on such date. If the Class A Common Stock is not traded on an exchange or the National Market System but is otherwise traded over-the-counter, Closing Price shall mean the average of the highest bid and lowest asked prices quoted in the National Association of Security Dealers, Inc. Automated Quotation System as of the close of business on the applicable date, or if not so quoted on such date, the average of the representative bid and asked prices on such date in the domestic over-the-counter market as reported by the National Quotation Bureau, Inc., or any similar successor organization.

"Common Stock" shall mean, collectively, the Class A Common Stock and Class B Common Stock of the Company.

"Company" shall mean this corporation.

"Contingent Liability" shall mean, as to any person, any obligation contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other person in any manner, whether directly or indirectly, including without limitation any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt, (b) to purchase property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor

Statement of Stock Designation

Page 4

to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Conversion Price" shall have the meaning ascribed to such term in Section 8(b) hereof.

"Convertible Securities" shall have the meaning ascribed to such term in Section 8(i)(c) hereof.

"Credit Agreement" shall mean that certain \$200,000,000 Amended and Restated Credit Agreement dated November 14, 1997 between GCI Holdings, Inc. as borrower and NationsBank of Texas, N.A., Credit Lyonnais New York Branch and TD Securities (USA), Inc., as it may be amended or supplemented from time to time.

"Debt" shall mean, all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capitalized Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" shall mean, without duplication, (a) all obligations of a person for borrowed money, (b) all obligations of a person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of a person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, and (d) all obligations of a person secured by a Lien on any assets or property of any person.

"Distribution" shall mean the declaration or payment of any dividend (whether in cash or otherwise) on or in respect of any shares of any class of capital stock of any person, other than dividends payable solely in shares of common stock of such person; the purchase, redemption, or other retirement of any shares of any class of capital stock of any person, directly or indirectly through a subsidiary or otherwise; the return of capital by any person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of any person.

"Effective Price" shall have the meaning ascribed in Section 8(i)(d) hereof.

"Equity Security" shall mean any capital stock of the Company or any security (whether stock or Debt for Borrowed Money) convertible or exchangeable, with or without consideration, into or for any capital stock, or any security (whether capital stock or Debt

Statement of Stock Designation

Page 5

for Borrowed Money) carrying any warrant or right to subscribe to or purchase

any stock or similar security, or any such warrant or right.

"Exempt Issuances" shall have the meaning ascribed to such term in Section 8(i) (a) hereof.

"Funded Debt" shall mean, without duplication, with respect to any person, all Debt of such person, determined on a consolidated basis and measured in accordance with GAAP that is either: (a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one (1) year after the date of creation thereof, notwithstanding the fact that the payments are required to be made less than one (1) year after such date, (c) Capitalized Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit (without duplication), (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with interest hedge agreements, (h) payments due under any non-compete agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than ninety (90) days old and any thereof that are being contested in good faith).

"GAAP" shall mean, as in effect from time to time, generally accepted accounting principles used in the United States, consistently applied.

"Initial Issue Date" shall mean the first date upon which shares of Series B Preferred Stock are issued.

"Issue Date" shall mean the date of the original issuance of a share of the Series B Preferred Stock.

"Junior Stock" shall mean the Common Stock and all other shares of capital stock of the Company, whether presently outstanding or hereafter issued, other than Series B Preferred Stock.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including, any conditional sale or other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Liquidation Preference" shall have the meaning set forth in Section 3(a) hereof.

Statement of Stock Designation

Page 6

"Mandatory Redemption Date" shall have the meaning ascribed thereto in Section 4(c) hereof.

"Net Total Interest Expense" shall have the definition ascribed thereto in the Credit Agreement.

"Operating Cash Flow" shall mean, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense, (e) deferred income taxes, plus (f) for the fiscal quarter in which the Company or any of its Subsidiaries purchases the transponders pursuant to that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among GCI Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, and that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Satellite Services, Inc. (the "Galaxy X Transponders"), now held by PanAmSat Corp, as assignee, the annualized amount of economic savings of the Company or any of its Subsidiaries resulting from the direct purchase by the Company or any of its Subsidiaries of such Galaxy X Transponders instead of leasing such Galaxy X Transponders from GCI Satellite Co., Inc., an indirect wholly owned subsidiary of the Company, and leasing transponders from other providers; provided, the calculation is made after giving effect to acquisitions and dispositions of assets during such period as if such transactions had occurred on the first day of such period. In calculating "Operating Cash Flow," losses from local telephone businesses shall be offset by amounts not exceeding \$20,000,000 contributed to the Company or any of its Subsidiaries from the net proceeds of any offering of the Series B Preferred Stock issued by the Company. The amount attributable to such net proceeds which is available for such offset shall be reduced by the amount of net proceeds actually used for such offset as of any point in time.

"Payment Date" shall have the meaning ascribed

thereto in Section 4(d) and Section 4(e) hereof.

"Proposed Amendments" shall mean the proposed amendments to Restated Articles of Incorporation of the Company which shall be submitted by the Board to the shareholders of the Company and voted upon by the shareholders at their next annual meeting of shareholders as required by the Purchase Agreement. The Proposed Amendments provide that so long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of a majority of the then-outstanding shares of Series B Preferred Stock (i) liquidate or dissolve the Company or (ii) permit the Company to be merged with or into, or consolidated with, any other entity or sell all or

Statement of Stock Designation

Page 7

substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

"Purchase Agreement" shall mean the Series B Preferred Stock Purchase Agreement by and between the Company, Toronto Dominion Investments, Inc. and the other purchasers listed therein, dated as of April 30, 1999.

"Redemption Price" shall have the meaning ascribed thereto in Section 4(f) hereof.

"Series B Preferred Stock" shall mean the Series B Convertible Redeemable Accreting Preferred Stock of the Company.

"Subsidiary" of a person shall mean (i) any corporation of which fifty one (51%) percent or more of the Voting Stock, or any partnership of which 51% or more of outstanding partnership interests, is at any time owned by the person, or by one or more Subsidiaries of such person, or by such person and one or more Subsidiaries of such person, and (ii) any other entity which is controlled or capable of being controlled by such person or by one or more Subsidiaries of such person or by such person and one or more Subsidiaries of such person.

"Total Debt" shall mean the outstanding principal amount of all Funded Debt.

"Total Leverage Ratio" shall mean, without duplication, as of any date of determination, the ratio of (i) Total Debt of the Company (on an unconsolidated basis), its subsidiary, GCI, Inc., its subsidiary GCI Holdings, Inc. and the Restricted Subsidiaries of GCI Holdings, Inc. (as defined in the Credit Agreement) on such date of determination, to (ii) Annualized Operating Cash Flow of such entities, all calculated on a consolidated basis (except as noted above) in accordance with GAAP consistently applied.

"Trading Day" shall mean, any date that a nationally recognized exchange or the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System is open and accepting bids for the sale of securities listed thereon.

"Triggering Event" shall mean (i) the acceleration of any obligation outstanding under Funded Debt of the Company or any of its Subsidiaries having an outstanding balance in excess of \$5,000,000, (ii) a Change of Control, (iii) a Bankruptcy Event, (iv) the breach of Section 7 hereof, (v) the liquidation or dissolution of the Company, or (vi) the merger of the Company with or into, or the consolidation of the Company with any other entity or the sale by the Company of all or substantially all of the assets of the Company, where the terms of

Statement of Stock Designation

Page 8

such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock; provided however, that clauses (v) and (vi) above shall cease to be Triggering Events upon the approval by the shareholders of the Company of the Proposed Amendments to the Restated Articles of Incorporation and the effective filing of the Proposed Amendments with the Alaska Department of Commerce and Economic Development. If the shareholders of the Company fail to approve the Proposed Amendments or if such amendments are not filed with the Alaska Department of Commerce and Economic Development by August 31, 1999, then clauses (v) and (vi) shall remain Triggering Events for so long as any shares of Series B Preferred Stock remain outstanding.

"Voting Stock" shall mean any shares having general voting power in electing the board of directors of any person (irrespective of whether or not at the time stock of any other class or classes has or might have voting power by reason or the happening of any contingency).

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of the Employee Retirement Income Security Act of 1974, as amended.

## Section 2. Dividends.

(a) Right to Dividends. Dividends on each share of Series B Preferred Stock shall accumulate and accrue from the Issue Date and shall accrue from day to day thereafter, compounding semi-annually (to the extent unpaid), whether or not earned or declared at a rate, through the fourth anniversary of the Initial Issue Date, of 8.5% per annum and, after the fourth anniversary of the Initial Issue Date, of 17% per annum on the stated amount of \$1,000 per share until paid, subject to Section 4(j) hereof. Dividends accruing pursuant to this Section 2(a) shall be payable semi-annually in arrears upon declaration by the Board and (i) during the first four years following the Initial Issue Date shall be payable, at the option of the Company, either by the delivery of additional shares of Series B Preferred Stock with a liquidation value equal to the amount of the dividend or by the delivery of cash and (ii) after the fourth anniversary of the Initial Issue Date shall be paid only in cash. If, during the first four years following the Initial Issue Date, the Company does not make any dividend payment in full in cash to the holders of the then-outstanding shares of Series B Preferred Stock upon a semi-annual dividend payment date, the Company shall be deemed to have declared and delivered such dividend in additional shares of Series B Preferred Stock, as set forth above. Dividends shall be cumulative so that, if all accrued dividends shall not have been paid, such accrued and unpaid dividends shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for any Junior Stock.

