As filed with the Securities and Exchange Commission on August 14, 2001.

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

FORM 10-Q

(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2001

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	92-0072737
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2550 Denali Street Suite 1000 Anchorage, Alaska	99503
(Address of principal executive offices)	(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 July 30, 2001 was:
49,625,647 shares of Class A common stock; and
3,893,583 shares of Class B common stock.

<TABLE>

INDEX

GENERAL COMMUNICATION, INC.

FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2001

<CAPTION>

Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Quarterly Report, but should particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission. In this Quarterly Report, in addition to historical information, we state our beliefs of future events and of our future operating results, financial position and cash flows. In some cases, you can identify those so-called "forward-looking statements" by words such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of those words and other comparable words. You should be aware that those statements are only our predictions and are subject to risks and uncertainties. Actual events or results may differ materially. In evaluating those statements, you should specifically consider various factors, including those outlined below. Those factors may cause our actual results to differ materially from any of our forward-looking statements. For these statements, we claim the protection of the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995.

- Material adverse changes in the economic conditions in the markets we serve and in general economic conditions;
- 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 Telecommunications Act of 1996; the outcome of litigation relative thereto; and the impact of regulatory changes relating to access reform;
- Our responses to competitive products, services and pricing, including pricing pressures, technological developments, alternative routing developments, and the ability to offer combined service packages that include local, cable and Internet services; the extent and pace at which different competitive environments develop for each segment of our 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 our being able to do so; the degree to which we experience material competitive impacts to our traditional service offerings prior to achieving adequate local service entry; and competitor responses to our products and services and overall market acceptance of such products and services;
- The outcome of our negotiations with Incumbent Local Exchange Carriers ("ILECs") and state regulatory arbitrations and approvals with respect to interconnection agreements; and our 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 expansion, Internet (consumer and business) services expansion 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, digital subscriber line 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;
- Availability of qualified personnel;

- Changes in, or failure, or inability, to comply with, government regulations, including, without limitation, regulations of the FCC, the Regulatory Commission of Alaska, and adverse outcomes from regulatory proceedings;
- Uncertainties in federal military spending levels and military base closures in markets in which we operate;
- Industry consolidation and mergers;
- Other risks detailed from time to time in our 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 we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained in this document to reflect any change in our expectations with regard to those statements or any other change in events, conditions or circumstances on which any such statement is based, except as required by law. Readers are cautioned not to put undue reliance on such forward-looking statements.

PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<CAPTION>

ASSETS		(Unaudited) June 30, 2001	December 31, 2000
		(Amounts in thousands)	
<S>	<C>		<C>
Current assets:			
Cash and cash equivalents	$	4,583	5,962
Receivables:			
Trade		57,063	49,872
Employee and other		693	378
		57,756	50,250
Less allowance for doubtful receivables		4,715	2,864
Net receivables		53,041	47,386
Prepaid and other current assets		2,479	2,505
Deferred income taxes, net		4,664	3,221
Inventories		4,736	5,717
Property held for sale		---	10,877
Notes receivable with related parties		264	241
Total current assets		69,767	75,909
Property and equipment in service, net of depreciation		375,434	347,802
Construction in progress		7,349	8,097
Net property and equipment		382,783	355,899
Cable franchise agreements, net of amortization of $24,095,000 and $21,509,000 at June 30, 2001 and December 31, 2000, respectively		182,799	184,983
Goodwill, net of amortization of $6,583,000 and $5,952,000 at June 30, 2001 and December 31, 2000, respectively		39,196	40,002
Other intangible assets, net of amortization of $951,000 and $729,000 at June 30, 2001 and December 31, 2000, respectively		4,126	3,936
Property held for sale		1,555	1,550
Deferred loan and senior notes costs, net of amortization of $4,857,000 and $4,166,000 at June 30, 2001 and December 31, 2000, respectively		7,792	8,402
Notes receivable with related parties		2,722	3,235
Other assets, at cost, net of amortization of $66,000 and $63,000 at June 30, 2001 and December 31, 2000, respectively		3,056	5,091
Total other assets		241,246	247,199
Total assets	$	693,796	679,007

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

 (Continued)

<TABLE>

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

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) June 30, 2001	December 31, 2000
	(Amounts in thousands)	
<S>	<C>	<C>
Current liabilities:		
Current maturities of obligations under capital leases	$ 1,570	1,600
Accounts payable	31,820	29,094
Accrued payroll and payroll related obligations	11,309	10,385
Deferred revenue	10,509	9,477
Accrued interest	9,681	9,256
Accrued liabilities	5,459	4,134
Subscriber deposits and other current liabilities	1,247	1,362
Total current liabilities	71,595	65,308
Long-term debt, excluding current maturities	322,700	334,400
Obligations under capital leases, excluding current maturities	46,105	46,882
Obligations under capital leases due to related party, excluding current maturities	179	214
Deferred income taxes, net of deferred income tax benefit	24,453	22,057
Other liabilities	4,455	4,077
Total liabilities	469,487	472,938
Redeemable preferred stocks	32,572	22,589
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 100,000,000 shares; issued and outstanding and issuable 49,359,989 and 48,642,870 shares at June 30, 2001 and December 31, 2000, respectively	187,180	182,706
Class B. Authorized 10,000,000 shares; issued and outstanding 3,895,183 3,904,038 shares at June 30, 2001 and December 31, 2000, respectively; and convertible on a share-per-share basis into Class A common stock	3,292	3,299
Less cost of 357,958 Class A common shares held in treasury at June 30, 2001 and December 31, 2000	(1,659)	(1,659)
Paid-in capital	8,826	7,368
Notes receivable with related parties issued upon stock option exercise	(2,288)	(2,976)
Retained deficit	(3,614)	(5,258)
Total stockholders' equity	191,737	183,480
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 693,796	679,007

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

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<CAPTION>

	(Unaudited) Three Months Ended June 30, 2001	2000	(Unaudited) Six Months Ended June 30, 2001	2000
	(Amounts in thousands, except per share amounts)			
<S>	<C>	<C>	<C>	<C>
Revenues	$ 85,535	71,426	182,452	139,703
Cost of sales and services	33,831	29,637	75,917	59,295
Selling, general and administrative expenses	29,593	25,733	57,443	50,387
Depreciation and amortization expense	13,700	12,506	27,639	25,594
Operating income	8,411	3,550	21,453	4,427

