

## Important Update for All GCI Employees

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To: ##All GCI CORP Employees

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**Please treat the following information as GCI Company Confidential.**

To All GCI Employees:

I have some serious news to share with you. This morning, GCI is letting go 87 employees in a reduction in force. Ron and I deeply appreciate the many contributions these employees made to GCI's past success, and we regret that the reduction has become necessary. Each affected employee will receive severance pay as part of his or her exit plan.

Since the Alaska recession began in late 2015, I've repeatedly said in company meetings that we would take whatever steps were needed to keep the company strong. My hope at the time was that we would be able to avoid a reduction in force by identifying new growth opportunities and implementing other right-sizing changes. The following events, however, forced our hand:

- In October 2018, the FCC staff unilaterally reduced the USF revenue we receive from our rural health care (RHC) customers by \$28 million. The entire reduction hit our EBITDA line.
- 2018 overall was an extremely tough year for GCI. Even setting aside the RHC reduction, our EBITDA was \$15 million below budget. In other words, our business as a whole performed poorly.
- Over several decades, we built GCI to serve a growing Alaska economy. Unfortunately, over the past three-and-a-half years, we haven't seen economic growth. There are some signs of hope this year, but we are a long ways yet from a robust recovery.
- Like every other company in the communications industry, GCI must deal with the competitive pressures that accompany massive technological and business model change. To survive and prosper, we must evolve to become more effective and efficient.

As painful as today's reduction is, we must start taking steps now to address these operational and financial headwinds rather than letting the situation deteriorate further. Even as we do that, we also need to work together to advance our business strategy:

**1. *Focusing on our unique statewide wireline/wireless network, particularly in urban areas.***

We intend to complete the Anchorage wireless network upgrade this year, which will substantially improve our competitiveness.

**2. *Continually improving customer experience.*** That includes:

- *Designing and deploying innovative products/plans that build on our network strength.*

We've just launched our new unlimited prepaid wireless offering. Later this year, we will

overhaul our postpaid wireless offering, our television plans, and our consumer and business cable modem products.

- *Designing and operating the network with an emphasis on speed, coverage, reliability, and quality.* Network Services is making material progress on its initiative to prevent another July 9<sup>th</sup>-style critical facilities outage.
- *Provide an inviting, responsive, and easy-to-use retail and service environment.* As we iron out the bumps and glitches that followed the Polaris launch, our call center stats are returning to normal levels.

**3. *Driving for gains in effectiveness and efficiency as part of a process of continuous improvement.***

We are in a tough market right now, but we have the opportunity to grow by taking share from our competitors. To do so, we need to concentrate our energy and resources on launching the products/services our customers need and want while providing a first-rate network experience.

I am convinced that we can overcome today's headwinds. Over the past forty years, we've overcome other serious challenges. What it will take is for us, individually and as a team, to own the various elements of our business and strive every day to execute flawlessly. Execution on every front is the key to our future success.

One last but very important thing: Ron and I know that this reduction will be challenging both to those who are leaving and those who must take up the slack. Each of us as GCI employees need to support one another as we adjust to this major change.

Thank you for reading this long email. I look forward to talking with you further at next week's company meetings.

Greg

GCI Company Confidential