(b) Priority. Until such time as all current and accrued dividends on the Series B Preferred Stock for all periods from and after the Initial Issue Date shall have been

## Statement of Stock Designation

Page 9

paid (i) no dividend whatsoever (other than a dividend payable solely in Common Stock) shall be paid or declared, and no Distribution shall be made, on any Junior Stock, and (ii) no shares of Junior Stock shall be purchased, redeemed or acquired by the Company, and no monies shall be paid into or set aside or made available for a sinking fund for the purchase, redemption or acquisition thereof other than shares of Junior Stock purchased, redeemed or acquired by the Company to fund the Company's deferred compensation arrangements. So long as any shares of Series B Preferred Stock are outstanding, the Company shall not issue, or obligate itself to issue, any other Equity Security senior to the Series B Preferred Stock as to dividend or redemption rights or liquidation preferences or, unless the consent of the holders of 80% of the outstanding shares of Series B Preferred Stock is obtained, any other Equity Security on a parity with Series B Preferred Stock as to dividend or redemption rights or liquidation preferences.

## Section 3. Liquidation Rights of Series B Preferred Stock.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the then-outstanding shares of Series B Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of the Junior Stock, an amount (the "Liquidation Preference") equal to \$1,000 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the date full payment shall be tendered to the holders of the then-outstanding shares of Series B Preferred Stock with respect to such liquidation, dissolution or winding up, and no more. If upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the then-outstanding shares of Series B Preferred Stock shall be insufficient to permit the payment to such shareholders of the full preferential amounts to which they are entitled, then all of the assets of the Company shall be distributed ratably to the holders of the then-outstanding shares of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock held by each such shareholder as compared to the aggregate number of then-outstanding shares of Series B Preferred Stock. The (i) merger or consolidation of the Company with or into any other entity or entities where the Company is not the surviving entity (other than a merger solely for the purpose of changing the Company's state of incorporation) or in which in excess of 50% of the Company's voting power is transferred, or (ii) the sale or transfer by the Company of all or substantially all of its assets, shall be deemed to be a liquidation, dissolution and winding up of the Company within the meaning of this Section 3.

(b) Remaining Assets. After the payment or distribution to the holders of the then-outstanding shares of Series B Preferred Stock of the full preferential amounts to which they are entitled, the holders

of the then-outstanding shares of Junior Stock shall be entitled to receive ratably all remaining assets of the Company.

Statement of Stock Designation

Page 10

Section 4. Redemption.

(a) Restriction on Redemption and Purchase. Except as expressly provided in this Section 4, the Company shall not have the right to purchase, call, redeem or otherwise acquire for value any or all of the Series B Preferred Stock.

(b) Optional Redemption. At any time after the fourth anniversary of the Initial Issue Date, the Company may, at its option, upon provision of written notice at least sixty (60) days prior to the date set for redemption, redeem the Series B Preferred Stock, in whole or in part, at the Redemption Price hereinafter specified; provided, that the Company shall redeem shares of Series B Preferred Stock having an aggregate Liquidation Preference of at least Two Million Five Hundred Thousand Dollars (\$2,500,000) upon each Payment Date; and provided further, any partial redemption shall be effected ratably among the holders of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock then held by each holder.

(c) Mandatory Redemption. The Company shall redeem all outstanding shares of Series B Preferred Stock at the Redemption Price hereinafter specified upon (i) the twelfth anniversary of the Initial Issue Date or (ii) the occurrence of a Triggering Event (in either case, "Mandatory Redemption Date").

(d) Optional Redemption Notice. The Company shall, not less than sixty (60) days prior to the Payment Date for an optional redemption pursuant to Section 4(b), give written notice to each holder of record of shares of Series B Preferred Stock that the Company has determined to exercise its optional redemption rights hereunder. This notice shall state the number of then-outstanding shares of Series B Preferred Stock to be redeemed, the Redemption Price, including the amount of dividends included in such price and the calculation thereof, the Payment Date and the time, place and manner in which the holder is to surrender to the Company the certificate or certificates representing the shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(d), shall mean the date set by the Company with respect to an optional redemption designated by the Company for payment of the Redemption Price.

(e) Mandatory Redemption Notice. The Company shall provide prompt, but in no event later than two (2) Business Days after the Mandatory Redemption Date, notice to the holders of the Series B Preferred Stock of the Mandatory Redemption Date. Such notice shall state the Redemption Price, including the amount of dividends included in such price and the calculation thereof, and the Payment Date, place and manner in which the holders are to surrender to the Company the certificates representing shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(e), shall mean the date on or prior to the fifth Business Day after the Mandatory Redemption Date designated by the Company for payment of the Redemption Price.

Statement of Stock Designation

Page 11

(f) Redemption Price. In all events, the Redemption Price of the Series B Preferred Stock (the "Redemption Price") shall be an amount per share equal to \$1,000 plus the amount of all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the Payment Date.

(g) Payment of Redemption Price and Surrender of Stock. On the Payment Date, the Redemption Price of the Series B Preferred Stock shall be paid to the holders of the Series B Preferred Stock. On or before the Payment Date, each holder of shares of Series B Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares to the Company, duly endorsed, together with such other instruments as the Company may reasonably require to insure that such shares of Series B Preferred Stock are duly and validly transferred to the Company, free of all Liens, and on the Payment Date the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. Upon an optional redemption of less than all of the then-outstanding shares of Series B Preferred Stock, upon the surrender to the Company of a certificate or certificates representing shares of Series B Preferred Stock to be redeemed and payment by the Company of the Redemption Price, the Company shall issue to the holder thereof a certificate representing any shares of Series B Preferred Stock not redeemed but represented by the certificate or certificates surrendered.



(h) Insufficient Funds. If the funds of the Company legally available for redemption of Series B Preferred Stock on the Payment Date with respect to a Mandatory Redemption Date are insufficient to redeem all of the Series B Preferred Stock that are subject to redemption pursuant to Section 4(c) on such date, those funds that are so available will be used to redeem the maximum possible number of such shares of the Series B Preferred Stock ratably among the holders thereof on the basis of the number of shares of Series B Preferred Stock held by each such shareholder. At the earliest time thereafter as additional funds of the Company are legally available for redemption of Series B Preferred Stock in the manner provided above, such funds will be immediately used to redeem the balance of such Series B Preferred Stock subject to redemption.

(i) Deposit of Funds. At least three (3) Business Days prior to a Payment Date, the Company shall deposit with any bank or trust company in the United States, having a capital and surplus of at least \$1 billion as a trust fund, a sum equal to the aggregate Redemption Price, with irrevocable instructions and authority to the bank or trust company to pay, on or after the Payment Date, the Redemption Price to the respective holders of then-outstanding shares of Series B Preferred Stock upon the surrender of their share certificates. The deposit shall constitute full payment of the shares to their holders; provided, that, until all shares of Series B Preferred Stock are redeemed and full payment made therefor, the holders thereof shall continue to be considered shareholders with respect to such shares and shall have all rights with respect thereto, including the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor.

Statement of Stock Designation  
Page 12

Any monies so deposited and unclaimed at the end of one year from the Payment Date shall be released or repaid to the Company, after which the holders of shares of Series B Preferred Stock called for redemption shall be entitled to receive payment of the Redemption Price only from the Company.

(j) Accrual of Dividends. Unless the Company defaults in making the payment of the Redemption Price in accordance with Section 4(i) hereof, dividends on Series B Preferred Stock subject to redemption will cease to accrue on and after the Payment Date.

(k) Waiver. At any time after receiving notice of Mandatory Redemption and prior to two Business Days before the Payment Date, the holders of Series B Preferred Stock may, by written consent of holders of at least 80% of the then outstanding Series B Preferred Stock, waive the redemption of the Series B Preferred Stock as to such mandatory redemption event in which case the Company shall not be obligated to redeem the shares of Series B Preferred Stock as to such redemption event. Upon receipt of any such waiver, the Company shall promptly provide written notice to all holders of Series B Preferred Stock.

Section 5. Voting Rights.

(a) Series B Preferred Stock. Each holder of shares of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Class A Common Stock and, except as otherwise expressly provided herein, shall be entitled to the number of votes equal to the largest number of full shares of Class A Common Stock into which such shares of Series B Preferred Stock could be converted, pursuant to the provisions of Section 8(b) hereof, at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken.

(b) Common Stock. Each holder of shares of Class A Common Stock shall be entitled to one vote for each share thereof held, and each holder of shares of Class B Common Stock shall be entitled to ten votes for each share thereof held, as provided in Article IV, Section (b) of the Restated Articles of Incorporation. Except as otherwise expressly provided herein or as required by law, the holders of Series B Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

Section 6. Restrictions and Limitations. So long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of 80% with respect to items (c), (e) or (g), or a majority with respect to items (a), (b), (d) or (f), of the then-outstanding shares of Series B Preferred Stock:

(a) Purchase, redeem or otherwise acquire for value (or pay into or set aside as a sinking fund for such purpose) any Junior Stock or any warrant, option or right to

Statement of Stock Designation  
Page 13

purchase any Junior Stock, other than purchases of shares of Junior Stock for

the purpose of funding deferred compensation arrangements;

(b) Declare or pay any dividends on or declare or make any other Distribution, direct or indirect (other than a dividend payable solely in shares of Class A Common Stock), on account of Junior Stock or set apart any sum for any such purpose;

(c) Amend its Articles of Incorporation in any manner that would significantly and adversely affect the rights or preferences of the Series B Preferred Stock;

(d) Take any action which would result in taxation of the holders of the Series B Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (the "Code") (or any comparable provision of the Code as hereafter from time to time amended);

(e) Issue any additional shares of Series B Preferred Stock after the Initial Issue Date, except pursuant to Section 2 hereof;

(f) Following the effective date of the Proposed Amendments, liquidate or dissolve the Company; or

(g) Following the effective date of the Proposed Amendments, permit the Company to be merged with or into, or consolidated with any other entity or sell all or substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

Section 7. Debt Incurrence Covenant. At all times that any shares of Series B Preferred Stock are outstanding, the Company shall not incur any Funded Debt if, as a result of such additional Funded Debt, the Company's Total Leverage Ratio would exceed 7.0:1.