Interest expense	8,074	9,398	16,957	19,412
Interest income	99	183	262	358
Interest expense, net	7,975	9,215	16,695	19,054
Net income (loss) before income taxes	436	(5,665)	4,758	(14,627)
Income tax (expense) benefit	(270)	2,139	(2,169)	5,603
Net income (loss)	$ 166	(3,526)	2,589	(9,024)
Basic and diluted net income (loss) per common share	$ (.01)	(.08)	.03	(.19)

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

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2001 AND 2000

<CAPTION>

(Unaudited) (Amounts in thousands)	Class A Common Stock	Class B Common Stock	Class A Shares Held in Treasury	Paid-in Capital	Notes Receivable Issued to Related Parties	Retained Earnings (Deficit)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1999	$ 176,740	3,422	(1,607)	6,343	(2,167)	9,817
Net loss	---	---	---	---	---	(9,024)
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	192	---	---
Class B shares converted to Class A	119	(119)	---	---	---	---
Shares issued under stock option plan	1,406	---	---	---	---	---
Shares issued under officer stock option agreements and notes issued upon officer stock option exercise	450	---	---	---	(372)	---
Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant	---	---	---	185	---	---
Shares issued to Employee Stock Purchase Plan	1,867	---	---	---	---	---
Purchase of treasury stock	---	---	(52)	---	---	---
Preferred stock dividends	---	---	---	---	---	(896)
Balances at June 30, 2000	$ 180,582	3,303	(1,659)	6,720	(2,539)	(103)
Balances at December 31, 2000	$ 182,706	3,299	(1,659)	7,368	(2,976)	(5,258)
Net income	---	---	---	---	---	2,589
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	1,072	---	---
Class B shares converted to Class A	7	(7)	---	---	---	---
Shares issued under stock option plan	1,391	---	---	---	---	---
Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant	---	---	---	386	---	---
Shares issued to Employee Stock Purchase Plan	688	---	---	---	---	---
Acquisition of G.C. Cablevision, Inc. net assets and customer base	2,388	---	---	---	---	---
Payment received on note issued upon officer stock option exercise	---	---	---	---	688	---
Preferred stock dividends	---	---	---	---	---	(945)
Balances at June 30, 2001	$ 187,180	3,292	(1,659)	8,826	(2,288)	(3,614)

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

<TABLE>
GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
<CAPTION>

	(Unaudited) Six Months Ended June 30, 2001	2000
	(Amounts in thousands)	
<S>	<C>	<C>
Operating activities:		
Net income (loss)	$ 2,589	(9,024)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	27,639	25,594
Amortization charged to selling, general and administrative	17	495
Non-cash cost of sale	10,877	---
Deferred income tax expense (benefit)	2,028	(5,603)
Bad debt expense, net of write-offs	1,851	619
Deferred compensation and compensatory stock options	675	376
Employee Stock Purchase Plan expense funded with issuance of General Communication, Inc. Class A common stock	---	1,391
Write-off of capitalized interest	170	1,955
Other noncash income and expense items	54	(160)
Change in operating assets and liabilities	(227)	4,217
Net cash provided by operating activities	45,673	19,860
Investing activities:		
Purchases of property and equipment	(28,443)	(18,873)
Advances and billings to Kanas Telecom, Inc.	(5,632)	---
(Payment) refund of deposit	(1,200)	8,806
Purchases of property held for sale	---	(1,550)
Purchases of other assets	(895)	(145)
Notes receivable issued to related parties	(304)	(829)
Payments received on notes receivable with related parties	754	582
Cash received upon acquisition of Kanas Telecom, Inc.	228	---
Net cash used by investing activities	(35,492)	(12,009)
Financing activities:		
Repayments of long-term borrowings and capital lease obligations	(12,595)	(10,280)
Proceeds from common stock issuance	1,391	1,856
Payment of Series B preferred stock dividend	(963)	---
Payment received on note receivable with related party issued upon stock option exercise	688	---
Notes receivable with related parties issued upon stock option exercise	---	(372)
Payment of debt issuance costs	(81)	(128)
Purchase of treasury stock	---	(52)
Net cash used by financing activities	(11,560)	(8,976)
Net decrease in cash and cash equivalents	(1,379)	(1,125)
Cash and cash equivalents at beginning of period	5,962	13,734
Cash and cash equivalents at end of period	$ 4,583	12,609

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

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

(1) General

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

(a) Business
General Communication, Inc. ("GCI"), an Alaska corporation, was incorporated in 1979. We offer the following services:
- Long-distance telephone service between Anchorage, Fairbanks, Juneau, and other communities in Alaska and the remaining United States and foreign countries

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

(b) Principles of Consolidation
The consolidated financial statements include the accounts of GCI, GCI's 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 Cable, Inc., and GCI Transport Co., Inc., GCI Holdings, Inc.'s 85% controlling interest in GCI Fiber Communication Co., Inc., GCI Communication Corp.'s wholly-owned subsidiary Potter View Development Co., Inc., GCI Transport Co., Inc.'s wholly-owned subsidiaries GCI Satellite Co., Inc., GCI Fiber Co., Inc. and Fiber Hold Co., Inc. and GCI Fiber Co., Inc.'s and Fiber Hold Co., Inc.'s wholly-owned partnership Alaska United Fiber System Partnership ("Alaska United").

(c) Net Income (Loss) Per Common Share

<TABLE>

Net income (loss) used to calculate basic net income (loss) per common share is increased (decreased) by preferred stock dividends of ($470,000) and $455,000 for the three months ended June 30, 2001 and 2000, respectively, and ($945,000) and $896,000 for the six months ended June 30, 2001 and 2000, respectively. Shares used to calculate net income (loss) per common share consist of the following (amounts in thousands):

<CAPTION>

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
<S>	<C>	<C>	<C>	<C>
Weighted average common shares outstanding	53,057	51,418	52,820	51,341
Common equivalent shares outstanding	1,457	---	1,201	---
	54,514	51,418	54,021	51,341

</TABLE>
<TABLE>

Common equivalent shares outstanding which are anti-dilutive for purposes of calculating the net loss per common share for the three and six months ended June 30, 2001 and 2000, are not included in the diluted net loss per share calculation, and consist of the following (amounts in thousands):

<CAPTION>

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
<S>	<C>	<C>	<C>	<C>
Common equivalent shares outstanding	4,067	4,424	4,067	4,533