Section 8. Conversion. The holders of Series B Preferred Stock shall have the following conversion rights:

(a) Right to Convert. Each share of Series B Preferred Stock shall be convertible, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Class A Common Stock. Such conversion right shall continue to apply to any share of Series B Preferred Stock called for redemption pursuant to Section 4 hereof until the close of business on the Business Day immediately preceding the applicable Payment Date.

(b) Conversion Price. Each share of Series B Preferred Stock shall initially be convertible into that number of shares of Class A Common Stock determined by dividing the then Liquidation Preference of such share of Series B Preferred Stock by the then

Statement of Stock Designation

Page 14

conversion price, as adjusted pursuant to this Section 8, which conversion price shall initially be equal to \$5.55 per share (the "Conversion Price").

(c) Mechanics of Conversion. Each holder of Series B Preferred Stock who desires to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series B Preferred Stock or Class A Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Series B Preferred Stock being converted. Thereupon the Company shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Series B Preferred Stock to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

(d) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the Initial Issue Date effects a subdivision of the outstanding Class A Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the Company at any time or from time to time after the Initial Issue Date combines the outstanding shares of Class A Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this subsection (d) shall become effective at the open of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Initial

Issue Date makes, or fixes a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in additional shares of Class A Common Stock, then and in each such event the Conversion Price then in effect shall be reset as of the time of such issuance or, in the event such record date is fixed, as of the open of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Class A Common Stock issuable in payment of such dividend or Distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such Distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter

Statement of Stock Designation

Page 15

the Conversion Price shall be adjusted pursuant to this subsection (e) as of the time of actual payment of such dividends or Distributions.

(f) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Initial Issue Date makes, or fixes, a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Series B Preferred Stock been converted into Class A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 8 with respect to the rights of the holders of the Series B Preferred Stock.

(g) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Initial Issue Date, the Class A Common Stock issuable upon the conversion of the Series B Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 8), then and in any such event each holder of Series B Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Class A Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(h) Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Initial Issue Date there is a capital reorganization of the Class A Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 8) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series B Preferred Stock shall thereafter be entitled to receive upon conversion of the Series B Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Class A Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 8 with respect to the rights of the holders of the Series B Preferred Stock after the reorganization,

Statement of Stock Designation

Page 16

merger, consolidation or sale to the end that the provisions of this Section 8 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series B Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

(i) Sale of Shares Below Conversion Price.

a) If at any time or from time to time after

the Initial Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (i) to have issued or sold, Additional Shares of Class A Common Stock (as hereinafter defined) (other than (A) as a dividend or other Distribution on any class of stock as provided in subsection (e) above, (B) upon a subdivision or combination of shares of Class A Common Stock as provided in subsection (d) above, or (C) shares to be issued to officers, directors, employees, agents or consultants of the Company pursuant to stock options or equity incentive plans approved by the Board of Directors of the Company and representing not more than 5% of the outstanding Class A Common Stock as of the Initial Issue Date (the "Exempt Issuances")) for an Effective Price (as hereinafter defined) less than the then existing Conversion Price, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, by multiplying such Conversion Price in effect immediately prior to such new issuance by a fraction (i) the numerator of which shall be (A) the number of shares of Class A Common Stock outstanding at the close of business on the day preceding the date of such issue or sale (assuming conversion of all outstanding shares of Series B Preferred Stock at the then Conversion Price) plus (B) the number of Shares of Class A Common Stock which the aggregate consideration received (or by the express provisions hereof deemed to have been received by the Company for the total number of Additional Shares of Class A Common Stock so issued) would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of shares of Class A Common Stock outstanding at the close of business on the date of such issuance or sale after giving effect to such issue of Additional Shares of Class A Common Stock (assuming conversion of all outstanding shares of Preferred Stock into shares of Class A Common Stock at the then Conversion Price).

b) For the purpose of making any adjustment required under this subsection (i), the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash be computed at the amount of cash received by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, (C) if Additional Shares of Class A Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Class A Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Class A

Statement of Stock Designation

Page 17

Common Stock, Convertible Securities or rights or options, and (D) be computed after reduction for all expenses payable by the Company in connection with such issue or sale.

c) For the purpose of the adjustment required under this subsection (i), if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Class A Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities") or rights or options for the purchase of Convertible Securities, and if the Effective Price of such Additional Shares of Class A Common Stock ultimately issuable pursuant thereto is less than the then Conversion Price, then in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Class A Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Class A Common Stock on the exercise of any such rights or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Class A Common Stock so issued were the Additional Shares of Class A Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Class A Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the

consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities. A similar readjustment will be made if the amount actually paid to the Company upon exercise of conversion of any Convertible Securities exceeds the minimum amount assumed pursuant to this Section 8(i).

d) "Additional Shares of Class A Common Stock" shall mean all shares of Class A Common Stock issued by the Company after the Series B Issuance Date,

Statement of Stock Designation

Page 18

whether or not subsequently reacquired or retired by the Company, other than (i) shares of Class A Common Stock issued upon conversion of the Series B Preferred Stock and (ii) the shares of Class A Common Stock issued as Exempt Issuances. The "Effective Price" of Additional Shares of Class A Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Class A Common Stock issued or sold, or deemed to have been issued or sold by the Company under this subsection (i), into the aggregate consideration received, or deemed to have been received, by the Company for such issue under this subsection (i), for such Additional Shares of Class A Common Stock.

(j) Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price, the Company, at its expense, shall cause independent public accountants of recognized standing selected by the Company (who may be the independent public accountants then auditing the books of the Company) to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series B Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Shares of Class A Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price at the time in effect, (3) the number of Additional Shares of Class A Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Series B Preferred Stock.

(k) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other Distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series B Preferred Stock at least ten (10) days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or Distribution and a description of such dividend or Distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Class A Common Stock (or other securities) shall be entitled to exchange their shares of Class A Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

Statement of Stock Designation

Page 19

(l) Mandatory Conversion. At any time following the third anniversary of the Initial Issue Date, the Company may require the immediate conversion of all outstanding shares of Series B Preferred Stock into shares of Class A Common Stock pursuant to the procedures set forth in this Section 8 by written notice to all holders of Series B Preferred Stock at the then effective Conversion Price; provided however, the Company may require conversion pursuant to this Section 8(l) only if the shares of Class A Common Stock are traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System and such shares then have a Closing Price equal to or greater than two times the then effective Conversion Price and have had such a Closing Price for a period of thirty consecutive Trading Days.

(m) Conversion Following Default in Payment of Redemption Price. Notwithstanding anything herein to the contrary, in the event that the Company fails to make full payment of the Redemption Price on any

Payment Date pursuant to Section 4 hereof, for any reason, including the prohibition of such payment pursuant to the Credit Agreement, the holders of shares of Series B Preferred Stock remaining outstanding shall have the right to convert such shares of Series B Preferred Stock, in whole or in part, pursuant to the procedures set forth in this Section 8, into shares of Class A Common Stock at a Conversion Price equal to ninety-five percent (95%) of the average Closing Price of the Company's Class A Common Stock for the ten (10) Trading Days immediately prior to the date of conversion. Any shares of Series B Preferred Stock not so converted shall remain outstanding and shall continue to represent an obligation of the Company to pay the Redemption Price with respect thereto. Notwithstanding anything herein to the contrary, the aggregate number of shares of Class A Common Stock issued upon conversion of shares of Series B Preferred Stock pursuant to this Section 8(m) shall, in any event, not exceed 19.9% of the total number of issued and outstanding shares of capital stock of the Company as of the Initial Issue Date.

Section 10. Exclusive Remedy. So long as any obligation is outstanding under the Credit Agreement, the sole remedy available to holders of Series B Preferred Stock for the Company's failure to make full payment in cash of the Redemption Price when required pursuant to Section 4 hereof, shall be the conversion of the Series B Preferred Stock into shares of Class A Common Stock pursuant to Section 8(m) hereof unless the lenders under the Credit Agreement consent to payment in cash.

Section 11. No Reissuance of Series B Preferred Stock. No share of Series B Preferred Stock acquired by the Company upon conversion, by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Company shall be authorized to issue.

RESOLVED FURTHER, that, because certain of the terms and conditions of the issuance of the Series B Preferred Stock relating to rights of holders of that stock to vote

Statement of Stock Designation

Page 20

as a class on certain specific activities of the Company, as further described in Sections 1-11 above, will not become effective until certain amendments to the Company's Restated Articles of Incorporation become effective, the Board of Directors shall seek approval of amendments to those articles from the shareholders of the Company at the annual shareholder meeting to be held on or about June 10, 1999 or such other date on which it is held, and such terms relating to those class votes will not become effective until that portion of those amendments are approved by those shareholders and the amendments are filed with the Alaska Department of Commerce and Economic Development;

RESOLVED FURTHER, that the president of the Company or any vice president designated by him and the secretary of the Company or any assistant secretary of the Company are hereby authorized and directed to take those steps necessary to cause the issuance and sale of the Series B Preferred Stock including to execute a statement to be filed in accordance with the requirements of AS 10.06.320 of the Alaska Statutes and to seek shareholder approval of those amendments to the Company's Restated Articles of Incorporation to allow all of the terms of ownership of the Series B Preferred Stock to become effective."

IN WITNESS WHEREOF, the Company has caused this Statement of Stock Designation to be duly executed on its behalf at Anchorage, Alaska as of this 21st day of April, 1999.

GENERAL COMMUNICATION, INC.

By: /s/  
G. Wilson Hughes  
Its: Executive Vice President

By: /s/  
John M. Lowber  
Its: Secretary

Statement of Stock Designation

Page 21

STATEMENT OF STOCK DESIGNATION

-----  
Setting forth a copy of a resolution creating and authorizing the issuance of a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock" adopted by the board of directors of General Communication, Inc.  
-----

Pursuant to AS 10.06.315 and 10.06.320 of the Alaska Statutes  
-----

We, the undersigned officers of General Communication, Inc., an Alaska corporation ("Company"), hereby state and otherwise certify that, on April 21, 1999, the board of directors of the Company, pursuant to authority vested in it by Article IV of the Company's Restated Articles of Incorporation and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, duly adopted the following resolution creating a series of preferred stock designated as "Series B Convertible Redeemable Accreting Preferred Stock":

RESOLUTION

"WHEREAS, General Communication, Inc. is authorized through its Restated Articles of Incorporation to issue up to 100 million shares of Class A Common Stock and up to 1 million shares of Preferred Stock, issuable from time to time in one or more series;

WHEREAS, the Board of Directors of the Company is authorized, within the limitations and restrictions contained in the Restated Articles of Incorporation, to fix or alter the dividend rate, conversion rate, voting rights, redemption prices, and liquidation preferences of any wholly unissued series of Preferred Stock, the number of shares constituting any such series, the designation of such series, and other terms and conditions of the issuance of such stock;

Statement of Stock Designation  
Page 1

WHEREAS, the Company, through its Board of Directors, approved a statement of stock designation pursuant to Article IV of the Restated Articles of Incorporation and that statement was filed of record with the Alaska Department of Commerce and Economic Development on or about January 17, 1991 pursuant to authority set forth in AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, and the board subsequently authorized the issuance of Series A Preferred Stock under that designation which was subsequently issued and later retired, and the Company does not presently have outstanding any shares of its Preferred Stock and is not otherwise obligated to issue such shares in the future, and the Board of Directors desires to cancel and otherwise delete that 1991 statement of stock designation at this time and to fix the terms of a second series of that Preferred Stock and the number of shares constituting that series;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company, and in accordance with AS 10.06.315, 10.06.318, and 10.06.320 of the Alaska Statutes, the board hereby cancels and otherwise deletes the 1991 statement of stock designation for the Series A preferred stock and hereby declares that such statement is no longer a part of those articles;

RESOLVED, that, pursuant to authority granted to and vested in the Board of Directors by Article IV of the Restated Articles of Incorporation of the Company and in accordance with AS 10.06.315 and 10.06.318 of the Alaska Statutes, the board hereby approves and otherwise directs the issuance, from 1 million shares of Preferred Stock authorized under those articles, a series of Preferred Stock of the Company to consist of 35,000 shares designated as Series B Convertible Redeemable Accreting Preferred Stock ("Series B Preferred Stock") and hereby fixes the designation, rights, preferences, privileges, and restrictions of the shares of that series, in addition to the designation, rights, preferences, privileges and restrictions set forth in those articles which are directly applicable to the Preferred Stock as follows:

Preface. Series B Convertible Redeemable Accreting Preferred Stock. Of the 1,000,000 shares of Preferred Stock, authorized pursuant to Article IV of the Restated Articles of Incorporation of the Company, 35,000 shall be designated Series B Convertible Redeemable Accreting Preferred Stock, with the rights, preferences, privileges and restrictions set forth in this

paragraph.

Section 1. Definitions. For purposes of the following Sections, the following definitions shall apply:

Statement of Stock Designation

Page 2

"Additional Shares of Class A Common Stock" shall have the meaning ascribed to such term in Section 8(i)(d) hereof.

"Annualized Operating Cash Flow" shall mean, as of any date of determination, the product of two times Operating Cash Flow for the two most recently ended fiscal quarters.

"Bankruptcy Event" shall mean the occurrence of any of the following: (i) a court or governmental agency having appropriate jurisdiction shall enter a decree or order for relief in respect of the Company in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or ordering the winding up or liquidation of its affairs; (ii) there shall be commenced against the Company an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or any case, proceeding or other action for the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or for the winding up or liquidation of its affairs, and such involuntary case or other case, proceeding or other action shall remain undismissed, undischarged or unbonded for a period of sixty (60) consecutive days; (iii) the Company shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consent to the entry of an order for relief in an involuntary case under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or similar official) of the Company or for any substantial part of its property or make any general assignment for the benefit of creditors; or (iv) the Company shall be unable to, or shall admit in writing to its inability to, pay its debts generally as they become due.

"Board" shall mean the Board of Directors of the Company.

"Business Day" shall mean a day on which banks and foreign exchange markets are open for the transaction of business in New York, New York as relevant to the determination to be made or action to be taken.

"Capitalized Leases" shall mean capital leases and subleases, as defined in accordance with GAAP.

"Change of Control" shall mean the occurrence of one or more of the following events: (a) any change in the ownership of the Company resulting in MCI WorldCom, Inc. and any of its wholly owned Subsidiaries, owning Voting Stock with less than eighteen percent (18%) of the total combined voting power of the Company, (b) MCI WorldCom, Inc. shall at any time have less than two (2) representatives sitting on the Board for more than a sixty-day period, (c) Ronald A. Duncan resigns or is removed from his position as Chief Executive

Statement of Stock Designation

Page 3

Officer of the Company, other than as a result of death or disability, and is not replaced within sixty (60) days of such resignation or removal with a person acceptable to the holders of a majority of the outstanding Series B Preferred Stock or (d) Ronald A. Duncan or his heirs transfers, sells or in any way disposes of a material amount of the capital stock of the Company owned by him as of the date hereof. A Change of Control shall be deemed to occur as of the effective date of the first event, action or transaction leading to one of the results described above.

"Class A Common Stock" shall mean the Class A Common Stock of the Company.

"Class B Common Stock" shall mean the Class B Common Stock of the Company.

"Closing Date" shall mean April 30, 1999.

"Closing Price" if the Class A Common Stock is traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System, shall mean the closing price as reported for composite transactions on the applicable



date, or, if no sales occurred on an applicable date, then the average of the highest bid and lowest asked prices on such exchange or the National Market System at the end of the day on such date. If the Class A Common Stock is not traded on an exchange or the National Market System but is otherwise traded over-the-counter, Closing Price shall mean the average of the highest bid and lowest asked prices quoted in the National Association of Security Dealers, Inc. Automated Quotation System as of the close of business on the applicable date, or if not so quoted on such date, the average of the representative bid and asked prices on such date in the domestic over-the-counter market as reported by the National Quotation Bureau, Inc., or any similar successor organization.

"Common Stock" shall mean, collectively, the Class A Common Stock and Class B Common Stock of the Company.

"Company" shall mean this corporation.

"Contingent Liability" shall mean, as to any person, any obligation contingent or otherwise, of such person guaranteeing or having the economic effect of guaranteeing any Debt or obligation of any other person in any manner, whether directly or indirectly, including without limitation any obligation of such person, direct or indirect, (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt, (b) to purchase property or services for the purpose of assuring the owner of such Debt of its payment, or (c) to maintain the solvency, working capital, equity, cash flow, fixed charge or other coverage ratio, or any other financial condition of the primary obligor so as to enable the primary obligor

Statement of Stock Designation

Page 4

to pay any Debt or to comply with any agreement relating to any Debt or obligation, and shall, in any event, include any contingent obligation under any letter of credit, application for any letter of credit or other related documentation.

"Conversion Price" shall have the meaning ascribed to such term in Section 8(b) hereof.

"Convertible Securities" shall have the meaning ascribed to such term in Section 8(i)(c) hereof.

"Credit Agreement" shall mean that certain \$200,000,000 Amended and Restated Credit Agreement dated November 14, 1997 between GCI Holdings, Inc. as borrower and NationsBank of Texas, N.A., Credit Lyonnais New York Branch and TD Securities (USA), Inc., as it may be amended or supplemented from time to time.

"Debt" shall mean, all obligations, contingent or otherwise, which in accordance with GAAP are required to be classified on the balance sheet as liabilities, and in any event including Capitalized Leases, Contingent Liabilities that are required to be disclosed and quantified in notes to consolidated financial statements in accordance with GAAP, and liabilities secured by any Lien on any property, regardless of whether such secured liability is with or without recourse.

"Debt for Borrowed Money" shall mean, without duplication, (a) all obligations of a person for borrowed money, (b) all obligations of a person evidenced by bonds, debentures, notes, letters of credit (or applications for letters of credit) or other similar instruments, (c) all obligations of a person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, and (d) all obligations of a person secured by a Lien on any assets or property of any person.

"Distribution" shall mean the declaration or payment of any dividend (whether in cash or otherwise) on or in respect of any shares of any class of capital stock of any person, other than dividends payable solely in shares of common stock of such person; the purchase, redemption, or other retirement of any shares of any class of capital stock of any person, directly or indirectly through a subsidiary or otherwise; the return of capital by any person to its shareholders as such; or any other distribution on or in respect of any shares of any class of capital stock of any person.

"Effective Price" shall have the meaning ascribed in Section 8(i)(d) hereof.

"Equity Security" shall mean any capital stock of the Company or any security (whether stock or Debt for Borrowed Money) convertible or exchangeable, with or without consideration, into or for any capital stock, or any security (whether capital stock or Debt

Statement of Stock Designation

Page 5

for Borrowed Money) carrying any warrant or right to subscribe to or purchase

any stock or similar security, or any such warrant or right.