</TABLE>
<TABLE>

Weighted average shares associated with outstanding stock options for the three and six months ended June 30, 2001 and 2000 which have been excluded from the diluted income (loss) per share calculations because the options' exercise price was greater than the average market price of the common shares consist of the following (amounts in thousands):

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Weighted average shares associated with outstanding stock options	4	2,579	94	2,359

(d) Common Stock

Following is the statement of common stock at June 30, 2001 and 2000 (shares, in thousands):

	Class A	Class B
Balances at December 31, 1999	46,870	4,048
Class B shares converted to Class A	140	(140)
Shares issued under stock option plan	181	---
Shares issued to Employee Stock Purchase Plan	335	---
Warrant exercise	425	---
Balances at June 30, 2000	47,951	3,908
Balances at December 31, 2000	48,643	3,904
Class B shares converted to Class A	9	(9)
Shares issued under stock option plan	470	---
Shares issued upon acquisition of G.C. Cablevision, Inc. net assets and customer base	238	---
Balances at June 30, 2001	49,360	3,895

(e) Redeemable Preferred Stocks

Redeemable preferred stocks consist of (amounts in thousands):

	June 30, 2001	December 31, 2000
Series B	$ 22,572	22,589
Series C	10,000	---
	$ 32,572	22,589

We have 1,000,000 shares of preferred stock authorized with the following shares issued at June 30, 2001 and 2000 (in thousands):

	Series B	Series C
Balances at December 31, 1999	20	---
Balances at June 30, 2000	20	---
Balances at December 31, 2000	20	---
Shares issued in lieu of cash dividend payment	3	---
Shares issued upon acquisition of Kanas Telecom, Inc.	---	10
Balances at June 30, 2001	23	10

The combined aggregate amount of preferred stock mandatory redemption requirements follow (amounts in thousands):

Years ending June 30:	
2002	$ ---
2003	---
2004	---
2005	10,150
2006	---
	$ 10,150

Series B
The redemption amount of our convertible redeemable accreting Series B preferred stock at June 30, 2001 and December 31, 2000 is $22,893,000 and $23,474,000, respectively. The difference between the carrying and redemption amounts is due to accrued dividends which are included in Accrued Liabilities until either paid in cash or through the issuance of additional Series B preferred stock.

Series C
We issued 10,000 shares of convertible redeemable accreting Series C preferred stock as of June 30, 2001 to acquire a controlling interest in Kanas Telecom, Inc. ("Kanas") (see note 4). The Series C preferred stock is convertible at $12 per share into GCI Class A common stock, is non-voting, and pays a 6% per annum quarterly cash dividend. We may redeem the Series C preferred stock at any time in whole but not in part. Mandatory redemption is required at any time after the fourth anniversary date at the option of holders of 80% of the outstanding shares of the Series C preferred stock. The redemption price is $1,000 per share plus the amount of all accrued and unpaid dividends, whether earned or declared, through the redemption date. In the event of a liquidation of GCI the holders of the Series C preferred stock shall be entitled to be paid an amount equal to the redemption price before any distribution or payment is made upon Junior Securities. The redemption amount on June 30, 2001 was $10.0 million.

(f) Accounting for Derivative Instruments and Hedging Activities
Effective January 1, 2001, we adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), as amended. SFAS No. 133 requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Effective January 3, 2001, we entered into an interest rate swap agreement to convert $50 million of 9.75% fixed rate debt to a variable interest rate equal to the 90 day Libor rate plus 334 basis points. The interest rate swap terms mirror the underlying fixed rate debt, except the interest rate swap may be called at no cost by the issuer on August 1, 2002. Under SFAS No. 133, the interest rate swap is accounted for as a fair value hedge. We entered into the transaction to take advantage of the decline in interest rates. As of June 30, 2001, the amount of change in the fair value of debt approximates the change in the fair value of the interest rate swap.

(g) Sale of Fiber Capacity
During the first quarter of 2001 we completed a $19.5 million sale of long-haul capacity in the Alaska United undersea fiber optic cable system ("fiber capacity sale") in a cash transaction. The sale included both capacity within Alaska, and between Alaska and the lower 48 states. We used the proceeds from the fiber capacity sale to repay $11.7 million of the Fiber Facility debt and to fund capital expenditures and working capital.

We account for the sale of fiber capacity as sales type leases if substantially all of the benefits and risks of ownership have been transferred to the purchaser. The accounting for the sale of fiber capacity is currently evolving and accounting guidance may become available in the future which could affirm our policy or require us to change it. If we are required to change our policy, it is likely the effect would be to recognize the gain from the sale of fiber capacity over the term the capacity is provided. Such a change would have a material effect on our statement of operations.

(h) Reclassifications

Reclassifications have been made to the 2000 financial statements to make them comparable with the 2001 presentation.

(i) 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 GCI and its wholly owned subsidiaries 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 and six month periods ended June 30, 2001 are not necessarily indicative of the results that may be expected for the year ended December 31, 2001. For further information, refer to the financial statements and footnotes thereto included in our annual report on Form 10-K for the year ended December 31, 2000.

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

<TABLE>
Changes in operating assets and liabilities consist of (amounts in thousands):
<CAPTION>

Six-month periods ended June 30,	2001	2000
<S>	<C>	<C>
(Increase) decrease in receivables	$ (7,503)	1,282
Decrease in prepaid and other current assets	200	264
(Increase) decrease in inventory	981	(743)
Increase in accounts payable	2,160	353
Increase in accrued liabilities	1,849	786
Increase in accrued payroll and payroll related obligations	924	198
Decrease in accrued interest	425	1,271
Increase (decrease) in subscriber deposits and other current liabilities	(115)	232
Increase in deferred revenues	899	7
Increase (decrease) in components of other long-term liabilities	(47)	567
	$ (227)	4,217

</TABLE>

We paid income taxes totalling approximately $61,000 and $0 during the six-month periods ended June 30, 2001 and 2000, respectively.

We paid interest totalling approximately $16,532,000 and $16,987,000 during the six-month periods ended June 30, 2001 and 2000, respectively.

We recorded $1,072,000 and $192,000 during the six months ended June 30, 2001 and 2000, respectively, in paid-in capital in recognition of the income tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes.