"Exempt Issuances" shall have the meaning ascribed to such term in Section 8(i) (a) hereof.

"Funded Debt" shall mean, without duplication, with respect to any person, all Debt of such person, determined on a consolidated basis and measured in accordance with GAAP that is either: (a) Debt for Borrowed Money, (b) Debt having a final maturity (or extendable at the option of the obligor for a period ending) more than one (1) year after the date of creation thereof, notwithstanding the fact that the payments are required to be made less than one (1) year after such date, (c) Capitalized Lease obligations (without duplication), (d) reimbursement obligations relating to letters of credit (without duplication), (e) Contingent Liabilities relating to any of the foregoing (without duplication), (f) Withdrawal Liability, (g) Debt, if any, associated with interest hedge agreements, (h) payments due under any non-compete agreements, plus (i) payments due for the deferred purchase price of property and services (but excluding trade payables that are less than ninety (90) days old and any thereof that are being contested in good faith).

"GAAP" shall mean, as in effect from time to time, generally accepted accounting principles used in the United States, consistently applied.

"Initial Issue Date" shall mean the first date upon which shares of Series B Preferred Stock are issued.

"Issue Date" shall mean the date of the original issuance of a share of the Series B Preferred Stock.

"Junior Stock" shall mean the Common Stock and all other shares of capital stock of the Company, whether presently outstanding or hereafter issued, other than Series B Preferred Stock.

"Lien" shall mean any mortgage, lien, pledge, charge, security interest, or other encumbrance of any kind, whether or not filed, recorded or otherwise perfected under applicable law (including, any conditional sale or other title retention agreement and any lease deemed to constitute a security interest and any option or other agreement to give any security interest).

"Liquidation Preference" shall have the meaning set forth in Section 3(a) hereof.

Statement of Stock Designation

Page 6

"Mandatory Redemption Date" shall have the meaning ascribed thereto in Section 4(c) hereof.

"Net Total Interest Expense" shall have the definition ascribed thereto in the Credit Agreement.

"Operating Cash Flow" shall mean, for any period, determined in accordance with GAAP, the consolidated net income (loss) for such period taken as a single accounting period, excluding extraordinary gains and losses, plus the sum of the following amounts for such period to the extent included in the determination of such consolidated net income: (a) depreciation expense, (b) amortization expense and other non-cash charges reducing income, (c) Net Total Interest Expense, (d) cash income tax expense, (e) deferred income taxes, plus (f) for the fiscal quarter in which the Company or any of its Subsidiaries purchases the transponders pursuant to that certain Transponder Purchase Agreement for Galaxy X, dated August 24, 1995, among GCI Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Galaxy, Inc., now held by PanAmSat Corp., as assignee, and that certain Transponder Service Agreement, dated August 24, 1995, among General Communication Corp., an indirect wholly owned subsidiary of the Company, and Hughes Communications Satellite Services, Inc. (the "Galaxy X Transponders"), now held by PanAmSat Corp, as assignee, the annualized amount of economic savings of the Company or any of its Subsidiaries resulting from the direct purchase by the Company or any of its Subsidiaries of such Galaxy X Transponders instead of leasing such Galaxy X Transponders from GCI Satellite Co., Inc., an indirect wholly owned subsidiary of the Company, and leasing transponders from other providers; provided, the calculation is made after giving effect to acquisitions and dispositions of assets during such period as if such transactions had occurred on the first day of such period. In calculating "Operating Cash Flow," losses from local telephone businesses shall be offset by amounts not exceeding \$20,000,000 contributed to the Company or any of its Subsidiaries from the net proceeds of any offering of the Series B Preferred Stock issued by the Company. The amount attributable to such net proceeds which is available for such offset shall be reduced by the amount of net proceeds actually used for such offset as of any point in time.

"Payment Date" shall have the meaning ascribed

thereto in Section 4(d) and Section 4(e) hereof.

"Proposed Amendments" shall mean the proposed amendments to Restated Articles of Incorporation of the Company which shall be submitted by the Board to the shareholders of the Company and voted upon by the shareholders at their next annual meeting of shareholders as required by the Purchase Agreement. The Proposed Amendments provide that so long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of a majority of the then-outstanding shares of Series B Preferred Stock (i) liquidate or dissolve the Company or (ii) permit the Company to be merged with or into, or consolidated with, any other entity or sell all or

Statement of Stock Designation

Page 7

substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

"Purchase Agreement" shall mean the Series B Preferred Stock Purchase Agreement by and between the Company, Toronto Dominion Investments, Inc. and the other purchasers listed therein, dated as of April 30, 1999.

"Redemption Price" shall have the meaning ascribed thereto in Section 4(f) hereof.

"Series B Preferred Stock" shall mean the Series B Convertible Redeemable Accreting Preferred Stock of the Company.

"Subsidiary" of a person shall mean (i) any corporation of which fifty one (51%) percent or more of the Voting Stock, or any partnership of which 51% or more of outstanding partnership interests, is at any time owned by the person, or by one or more Subsidiaries of such person, or by such person and one or more Subsidiaries of such person, and (ii) any other entity which is controlled or capable of being controlled by such person or by one or more Subsidiaries of such person or by such person and one or more Subsidiaries of such person.

"Total Debt" shall mean the outstanding principal amount of all Funded Debt.

"Total Leverage Ratio" shall mean, without duplication, as of any date of determination, the ratio of (i) Total Debt of the Company (on an unconsolidated basis), its subsidiary, GCI, Inc., its subsidiary GCI Holdings, Inc. and the Restricted Subsidiaries of GCI Holdings, Inc. (as defined in the Credit Agreement) on such date of determination, to (ii) Annualized Operating Cash Flow of such entities, all calculated on a consolidated basis (except as noted above) in accordance with GAAP consistently applied.

"Trading Day" shall mean, any date that a nationally recognized exchange or the National Market System of the National Association of Securities Dealers, Inc. Automated Quotation System is open and accepting bids for the sale of securities listed thereon.

"Triggering Event" shall mean (i) the acceleration of any obligation outstanding under Funded Debt of the Company or any of its Subsidiaries having an outstanding balance in excess of \$5,000,000, (ii) a Change of Control, (iii) a Bankruptcy Event, (iv) the breach of Section 7 hereof, (v) the liquidation or dissolution of the Company, or (vi) the merger of the Company with or into, or the consolidation of the Company with any other entity or the sale by the Company of all or substantially all of the assets of the Company, where the terms of

Statement of Stock Designation

Page 8

such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock; provided however, that clauses (v) and (vi) above shall cease to be Triggering Events upon the approval by the shareholders of the Company of the Proposed Amendments to the Restated Articles of Incorporation and the effective filing of the Proposed Amendments with the Alaska Department of Commerce and Economic Development. If the shareholders of the Company fail to approve the Proposed Amendments or if such amendments are not filed with the Alaska Department of Commerce and Economic Development by August 31, 1999, then clauses (v) and (vi) shall remain Triggering Events for so long as any shares of Series B Preferred Stock remain outstanding.

"Voting Stock" shall mean any shares having general voting power in electing the board of directors of any person (irrespective of whether or not at the time stock of any other class or classes has or might have voting power by reason or the happening of any contingency).

"Withdrawal Liability" shall have the meaning given such term under Part I of Subtitle E of Title IV of the Employee Retirement Income Security Act of 1974, as amended.

## Section 2. Dividends.

(a) Right to Dividends. Dividends on each share of Series B Preferred Stock shall accumulate and accrue from the Issue Date and shall accrue from day to day thereafter, compounding semi-annually (to the extent unpaid), whether or not earned or declared at a rate, through the fourth anniversary of the Initial Issue Date, of 8.5% per annum and, after the fourth anniversary of the Initial Issue Date, of 17% per annum on the stated amount of \$1,000 per share until paid, subject to Section 4(j) hereof. Dividends accruing pursuant to this Section 2(a) shall be payable semi-annually in arrears upon declaration by the Board and (i) during the first four years following the Initial Issue Date shall be payable, at the option of the Company, either by the delivery of additional shares of Series B Preferred Stock with a liquidation value equal to the amount of the dividend or by the delivery of cash and (ii) after the fourth anniversary of the Initial Issue Date shall be paid only in cash. If, during the first four years following the Initial Issue Date, the Company does not make any dividend payment in full in cash to the holders of the then-outstanding shares of Series B Preferred Stock upon a semi-annual dividend payment date, the Company shall be deemed to have declared and delivered such dividend in additional shares of Series B Preferred Stock, as set forth above. Dividends shall be cumulative so that, if all accrued dividends shall not have been paid, such accrued and unpaid dividends shall first be fully paid before any dividend or other distribution shall be paid or declared and set apart for any Junior Stock.

(b) Priority. Until such time as all current and accrued dividends on the Series B Preferred Stock for all periods from and after the Initial Issue Date shall have been

## Statement of Stock Designation

Page 9

paid (i) no dividend whatsoever (other than a dividend payable solely in Common Stock) shall be paid or declared, and no Distribution shall be made, on any Junior Stock, and (ii) no shares of Junior Stock shall be purchased, redeemed or acquired by the Company, and no monies shall be paid into or set aside or made available for a sinking fund for the purchase, redemption or acquisition thereof other than shares of Junior Stock purchased, redeemed or acquired by the Company to fund the Company's deferred compensation arrangements. So long as any shares of Series B Preferred Stock are outstanding, the Company shall not issue, or obligate itself to issue, any other Equity Security senior to the Series B Preferred Stock as to dividend or redemption rights or liquidation preferences or, unless the consent of the holders of 80% of the outstanding shares of Series B Preferred Stock is obtained, any other Equity Security on a parity with Series B Preferred Stock as to dividend or redemption rights or liquidation preferences.

## Section 3. Liquidation Rights of Series B Preferred Stock.

(a) Preference. In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of the then-outstanding shares of Series B Preferred Stock shall be entitled to be paid out of the assets of the Company available for distribution to its shareholders, whether such assets are capital, surplus or earnings, before any payment or declaration and setting apart for payment of any amount shall be made in respect of the Junior Stock, an amount (the "Liquidation Preference") equal to \$1,000 per share plus an amount equal to all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the date full payment shall be tendered to the holders of the then-outstanding shares of Series B Preferred Stock with respect to such liquidation, dissolution or winding up, and no more. If upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, the assets to be distributed to the holders of the then-outstanding shares of Series B Preferred Stock shall be insufficient to permit the payment to such shareholders of the full preferential amounts to which they are entitled, then all of the assets of the Company shall be distributed ratably to the holders of the then-outstanding shares of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock held by each such shareholder as compared to the aggregate number of then-outstanding shares of Series B Preferred Stock. The (i) merger or consolidation of the Company with or into any other entity or entities where the Company is not the surviving entity (other than a merger solely for the purpose of changing the Company's state of incorporation) or in which in excess of 50% of the Company's voting power is transferred, or (ii) the sale or transfer by the Company of all or substantially all of its assets, shall be deemed to be a liquidation, dissolution and winding up of the Company within the meaning of this Section 3.

(b) Remaining Assets. After the payment or distribution to the holders of the then-outstanding shares of Series B Preferred Stock of the full preferential amounts to which they are entitled, the holders

of the then-outstanding shares of Junior Stock shall be entitled to receive ratably all remaining assets of the Company.

Statement of Stock Designation

Page 10

Section 4. Redemption.

(a) Restriction on Redemption and Purchase. Except as expressly provided in this Section 4, the Company shall not have the right to purchase, call, redeem or otherwise acquire for value any or all of the Series B Preferred Stock.

(b) Optional Redemption. At any time after the fourth anniversary of the Initial Issue Date, the Company may, at its option, upon provision of written notice at least sixty (60) days prior to the date set for redemption, redeem the Series B Preferred Stock, in whole or in part, at the Redemption Price hereinafter specified; provided, that the Company shall redeem shares of Series B Preferred Stock having an aggregate Liquidation Preference of at least Two Million Five Hundred Thousand Dollars (\$2,500,000) upon each Payment Date; and provided further, any partial redemption shall be effected ratably among the holders of Series B Preferred Stock on the basis of the number of shares of Series B Preferred Stock then held by each holder.

(c) Mandatory Redemption. The Company shall redeem all outstanding shares of Series B Preferred Stock at the Redemption Price hereinafter specified upon (i) the twelfth anniversary of the Initial Issue Date or (ii) the occurrence of a Triggering Event (in either case, "Mandatory Redemption Date").

(d) Optional Redemption Notice. The Company shall, not less than sixty (60) days prior to the Payment Date for an optional redemption pursuant to Section 4(b), give written notice to each holder of record of shares of Series B Preferred Stock that the Company has determined to exercise its optional redemption rights hereunder. This notice shall state the number of then-outstanding shares of Series B Preferred Stock to be redeemed, the Redemption Price, including the amount of dividends included in such price and the calculation thereof, the Payment Date and the time, place and manner in which the holder is to surrender to the Company the certificate or certificates representing the shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(d), shall mean the date set by the Company with respect to an optional redemption designated by the Company for payment of the Redemption Price.

(e) Mandatory Redemption Notice. The Company shall provide prompt, but in no event later than two (2) Business Days after the Mandatory Redemption Date, notice to the holders of the Series B Preferred Stock of the Mandatory Redemption Date. Such notice shall state the Redemption Price, including the amount of dividends included in such price and the calculation thereof, and the Payment Date, place and manner in which the holders are to surrender to the Company the certificates representing shares of Series B Preferred Stock to be redeemed. "Payment Date," for purposes of this Section 4(e), shall mean the date on or prior to the fifth Business Day after the Mandatory Redemption Date designated by the Company for payment of the Redemption Price.

Statement of Stock Designation

Page 11

(f) Redemption Price. In all events, the Redemption Price of the Series B Preferred Stock (the "Redemption Price") shall be an amount per share equal to \$1,000 plus the amount of all accrued and unpaid dividends thereon, whether or not earned or declared, to and including the Payment Date.

(g) Payment of Redemption Price and Surrender of Stock. On the Payment Date, the Redemption Price of the Series B Preferred Stock shall be paid to the holders of the Series B Preferred Stock. On or before the Payment Date, each holder of shares of Series B Preferred Stock to be redeemed shall surrender the certificate or certificates representing such shares to the Company, duly endorsed, together with such other instruments as the Company may reasonably require to insure that such shares of Series B Preferred Stock are duly and validly transferred to the Company, free of all Liens, and on the Payment Date the Redemption Price for such shares shall be payable to the order of the person whose name appears on such certificate or certificates as the owner thereof, and each surrendered certificate shall be canceled and retired. Upon an optional redemption of less than all of the then-outstanding shares of Series B Preferred Stock, upon the surrender to the Company of a certificate or certificates representing shares of Series B Preferred Stock to be redeemed and payment by the Company of the Redemption Price, the Company shall issue to the holder thereof a certificate representing any shares of Series B Preferred Stock not redeemed but represented by the certificate or certificates surrendered.

(h) Insufficient Funds. If the funds of the Company legally available for redemption of Series B Preferred Stock on the Payment Date with respect to a Mandatory Redemption Date are insufficient to redeem all of the Series B Preferred Stock that are subject to redemption pursuant to Section 4(c) on such date, those funds that are so available will be used to redeem the maximum possible number of such shares of the Series B Preferred Stock ratably among the holders thereof on the basis of the number of shares of Series B Preferred Stock held by each such shareholder. At the earliest time thereafter as additional funds of the Company are legally available for redemption of Series B Preferred Stock in the manner provided above, such funds will be immediately used to redeem the balance of such Series B Preferred Stock subject to redemption.

(i) Deposit of Funds. At least three (3) Business Days prior to a Payment Date, the Company shall deposit with any bank or trust company in the United States, having a capital and surplus of at least \$1 billion as a trust fund, a sum equal to the aggregate Redemption Price, with irrevocable instructions and authority to the bank or trust company to pay, on or after the Payment Date, the Redemption Price to the respective holders of then-outstanding shares of Series B Preferred Stock upon the surrender of their share certificates. The deposit shall constitute full payment of the shares to their holders; provided, that, until all shares of Series B Preferred Stock are redeemed and full payment made therefor, the holders thereof shall continue to be considered shareholders with respect to such shares and shall have all rights with respect thereto, including the right to receive from the bank or trust company payment of the Redemption Price of the shares, without interest, upon surrender of their certificates therefor.

Statement of Stock Designation  
Page 12

Any monies so deposited and unclaimed at the end of one year from the Payment Date shall be released or repaid to the Company, after which the holders of shares of Series B Preferred Stock called for redemption shall be entitled to receive payment of the Redemption Price only from the Company.

(j) Accrual of Dividends. Unless the Company defaults in making the payment of the Redemption Price in accordance with Section 4(i) hereof, dividends on Series B Preferred Stock subject to redemption will cease to accrue on and after the Payment Date.

(k) Waiver. At any time after receiving notice of Mandatory Redemption and prior to two Business Days before the Payment Date, the holders of Series B Preferred Stock may, by written consent of holders of at least 80% of the then outstanding Series B Preferred Stock, waive the redemption of the Series B Preferred Stock as to such mandatory redemption event in which case the Company shall not be obligated to redeem the shares of Series B Preferred Stock as to such redemption event. Upon receipt of any such waiver, the Company shall promptly provide written notice to all holders of Series B Preferred Stock.

Section 5. Voting Rights.

(a) Series B Preferred Stock. Each holder of shares of Series B Preferred Stock shall be entitled to vote on all matters submitted to a vote of the holders of Class A Common Stock and, except as otherwise expressly provided herein, shall be entitled to the number of votes equal to the largest number of full shares of Class A Common Stock into which such shares of Series B Preferred Stock could be converted, pursuant to the provisions of Section 8(b) hereof, at the record date for the determination of the shareholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken.

(b) Common Stock. Each holder of shares of Class A Common Stock shall be entitled to one vote for each share thereof held, and each holder of shares of Class B Common Stock shall be entitled to ten votes for each share thereof held, as provided in Article IV, Section (b) of the Restated Articles of Incorporation. Except as otherwise expressly provided herein or as required by law, the holders of Series B Preferred Stock and the holders of Common Stock shall vote together and not as separate classes.