During the six months ended June 30, 2000 we funded the employer matching portion of Employee Stock Purchase Plan contributions by issuing GCI Class A common stock valued at $1,406,000. We purchased such shares on the open market during the six months ended June 30, 2001.

We financed the purchase of satellite transponder capacity pursuant to a long-term capital lease arrangement with a leasing company during the six month period ended June 30, 2000 at a cost of $48.2 million.

Effective June 30, 2001 we issued $10.0 million of Series C preferred stock in exchange for WorldCom, Inc.'s ("WorldCom") 85% controlling interest in Kanas (see notes 1(e) and 3).

Effective March 31, 2001 we acquired the assets and customer base of G.C. Cablevision, Inc. The seller received 238,199 unregistered shares of GCI Class A common stock with a future payment in additional shares contingent upon certain conditions.

(3) Acquisition of Kanas
On June 30, 2001 we completed the acquisition of WorldCom's 85% controlling interest in Kanas, which owns the 800-mile fiber optic cable system that extends from Prudhoe Bay, Alaska to Valdez, Alaska via Fairbanks. On June 30, 2001 we issued to WorldCom, a related party, shares of Series C preferred stock (see note 1(e)) valued at $10.0

million. The corporation owning the fiber optic system is operated as GCI Fiber Communication Co., Inc.

(4) Industry Segments Data

Our 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.

We have four reportable segments as follows:

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

Cable services. We provide cable television services to residential, commercial and government users in the State of Alaska. Our cable systems serve 31 communities and areas in Alaska, including the state's three largest urban areas, Anchorage, Fairbanks and Juneau. We offer digital cable television services in Anchorage and Fairbanks and retail cable modem service (through our Internet services segment) in Anchorage, Fairbanks, Juneau and Valdez. We plan to expand our product offerings as plant upgrades are completed in other communities in Alaska.

Local access services. We offer facilities based competitive local exchange services in Anchorage and Fairbanks and plan to provide similar competitive local exchange services Juneau during 2002.

Internet services. We offer wholesale and retail Internet services. We offer cable modem service in Anchorage, Fairbanks, Juneau and Valdez and plan to provide cable modem service in the Kenai-Soldotna area in 2002. Our undersea fiber optic cable allows us to offer enhanced services with high-bandwidth requirements.

Included in the "All Other" category in the tables that follow are our managed services, product sales, cellular telephone services, and management services for Kanas, a related party (see note 3). None of these business units have ever met the quantitative thresholds for determining reportable segments. Also included in the All Other category are corporate related expenses including marketing, customer service, management information systems, accounting, legal and regulatory, human resources and other general and administrative expenses. In 2001 the All Other category includes revenues and costs associated with a sale of undersea fiber optic cable system capacity (see note 1(g)).

We evaluate performance and allocate resources based on (1) earnings or loss from operations before depreciation, amortization, net interest expense and income taxes, and (2) operating income or loss. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies in note 1. Intersegment sales are recorded at cost plus an agreed upon intercompany profit.

We earn all revenues through sales of services and products within the United States of America. All of our long-lived assets are located within the United States of America.

<TABLE>

Summarized financial information for our reportable segments for the six month periods ended June 30, 2001 and 2000 follows (amounts in thousands):

<CAPTION>

	Reportable Segments						
	Long-Distance Services	Cable Services	Local Access Services	Internet Services	Total Reportable Segments	All Other	Total

-

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
2001							
Revenues:							
Intersegment	$ 9,925	754	3,754	2,659	17,092	169	17,261
External	96,087	36,919	12,141	5,753	150,900	31,552	182,452
Total revenues	$ 106,012	37,673	15,895	8,412	167,992	31,721	199,713
Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes	$ 40,686	18,518	4,395	(4,515)	59,084	(9,524)	49,560
Operating income (loss)	$ 29,145	8,493	2,733	(5,840)	34,531	(12,610)	21,921
2000							
Revenues:							
Intersegment	$ 6,742	739	3,146	1,281	11,908	---	11,908
External	88,475	32,590	9,309	3,731	134,105	5,598	139,703
Total revenues	$ 95,217	33,329	12,455	5,012	146,013	5,598	151,611
Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes	$ 34,382	16,143	1,320	(4,706)	47,139	(17,006)	30,133
Operating income (loss)	$ 23,299	6,872	(1,246)	(5,548)	23,377	(18,838)	4,539

</TABLE>
<TABLE>
A reconciliation of reportable segment revenues to consolidated revenues follows:
<CAPTION>

Six months ended June 30,	2001	2000
<S>	<C>	<C>
Reportable segment revenues	$ 167,992	146,013
Plus All Other revenues	31,721	5,598
Less intersegment revenues eliminated in consolidation	(17,261)	(11,908)
Consolidated revenues	$ 182,452	139,703

</TABLE>

<TABLE>
A reconciliation of reportable segment earnings from operations before depreciation, amortization, net interest expense and income taxes to consolidated net income (loss) before income taxes follows:
<CAPTION>

Six months ended June 30,	2001	2000
<S>	<C>	<C>
Reportable segment earnings from operations before depreciation, amortization, net interest expense and income taxes	$ 59,084	47,139
Less All Other loss from operations before depreciation, amortization, net interest expense and income taxes	(9,524)	(17,006)
Less intersegment contribution eliminated in consolidation	(468)	(112)
Consolidated earnings from operations before depreciation, amortization, net interest expense and income taxes	49,092	30,021
Depreciation and amortization	27,639	25,594
Consolidated operating income	21,453	4,427
Interest expense, net	16,695	19,054
Consolidated net income (loss) before income taxes	$ 4,758	(14,627)

</TABLE>
<TABLE>
A reconciliation of reportable segment operating income to consolidated net income (loss) before income taxes follows:
<CAPTION>

Six months ended June 30,	2001	2000
<S>	<C>	<C>
Reportable segment operating income	$ 34,531	23,377
Less All Other operating loss	(12,610)	(18,838)
Less intersegment contribution eliminated in consolidation	(468)	(112)
Consolidated operating income	21,453	4,427
Interest expense, net	16,695	19,054
Consolidated net income (loss) before income taxes	$ 4,758	(14,627)

</TABLE>

(5) Commitments and Contingencies

Acquisition
On June 15, 2001 we signed an agreement with Rogers Cable, Inc. to acquire all of the stock of Rogers American Cablesystems, Inc., a cable television service provider in Palmer and Wasilla, Alaska for $19.0 million in cash. The acquisition is subject to regulatory approval and is expected to be finalized in the fourth quarter of 2001.

Litigation and Disputes
We are routinely involved in various lawsuits, billing disputes, legal proceedings and regulatory matters that have arisen in the normal course of business. While the ultimate results of these items cannot be predicted with certainty, we do not expect at this time the resolution of them to have a material adverse effect on our financial position, results of operations or our liquidity.

PART I.
ITEM 2.

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

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

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

Overview
We have experienced significant growth in recent years through strategic acquisitions, deploying new business lines and expansion of our existing businesses. We have historically met our cash needs for operations and maintenance capital expenditures through our cash flows from operating activities. Cash requirements for acquisitions and other capital expenditures have been provided largely through our financing activities.

Long-Distance Services
During the second quarter of 2001 long-distance services revenue represented 58.3% of consolidated revenues. Our provision of interstate and intrastate long-distance services to residential, commercial and governmental customers and to other common carriers (principally WorldCom and Sprint), and provision of private line and leased dedicated capacity services accounted for 95.0% of our total long-distance services revenues during the second quarter of 2001. Factors that have the greatest impact on year-to-year changes in long-distance services revenues include the rate per minute charged to customers, usage volumes expressed as minutes of use, and the number of private line and leased dedicated service products in use.

Revenues from private line and other data services sales increased 37.1% to $9.2 million during the second quarter of 2001 as compared to the second quarter of 2000 due primarily to increasing demand for our data services by commercial and governmental customers.

We introduced a broadband product offering to hospitals and health clinics in 2000, supplementing broadband revenues derived from our SchoolAccess(TM) offering to rural school districts. Total broadband revenues increased 61.2% to $3.8 million during the second quarter of 2001 as compared to the second quarter of 2000. We will provide SchoolAccess(TM) services to nine school districts in Arizona and New Mexico beginning July 2001.

Our long-distance cost of sales and services has consisted principally of direct costs of providing services, including local access charges paid to Local

Exchange Carriers ("LECs") for originating and terminating long-distance calls in Alaska, and fees paid to other long-distance carriers to carry calls terminating in areas not served by our network (principally the lower 49 states, most of which calls are carried over WorldCom's network, and international locations, which calls are carried principally over Sprint's network). During the second quarter of 2001, local access charges accounted for 64.8% of long-distance cost of sales and services, fees paid to other long-distance carriers represented 27.7%, satellite transponder lease and undersea fiber maintenance costs represented 3.3%, and other costs represented 4.2% of long-distance cost of sales and services.

Our long-distance selling, general, and administrative expenses have consisted of operating and engineering, customer service, sales and communications, management information systems, general and administrative, and 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, 34.3% during the second quarter of 2001, represents operating and engineering costs.

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. We believe our approach to developing, pricing, and providing long-distance services and bundling different business segment services will continue to allow us to be competitive in providing those services.

Revenues derived from other common carriers increased 9.3% to $19.2 million during the second quarter of 2001 as compared to the second quarter of 2000. The average rate charged other common carriers increased 7.5% during the same period due to a certain category of wholesale minutes no longer carried for such customers and the total minutes carried for such customers increased 1.7%. In conjunction with our purchase of a controlling interest in Kanas (see note 3 to the accompanying Notes to Interim Condensed Consolidated Financial Statements) we negotiated a contract amendment with WorldCom in March 2001. The amendment extends the contract term for five years to March 2006 and reduces the rate to be charged by us for certain WorldCom traffic over the extended term of the contract. The Sprint contract was also amended in March 2001 extending its term two years to March 2004 with two one-year automatic extensions to March 2006. The amendment reduces the rate to be charged by us for certain Sprint traffic over the extended term of the contract.

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

Cable Services

During the second quarter of 2001, cable television revenues represented 22.1% of consolidated revenues. The cable systems serve 31 communities and areas in Alaska, including the state's three largest population centers, Anchorage, Fairbanks and Juneau.

On March 31, 2001 we acquired the assets and customer base of G.C. Cablevision, Inc., with approximately 1,000 subscribers in Fairbanks and North Pole, Alaska.

On June 15, 2001 we signed an agreement with Rogers Cable, Inc. to acquire all of the stock of Rogers American Cablesystems, Inc., a cable television service provider in Palmer and Wasilla, Alaska for $19.0 million in cash. The acquisition is subject to regulatory approval and is expected to be finalized in the fourth quarter of 2001. This acquisition will result in an additional 10,000 homes passed and will add more than 7,000 subscribers.

We generate cable services revenues from four primary sources: (1) digital and analog 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; (3) advertising sales; and (4) cable modem services (shared with our Internet services segment). During the second quarter of 2001

programming services generated 80.1% of total cable services revenues, equipment rental and installation fees accounted for 9.4% of such revenues, cable modem services accounted for 6.3% of such revenues, advertising sales accounted for 3.4% of such revenues, and other services accounted for the remaining 0.8% 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 digital and analog services, the average number of cable television and cable modem subscribers during a given reporting period, and revenues generated from new product offerings.

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 equipment rental expense. During the second quarter of 2001 programming and copyright expenses represented 47.4% of total cable cost of sales and selling, general and administrative expenses, and general and administrative costs represented 45.7% of such total. Marketing and advertising costs represented approximately 7.0% 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. We believe our cable television services will continue to be competitive by 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.

Local Access Services
We generate local access services revenues from three primary sources: (1) business and residential basic dial tone services; (2) business private line and special access services; and (3) business and residential features and other charges, including voice mail, caller ID, distinctive ring, inside wiring and subscriber line charges. Local exchange services revenues totaled $6.2 million in the second quarter of 2001 representing 7.2% of consolidated revenues. The primary factors that contribute to year-to-year changes in local access services revenues are the average number of business and residential subscribers to our services during a given reporting period, the average monthly rates charged for non-traffic sensitive services and the number and type of additional premium features selected.

Local access cost of sales represented approximately 53.4% of total local access services cost of sales and selling, general and administrative expenses during the second quarter of 2001. General and administrative and customer service costs represented approximately 33.4% of such total expenses, marketing and advertising costs represented approximately 8.6% of such total expenses, and operating and engineering expenses represented approximately 4.6% of such total expenses.