Section 6. Restrictions and Limitations. So long as any shares of Series B Preferred Stock remain outstanding, the Company shall not, directly or indirectly, without the written consent of the holders of 80% with respect to items (c), (e) or (g), or a majority with respect to items (a), (b), (d) or (f), of the then-outstanding shares of Series B Preferred Stock:

(a) Purchase, redeem or otherwise acquire for value (or pay into or set aside as a sinking fund for such purpose) any Junior Stock or any warrant, option or right to

Statement of Stock Designation  
Page 13

purchase any Junior Stock, other than purchases of shares of Junior Stock for

the purpose of funding deferred compensation arrangements;

(b) Declare or pay any dividends on or declare or make any other Distribution, direct or indirect (other than a dividend payable solely in shares of Class A Common Stock), on account of Junior Stock or set apart any sum for any such purpose;

(c) Amend its Articles of Incorporation in any manner that would significantly and adversely affect the rights or preferences of the Series B Preferred Stock;

(d) Take any action which would result in taxation of the holders of the Series B Preferred Stock under Section 305 of the Internal Revenue Code of 1986, as amended (the "Code") (or any comparable provision of the Code as hereafter from time to time amended);

(e) Issue any additional shares of Series B Preferred Stock after the Initial Issue Date, except pursuant to Section 2 hereof;

(f) Following the effective date of the Proposed Amendments, liquidate or dissolve the Company; or

(g) Following the effective date of the Proposed Amendments, permit the Company to be merged with or into, or consolidated with any other entity or sell all or substantially all of the assets of the Company in any case where the terms of such merger, consolidation or sale would significantly and adversely affect the rights and preferences of the Series B Preferred Stock.

Section 7. Debt Incurrence Covenant. At all times that any shares of Series B Preferred Stock are outstanding, the Company shall not incur any Funded Debt if, as a result of such additional Funded Debt, the Company's Total Leverage Ratio would exceed 7.0:1.

Section 8. Conversion. The holders of Series B Preferred Stock shall have the following conversion rights:

(a) Right to Convert. Each share of Series B Preferred Stock shall be convertible, at any time at the option of the holder thereof, into fully paid and nonassessable shares of Class A Common Stock. Such conversion right shall continue to apply to any share of Series B Preferred Stock called for redemption pursuant to Section 4 hereof until the close of business on the Business Day immediately preceding the applicable Payment Date.

(b) Conversion Price. Each share of Series B Preferred Stock shall initially be convertible into that number of shares of Class A Common Stock determined by dividing the then Liquidation Preference of such share of Series B Preferred Stock by the then

Statement of Stock Designation

Page 14

conversion price, as adjusted pursuant to this Section 8, which conversion price shall initially be equal to \$5.55 per share (the "Conversion Price").

(c) Mechanics of Conversion. Each holder of Series B Preferred Stock who desires to convert the same into shares of Class A Common Stock shall surrender the certificate or certificates therefor, duly endorsed, at the office of the Company or of any transfer agent for the Series B Preferred Stock or Class A Common Stock, and shall give written notice to the Company at such office that such holder elects to convert the same and shall state therein the number of shares of Series B Preferred Stock being converted. Thereupon the Company shall promptly issue and deliver to such holder a certificate or certificates for the number of shares of Class A Common Stock to which such holder is entitled. Such conversion shall be deemed to have been made immediately prior to the close of business on the date of such surrender of the certificate representing the shares of Series B Preferred Stock to be converted, and the person entitled to receive the shares of Class A Common Stock issuable upon such conversion shall be treated for all purposes as the record holder of such shares of Class A Common Stock on such date.

(d) Adjustment for Stock Splits and Combinations. If the Company at any time or from time to time after the Initial Issue Date effects a subdivision of the outstanding Class A Common Stock, the Conversion Price then in effect immediately before that subdivision shall be proportionately decreased, and, conversely, if the Company at any time or from time to time after the Initial Issue Date combines the outstanding shares of Class A Common Stock into a smaller number of shares, the Conversion Price then in effect immediately before that combination shall be proportionately increased. Any adjustment under this subsection (d) shall become effective at the open of business on the date the subdivision or combination becomes effective.

(e) Adjustment for Certain Dividends and Distributions. If the Company at any time or from time to time after the Initial

Issue Date makes, or fixes a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in additional shares of Class A Common Stock, then and in each such event the Conversion Price then in effect shall be reset as of the time of such issuance or, in the event such record date is fixed, as of the open of business on such record date, by multiplying the Conversion Price then in effect by a fraction (1) the numerator of which is the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (2) the denominator of which shall be the total number of shares of Class A Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Class A Common Stock issuable in payment of such dividend or Distribution; provided, however, that if such record date is fixed and such dividend is not fully paid or if such Distribution is not fully made on the date fixed therefor, the Conversion Price shall be recomputed accordingly as of the close of business on such record date and thereafter

Statement of Stock Designation

Page 15

the Conversion Price shall be adjusted pursuant to this subsection (e) as of the time of actual payment of such dividends or Distributions.

(f) Adjustments for Other Dividends and Distributions. In the event the Company at any time or from time to time after the Initial Issue Date makes, or fixes, a record date for the determination of holders of Class A Common Stock entitled to receive, a dividend or other Distribution payable in securities of the Company other than shares of Common Stock, then and in each such event provision shall be made so that the holders of Series B Preferred Stock shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable thereupon, the amount of securities of the Company which they would have received had their Series B Preferred Stock been converted into Class A Common Stock on the date of such event and had they thereafter, during the period from the date of such event to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 8 with respect to the rights of the holders of the Series B Preferred Stock.

(g) Adjustment for Reclassification, Exchange and Substitution. In the event that at any time or from time to time after the Initial Issue Date, the Class A Common Stock issuable upon the conversion of the Series B Preferred Stock is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than a subdivision or combination of shares or stock dividend or a reorganization, merger, consolidation or sale of assets, provided for elsewhere in this Section 8), then and in any such event each holder of Series B Preferred Stock shall have the right thereafter to convert such stock into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change, by holders of the maximum number of shares of Class A Common Stock into which such shares of Series B Preferred Stock could have been converted immediately prior to such recapitalization, reclassification or change, all subject to further adjustment as provided herein.

(h) Reorganizations, Mergers, Consolidations or Sales of Assets. If at any time or from time to time after the Initial Issue Date there is a capital reorganization of the Class A Common Stock (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 8) or a merger or consolidation of the Company with or into another corporation, or the sale of all or substantially all of the Company's properties and assets to any other person, then, as a part of such reorganization, merger, consolidation or sale, provision shall be made so that the holders of the Series B Preferred Stock shall thereafter be entitled to receive upon conversion of the Series B Preferred Stock the number of shares of stock or other securities or property to which a holder of the number of shares of Class A Common Stock deliverable upon conversion would have been entitled on such capital reorganization, merger, consolidation, or sale. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 8 with respect to the rights of the holders of the Series B Preferred Stock after the reorganization,

Statement of Stock Designation

Page 16

merger, consolidation or sale to the end that the provisions of this Section 8 (including adjustment of the Conversion Price then in effect and the number of shares purchasable upon conversion of the Series B Preferred Stock) shall be applicable after that event and be as nearly equivalent as may be practicable.

(i) Sale of Shares Below Conversion Price.

a) If at any time or from time to time after



the Initial Issue Date, the Company issues or sells, or is deemed by the express provisions of this subsection (i) to have issued or sold, Additional Shares of Class A Common Stock (as hereinafter defined) (other than (A) as a dividend or other Distribution on any class of stock as provided in subsection (e) above, (B) upon a subdivision or combination of shares of Class A Common Stock as provided in subsection (d) above, or (C) shares to be issued to officers, directors, employees, agents or consultants of the Company pursuant to stock options or equity incentive plans approved by the Board of Directors of the Company and representing not more than 5% of the outstanding Class A Common Stock as of the Initial Issue Date (the "Exempt Issuances")) for an Effective Price (as hereinafter defined) less than the then existing Conversion Price, then and in each such case the then existing Conversion Price shall be reduced, as of the opening of business on the date of such issue or sale, by multiplying such Conversion Price in effect immediately prior to such new issuance by a fraction (i) the numerator of which shall be (A) the number of shares of Class A Common Stock outstanding at the close of business on the day preceding the date of such issue or sale (assuming conversion of all outstanding shares of Series B Preferred Stock at the then Conversion Price) plus (B) the number of Shares of Class A Common Stock which the aggregate consideration received (or by the express provisions hereof deemed to have been received by the Company for the total number of Additional Shares of Class A Common Stock so issued) would purchase at such Conversion Price, and (ii) the denominator of which shall be the number of shares of Class A Common Stock outstanding at the close of business on the date of such issuance or sale after giving effect to such issue of Additional Shares of Class A Common Stock (assuming conversion of all outstanding shares of Preferred Stock into shares of Class A Common Stock at the then Conversion Price).

b) For the purpose of making any adjustment required under this subsection (i), the consideration received by the Company for any issue or sale of securities shall (A) to the extent it consists of cash be computed at the amount of cash received by the Company, (B) to the extent it consists of property other than cash, be computed at the fair value of that property as determined in good faith by the Board, (C) if Additional Shares of Class A Common Stock, Convertible Securities (as hereinafter defined) or rights or options to purchase either Additional Shares of Class A Common Stock or Convertible Securities are issued or sold together with other stock or securities or other assets of the Company for a consideration which covers both, be computed as the portion of the consideration so received that may be reasonably determined in good faith by the Board to be allocable to such Additional Shares of Class A

Statement of Stock Designation

Page 17

Common Stock, Convertible Securities or rights or options, and (D) be computed after reduction for all expenses payable by the Company in connection with such issue or sale.