Our local access services segment faces significant competition in Anchorage from the Incumbent Local Exchange Carrier ("ILEC") Alaska Communications Systems, Inc. ("ACS") and AT&T Alascom, Inc. We believe our approach to developing, pricing, and providing local access services and bundling different business segment services will allow us to be competitive in providing those services.

Internet Services
We generate Internet services revenues from three primary sources: (1) access product services, including commercial, Internet service provider, and retail dial-up access; (2) network management services; and (3) cable modem services (a portion of cable modem revenue is also recognized by our cable services segment). Internet services segment revenues totaled $3.1 million representing 3.7% of total revenues in the second quarter of 2001. The primary factors that contribute to year-to-year changes in Internet services revenues are the average number of subscribers to our services during a given reporting period, the average monthly subscription rates, and the number and type of additional premium features selected.

Operating and general and administrative expenses represented approximately 48.1% of total Internet services cost of sales and selling, general and administrative expenses during the second quarter of 2001. Internet cost of sales represented approximately 39.0% of such total expenses and marketing and advertising represented approximately 12.9% of such total expenses.

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

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

Other Services and Other Expenses
Telecommunications services revenues reported in the All Other category as described in note 4 in the accompanying Notes to Interim Condensed Consolidated Financial Statements include corporate network management contracts,

telecommunications equipment sales and service, management services for Kanas, and other miscellaneous revenues (including revenues from cellular resale services, prepaid and debit calling card sales, and installation and leasing of customer's very small aperture terminal ("VSAT") equipment).

Revenues included in the All Other category represented 8.7% of total revenues in the second quarter of 2001 and included network solutions and outsourcing revenues totalling $6.0 million, communications equipment sales, cellular resale and other revenues totalling $1.5 million.

Depreciation, amortization and net interest expense on a consolidated basis decreased $46,000 in the second quarter of 2001 as compared to the second quarter of 2000 resulting primarily from decreased interest rates in 2001 on our variable rate debt, the effect of an interest rate swap agreement described below, and decreased average outstanding long-term debt balances. Partially offsetting these decreases was an increase in our depreciation expense due to our $48.9 million investment in equipment and facilities placed into service during 2000 for which a full year of depreciation will be recorded during the year ended December 31, 2001 and the $28.4 million investment in other equipment and facilities during the first six months of 2001 for which a partial year of depreciation will be recorded during 2001.

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>

	Three Months Ended June 30,		Percentage Change	Six Months Ended June 30,		Percentage Change
(Unaudited)	2001	2000	2001 vs. 2000	2001	2000	2001 vs. 2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:						
Revenues						
Long-distance services	58.3%	62.8%	11.1%	52.7%	63.3%	8.6%
Cable services	22.1%	23.3%	13.3%	20.2%	23.3%	13.3%
Local access services	7.2%	6.7%	29.1%	6.7%	6.7%	30.4%
Internet services	3.7%	2.8%	55.3%	3.1%	2.7%	54.2%
Other services	8.7%	4.4%	141.4%	17.3%	4.0%	463.5%
Total revenues	100.0%	100.0%	19.8%	100.0%	100.0%	30.6%
Cost of sales and services	39.6%	41.5%	14.2%	41.6%	42.4%	28.0%
Selling, general and administrative expenses	34.6%	36.0%	15.0%	31.5%	36.1%	14.0%
Depreciation and amortization	16.0%	17.5%	9.5%	15.1%	18.3%	8.0%
Operating income	9.8%	5.0%	136.9%	11.8%	3.2%	384.6%
Net income (loss) before income taxes	0.5%	(7.9%)	107.7%	2.6%	(10.5%)	132.5%
Net income (loss)	0.2%	(4.9%)	104.7%	1.4%	(6.5%)	128.7%
Other Operating Data (1):						
Cable services operating income (2)	22.7%	22.3%	15.7%	23.0%	21.1%	23.6%
Local services operating income (loss) (3)	23.6%	(3.3%)	1,036.5%	22.5%	(13.4%)	319.3%
Internet services operating loss (4)	(94.6%)	(137.3%)	(7.0%)	(101.5%)	(148.7%)	(5.3%)

<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 services revenues.
(4) Computed as a percentage of total Internet services revenues.
</FN>
</TABLE>

THREE MONTHS ENDED JUNE 30, 2001 ("2001") COMPARED TO THREE MONTHS ENDED JUNE 30, 2000 ("2000")

Revenues

Total revenues increased 19.8% from $71.4 million in 2000 to $85.5 million in 2001.

Long-distance revenues from residential, commercial, governmental, and other common carrier customers increased 11.1% to $49.9 million in 2001. The increase was largely due to the following:

- An increase of 37.1% in private line and private network transmission services revenues to $9.2 million in 2001 due to an increased number of leased circuits in service,
- An increase of 9.3% in revenues from other common carriers (principally WorldCom and Sprint) to $19.2 million in 2001,
- An increase of 61.2% to $3.8 million in 2001 revenues from our SchoolAccess(TM) offering to rural school districts and our packaged telecommunications offering to rural hospitals and health clinics. Our SchoolAccess(TM) product was provided to 157 schools at June 30, 2001, a 6.1% increase from June 30, 2000, and
- An increase of 0.5% in total minutes of use to 261.0 million minutes primarily due to a 1.7% increase in wholesale minutes carried for other common carriers. Comparable minutes over the prior year increased 15.5%, after excluding certain low-margin wholesale minutes no longer carried on our network. The minute growth is due primarily to increases in traffic carried for other common carriers.

Long-distance revenue increases were offset by the following:

- A 5.4% decrease in our average rate per minute on long-distance traffic to $0.114 per minute in 2001 attributed to our promotion of and customers' enrollment in calling plans offering discounted rates and length of service rebates, such plans being prompted in part by our long-distance competitors reducing their rates, off-set by a 7.5% increase in the average rate per minute on minutes carried for other common carriers due to the discontinued carriage of certain low-margin wholesale minutes, and
- A decrease of 5.5% in the number of active residential, small business and commercial customers billed to 87,900 at June 30, 2001 primarily due to a competitor's offering allowing customers to place unlimited intrastate and interstate calls for a flat monthly fee. The competitor discontinued the unlimited minutes offering in the second quarter of 2001.

Cable revenues increased 13.3% to $18.9 million in 2001. Programming services revenues increased 6.2% to $15.1 million in 2001 resulting from an increase of approximately 4,300 basic subscribers served to approximately 123,000 (of which approximately 1,000 basic subscribers were acquired from G.C. Cablevision, Inc. on March 31, 2001) and increased pay-per-view, premium, and digital service revenues off-set by a decrease of $1.74 or 3.6% in average gross revenue per average basic subscriber per month. New facility construction efforts in 2000 and 2001 resulted in approximately 3,500 additional homes passed which contributed to additional subscribers and revenues in 2001. Digital subscriber counts increased 104.4% to 18,200 at June 30, 2001 as compared to June 30, 2000. The cable services segment's share of cable modem revenue (offered through our Internet services segment) increased $850,000 to $1.2 million in 2001.

Local access services revenues increased 29.1% in 2001 to $6.2 million. At June 30, 2001 approximately 69,000 lines were in service as compared to approximately 54,600 lines in service at June 30, 2000.

Internet services revenues increased 55.3% to $3.1 million in 2001 primarily due to growth in the average number of customers served. We had approximately 65,500 active residential, commercial and small business retail dial-up Internet subscribers at June 30, 2001 as compared to approximately 59,000 at June 30, 2000. We had approximately 19,600 active residential, commercial and small business retail cable modem subscribers at June 30, 2001 as compared to approximately 11,100 at June 30, 2000.

The increase in other services revenues from $3.1 million in 2000 to $7.5 million in 2001 is primarily due to increased revenues from managed services.

Cost of Sales and Services

Cost of sales and services totaled $33.8 million in 2001 and $29.6 million in 2000. As a percentage of total revenues, cost of sales and services decreased from 41.5% in 2000 to 39.6% in 2001.

Long-distance cost of sales and services decreased 4.0% to $18.6 million in 2001. Long-distance cost of sales as a percentage of long-distance revenues decreased from 43.2% in 2000 to 37.4% in 2001 primarily due to the effect of reassigning traffic carried by satellite transponders and fiber optic cable from leased to owned capacity and reductions in access costs due to distribution and termination of our traffic on our own local services network instead of paying other carriers to distribute and terminate our traffic. Offsetting the 2001 decrease as compared to 2000 is a decrease in the average rate per minute billed to customers without a comparable decrease in access charges paid by us. We expect cost savings to occur when traffic carried on our own facilities grows.

Cable cost of sales and services increased 15.8% to $5.1 million in 2001. Cable cost of sales and services as a percentage of cable revenues, which is less as a percentage of revenues than are long-distance, local access and Internet services cost of sales and services, increased from 26.2% in 2000 to 26.8% in 2001. Cable services rate increases did not keep pace with increases in programming costs in 2001. Programming costs increased for most of our cable services offerings, and we incurred additional costs on new programming introduced in 2000 and 2001.

Local access services cost of sales and services increased 17.9% to $3.5 million in 2001. Local access services cost of sales and services as a percentage of local access services revenues decreased from 61.9% in 2000 to 56.6% in 2001. As local access services revenues increase, economies of scale and more efficient network utilization result in reduced local access services cost of sales and services as a percentage of local access services revenues.

Internet services cost of sales and services increased 21.8% to $1.3 million in 2001. Internet services costs of sales as a percentage of Internet services revenues totaled 40.1% and 51.2% in 2001 and 2000, respectively. The Internet services costs of sales decrease as a percentage of Internet services revenues is primarily due to a $1.2 million increase in Internet's portion of cable modem revenue which generally has higher margins than do other Internet products. As Internet revenues increase, economies of scale and more efficient network utilization result in reduced Internet cost of sales and services as a percentage of Internet revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 15.0% to $29.6 million in 2001 and, as a percentage of total revenues, decreased from 36.0% in 2000 to 34.6% in 2001. The increase in 2001 is due to increased health insurance costs, increased accrual of a company-wide success sharing bonus and increased allowance for doubtful accounts receivable.

Depreciation and Amortization

Depreciation and amortization expense increased 9.5% to $13.7 million in 2001. The increase is attributable to our $48.9 million investment in equipment and facilities placed into service during 2000 for which a full year of depreciation will be recorded during the year ended December 31, 2001 and the $28.4 million investment in other equipment and facilities during the first six months of 2001 for which a partial year of depreciation will be recorded during 2001.

Interest Expense, Net

Interest expense, net of interest income, decreased 13.5% to $8.0 million in 2001. This decrease resulted primarily from decreased interest rates in 2001 on our variable rate debt, approximately $285,000 earned from an interest rate swap agreement described below, and decreased average outstanding long-term debt balances.

On January 3, 2001 we entered into an interest rate swap agreement to convert $50 million in 9.75% fixed rate debt to a variable interest rate equal to the 90 day Libor rate plus 334 basis points. The differential to be paid or received is recorded as an increase or decrease in interest expense in the consolidated statements of operations in the period in which it is recognized. The agreement extends through August 1, 2007 and is cancelable at the option of the counterparty beginning August 1, 2002. We are exposed to credit losses from counterparty nonperformance, but do not anticipate any such losses from our agreement.

Income Tax Benefit (Expense)

Income tax benefit (expense) was $2.1 million in 2000 and ($270,000) in 2001. The change was due to net income before income taxes in 2001 as compared to net loss before income taxes in 2000. Our effective income tax rate increased from 37.8% in 2000 to 61.9% in 2001 due to the effect of items that are nondeductible for income tax purposes.

SIX MONTHS ENDED JUNE 30, 2001 ("2001") COMPARED TO SIX MONTHS ENDED JUNE 30, 2000 ("2000")

Revenues

Total revenues increased 30.6% from $139.7 million in 2000 to $182.5 million in 2001. Excluding the fiber optic cable capacity sale in 2001 as described in note 1(g) in the accompanying Notes to Interim Condensed Consolidated Financial

Statements, total revenues increased 16.6%.

Long-distance revenues from residential, commercial, governmental, and other common carrier customers increased 8.6% to $96.1 million in 2001. The increase was largely due to the following:

- An increase of 43.8% in private line and private network transmission services revenues to $18.5 million in 2001 due to an increased number of leased circuits in service,
- An increase of 8.7% in revenues from other common carriers (principally WorldCom and Sprint) to $37.1 million in 2001, and
- An increase of 61.0% to $6.4 million in 2001 revenues from our SchoolAccess(TM) offering to rural school districts and our packaged telecommunications offering to rural hospitals and health clinics. Our SchoolAccess(TM) product was provided to 157 schools at June 30, 2001, a 6.1% increase from June 30, 2000.