c) For the purpose of the adjustment required under this subsection (i), if the Company issues or sells any rights or options for the purchase of, or stock or other securities convertible into or exchangeable for, Additional Shares of Class A Common Stock (such convertible or exchangeable stock or securities being hereinafter referred to as "Convertible Securities") or rights or options for the purchase of Convertible Securities, and if the Effective Price of such Additional Shares of Class A Common Stock ultimately issuable pursuant thereto is less than the then Conversion Price, then in each case the Company shall be deemed to have issued at the time of the issuance of such rights or options or Convertible Securities the maximum number of Additional Shares of Class A Common Stock issuable upon exercise, conversion or exchange thereof and to have received as consideration for the issuance of such shares an amount equal to the total amount of the consideration, if any, received by the Company for the issuance of such rights or options or Convertible Securities, plus, in the case of such rights or options, the minimum amounts of consideration, if any, payable to the Company upon the exercise of such rights or options, plus, in the case of Convertible Securities, the minimum amounts of consideration, if any, payable to the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) upon the conversion or exchange thereof. No further adjustment of the Conversion Price, adjusted upon the issuance of such rights, options or Convertible Securities, shall be made as a result of the actual issuance of Additional Shares of Class A Common Stock on the exercise of any such rights or options or the conversion or exchange of any such Convertible Securities. If any such rights or options or the conversion or exchange privilege represented by any such Convertible Securities shall expire without having been exercised, the Conversion Price adjusted upon the issuance of such rights, options or Convertible Securities shall be readjusted to the Conversion Price which would have been in effect had an adjustment been made on the basis that the only Additional Shares of Class A Common Stock so issued were the Additional Shares of Class A Common Stock, if any, actually issued or sold on the exercise of such rights or options or rights of conversion or exchange of such Convertible Securities, and such Additional Shares of Class A Common Stock, if any, were issued or sold for the consideration actually received by the Company upon such exercise, plus the consideration, if any, actually received by the Company for the granting of all such rights or options, whether or not exercised, plus the

consideration received for issuing or selling the Convertible Securities actually converted or exchanged, plus the consideration, if any, actually received by the Company (other than by cancellation of liabilities or obligations evidenced by such Convertible Securities) on the conversion or exchange of such Convertible Securities. A similar readjustment will be made if the amount actually paid to the Company upon exercise of conversion of any Convertible Securities exceeds the minimum amount assumed pursuant to this Section 8(i).

d) "Additional Shares of Class A Common Stock" shall mean all shares of Class A Common Stock issued by the Company after the Series B Issuance Date,

Statement of Stock Designation

Page 18

whether or not subsequently reacquired or retired by the Company, other than (i) shares of Class A Common Stock issued upon conversion of the Series B Preferred Stock and (ii) the shares of Class A Common Stock issued as Exempt Issuances. The "Effective Price" of Additional Shares of Class A Common Stock shall mean the quotient determined by dividing the total number of Additional Shares of Class A Common Stock issued or sold, or deemed to have been issued or sold by the Company under this subsection (i), into the aggregate consideration received, or deemed to have been received, by the Company for such issue under this subsection (i), for such Additional Shares of Class A Common Stock.

(j) Accountants' Certificate of Adjustment. In each case of an adjustment or readjustment of the Conversion Price, the Company, at its expense, shall cause independent public accountants of recognized standing selected by the Company (who may be the independent public accountants then auditing the books of the Company) to compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall mail such certificate, by first class mail, postage prepaid, to each registered holder of the Series B Preferred Stock at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (1) the consideration received or deemed to be received by the Company for any Additional Shares of Class A Common Stock issued or sold or deemed to have been issued or sold, (2) the Conversion Price at the time in effect, (3) the number of Additional Shares of Class A Common Stock and (4) the type and amount, if any, of other property which at the time would be received upon conversion of the Series B Preferred Stock.

(k) Notices of Record Date. In the event of (i) any taking by the Company of a record of the holders of any class of securities for the purpose of determining the holders thereof who are entitled to receive any dividend or other Distribution, or (ii) any capital reorganization of the Company, any reclassification or recapitalization of the capital stock of the Company, any merger or consolidation of the Company with or into any other corporation, or any transfer of all or substantially all of the assets of the Company to any other person or any voluntary or involuntary dissolution, liquidation or winding up of the Company, the Company shall mail to each holder of Series B Preferred Stock at least ten (10) days prior to the record date specified therein, a notice specifying (1) the date on which any such record is to be taken for the purpose of such dividend or Distribution and a description of such dividend or Distribution, (2) the date on which any such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up is expected to become effective, and (3) the date, if any, that is to be fixed, as to when the holders of record of Class A Common Stock (or other securities) shall be entitled to exchange their shares of Class A Common Stock (or other securities) for securities or other property deliverable upon such reorganization, reclassification, transfer, consolidation, merger, dissolution, liquidation or winding up.

Statement of Stock Designation

Page 19

(l) Mandatory Conversion. At any time following the third anniversary of the Initial Issue Date, the Company may require the immediate conversion of all outstanding shares of Series B Preferred Stock into shares of Class A Common Stock pursuant to the procedures set forth in this Section 8 by written notice to all holders of Series B Preferred Stock at the then effective Conversion Price; provided however, the Company may require conversion pursuant to this Section 8(l) only if the shares of Class A Common Stock are traded on a nationally recognized exchange or the National Market System of the National Association of Security Dealers, Inc. Automated Quotation System and such shares then have a Closing Price equal to or greater than two times the then effective Conversion Price and have had such a Closing Price for a period of thirty consecutive Trading Days.

(m) Conversion Following Default in Payment of Redemption Price. Notwithstanding anything herein to the contrary, in the event that the Company fails to make full payment of the Redemption Price on any

Payment Date pursuant to Section 4 hereof, for any reason, including the prohibition of such payment pursuant to the Credit Agreement, the holders of shares of Series B Preferred Stock remaining outstanding shall have the right to convert such shares of Series B Preferred Stock, in whole or in part, pursuant to the procedures set forth in this Section 8, into shares of Class A Common Stock at a Conversion Price equal to ninety-five percent (95%) of the average Closing Price of the Company's Class A Common Stock for the ten (10) Trading Days immediately prior to the date of conversion. Any shares of Series B Preferred Stock not so converted shall remain outstanding and shall continue to represent an obligation of the Company to pay the Redemption Price with respect thereto. Notwithstanding anything herein to the contrary, the aggregate number of shares of Class A Common Stock issued upon conversion of shares of Series B Preferred Stock pursuant to this Section 8(m) shall, in any event, not exceed 19.9% of the total number of issued and outstanding shares of capital stock of the Company as of the Initial Issue Date.

Section 10. Exclusive Remedy. So long as any obligation is outstanding under the Credit Agreement, the sole remedy available to holders of Series B Preferred Stock for the Company's failure to make full payment in cash of the Redemption Price when required pursuant to Section 4 hereof, shall be the conversion of the Series B Preferred Stock into shares of Class A Common Stock pursuant to Section 8(m) hereof unless the lenders under the Credit Agreement consent to payment in cash.

Section 11. No Reissuance of Series B Preferred Stock. No share of Series B Preferred Stock acquired by the Company upon conversion, by reason of redemption, purchase, or otherwise shall be reissued, and all such shares shall be canceled, retired and eliminated from the shares which the Company shall be authorized to issue.

RESOLVED FURTHER, that, because certain of the terms and conditions of the issuance of the Series B Preferred Stock relating to rights of holders of that stock to vote

Statement of Stock Designation

Page 20

as a class on certain specific activities of the Company, as further described in Sections 1-11 above, will not become effective until certain amendments to the Company's Restated Articles of Incorporation become effective, the Board of Directors shall seek approval of amendments to those articles from the shareholders of the Company at the annual shareholder meeting to be held on or about June 10, 1999 or such other date on which it is held, and such terms relating to those class votes will not become effective until that portion of those amendments are approved by those shareholders and the amendments are filed with the Alaska Department of Commerce and Economic Development;

RESOLVED FURTHER, that the president of the Company or any vice president designated by him and the secretary of the Company or any assistant secretary of the Company are hereby authorized and directed to take those steps necessary to cause the issuance and sale of the Series B Preferred Stock including to execute a statement to be filed in accordance with the requirements of AS 10.06.320 of the Alaska Statutes and to seek shareholder approval of those amendments to the Company's Restated Articles of Incorporation to allow all of the terms of ownership of the Series B Preferred Stock to become effective."

IN WITNESS WHEREOF, the Company has caused this Statement of Stock Designation to be duly executed on its behalf at Anchorage, Alaska as of this 21st day of April, 1999.

GENERAL COMMUNICATION, INC.

By: /s/  
G. Wilson Hughes  
Its: Executive Vice President

By: /s/  
John M. Lowber  
Its: Secretary

Statement of Stock Designation

Page 21

<TABLE> <S> <C>

<ARTICLE>

5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME FOR THE THREE MONTH PERIOD ENDED MARCH 31, 1999 AND THE INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000808461  
<NAME> GENERAL COMMUNICATION, INC.  
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1999
<PERIOD-START>	JAN-01-1999
<PERIOD-END>	MAR-31-1999
<CASH>	6,169
<SECURITIES>	0
<RECEIVABLES>	41,660
<ALLOWANCES>	1,384
<INVENTORY>	1,611
<CURRENT-ASSETS>	53,209
<PP&E>	412,067
<DEPRECIATION>	91,342
<TOTAL-ASSETS>	636,992
<CURRENT-LIABILITIES>	49,451
<BONDS>	355,874
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	179,555
<OTHER-SE>	15,637
<TOTAL-LIABILITY-AND-EQUITY>	636,992
<SALES>	0
<TOTAL-REVENUES>	61,338
<CGS>	0
<TOTAL-COSTS>	27,870
<OTHER-EXPENSES>	32,757
<LOSS-PROVISION>	1,079
<INTEREST-EXPENSE>	7,080
<INCOME-PRETAX>	(7,328)
<INCOME-TAX>	(3,052)
<INCOME-CONTINUING>	(4,521)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	(344)
<NET-INCOME>	(4,865)
<EPS-PRIMARY>	(0.10)
<EPS-DILUTED>	(0.10)

</TABLE>