Long-distance revenue increases were offset by the following:

- A decrease of 2.1% in total minutes of use to 504.2 million minutes primarily due to certain low-margin wholesale minutes no longer carried for other common carriers. Comparable minutes over the prior year increased 12.6%, after excluding certain low-margin wholesale minutes no longer carried for other common carriers. The minute growth is due primarily to increases in traffic carried for other common carriers,
- A 5.7% decrease in our average rate per minute on long-distance traffic to $0.116 per minute in 2001 attributed to our promotion of and customers' enrollment in calling plans offering discounted rates and length of service rebates, such plans being prompted in part by our long-distance competitors reducing their rates, off-set by a 10.3% increase in the average rate per minute on minutes carried for other common carriers due to the discontinued carriage of certain low-margin wholesale minutes, and
- A decrease of 5.5% in the number of active residential, small business and commercial customers billed to 87,900 at June 30, 2001 primarily due to a competitor's offering allowing customers to place unlimited intrastate and interstate calls for a flat monthly fee. The competitor discontinued the unlimited minutes offering in the second quarter of 2001.

Cable revenues increased 13.3% to $36.9 million in 2001. Programming services revenues increased 6.2% to $29.8 million in 2001 resulting from an increase of approximately 4,300 basic subscribers served to approximately 123,000 (of which approximately 1,000 basic subscribers were acquired from G.C. Cablevision, Inc. on March 31, 2001) and increased pay-per-view, premium, and digital service revenues off-set by a decrease of $1.74 or 3.6% in average gross revenue per average basic subscriber per month. New facility construction efforts in 2000 and 2001 resulted in approximately 3,500 additional homes passed which contributed to additional subscribers and revenues in 2001. Digital subscriber counts increased 104.4% to 18,200 at June 30, 2001 as compared to June 30, 2000. The cable services segment's share of cable modem revenue (offered through our Internet services segment) increased $1.4 million to $2.2 million in 2001.

Local access services revenues increased 30.4% in 2001 to $12.1 million. At June 30, 2001 approximately 69,000 lines were in service as compared to approximately 54,600 lines in service at June 30, 2000.

Internet services revenues increased 54.2% to $5.8 million in 2001 primarily due to growth in the average number of customers served. We had approximately 65,500 active residential, commercial and small business retail dial-up Internet subscribers at June 30, 2001 as compared to approximately 59,000 at June 30, 2000. We had approximately 19,600 active residential, commercial and small business retail cable modem subscribers at June 30, 2001 as compared to approximately 11,100 at June 30, 2000.

The increase in other services revenues from $5.6 million in 2000 to $31.6 million in 2001 is primarily due to the $19.5 million fiber capacity sale in 2001 as previously described and increased revenues from managed services.

Cost of Sales and Services

Cost of sales and services totaled $75.9 million in 2001 and $59.3 million in 2000. As a percentage of total revenues, cost of sales and services decreased from 42.4% in 2000 to 41.6% in 2001. Excluding the fiber capacity sale in 2001, total cost of sales and services as a percentage of total revenues decreased from 42.4% in 2000 to 39.9% in 2001.

Long-distance cost of sales and services decreased 7.6% to $36.8 million in 2001. Long-distance cost of sales as a percentage of long-distance revenues decreased from 45.1% in 2000 to 38.3% in 2001 primarily due to the effect of reassigning traffic carried by satellite transponders and fiber optic cable from leased to owned capacity and reductions in access costs due to distribution and termination of our traffic on our own local services network instead of paying other carriers to distribute and terminate our traffic. Offsetting the 2001 decrease as compared to 2000 is a decrease in the average rate per minute billed to customers without a comparable decrease in access charges paid by us. We expect cost savings to occur when traffic carried on our own facilities grows.

Cable cost of sales and services increased 15.5% to $10.0 million in 2001. Cable cost of sales and services as a percentage of cable revenues, which is less as a percentage of revenues than are long-distance, local access and Internet services cost of sales and services, increased from 26.6% in 2000 to 27.1% in 2001. Cable services rate increases did not keep pace with increases in programming costs in 2001. Programming costs increased for most of our cable services offerings, and we incurred additional costs on new programming introduced in 2000 and 2001.

Local access services cost of sales and services increased 23.2% to $6.6 million in 2001. Local access services cost of sales and services as a percentage of local access services revenues decreased from 57.8% in 2000 to 54.7% in 2001. As local access services revenues increase, economies of scale and more efficient network utilization result in reduced local access services cost of sales and services as a percentage of local access services revenues.

Internet services cost of sales and services increased 15.0% to $2.4 million in 2001. Internet services costs of sales as a percentage of Internet services revenues totaled 42.1% and 56.5% in 2001 and 2000, respectively. The Internet services costs of sales decrease as a percentage of Internet services revenues is primarily due to a $2.3 million increase in Internet's portion of cable modem revenue which generally has higher margins than do other Internet products. As Internet revenues increase, economies of scale and more efficient network utilization result in reduced Internet cost of sales and services as a percentage of Internet revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 14.0% to $57.4 million in 2001 and, as a percentage of total revenues, decreased from 36.1% in 2000 to 31.5% in 2001. Excluding the fiber capacity sale in 2001, selling, general and administrative expenses, as a percentage of total revenues, decreased from 36.1% in 2000 to 34.5% in 2001. The increase in 2001 is due to increased health insurance costs, increased accrual of a company-wide success sharing bonus and increased allowance for doubtful accounts receivable.

Depreciation and Amortization

Depreciation and amortization expense increased 8.0% to $27.6 million in 2001. The increase is attributable to our $48.9 million investment in equipment and facilities placed into service during 2000 for which a full year of depreciation will be recorded during the year ended December 31, 2001 and the $28.4 million investment in other equipment and facilities during 2001 for which a partial year of depreciation will be recorded during 2001.

Interest Expense, Net

Interest expense, net of interest income, decreased 12.4% to $16.7 million in 2001. This decrease resulted primarily from decreased interest rates in 2001 on our variable rate debt, approximately $285,000 earned from an interest rate swap agreement, and decreased average outstanding long-term debt balances. Partially offsetting these decreases was an increase in our average outstanding capital lease obligation balances resulting from the lease of satellite transponder capacity.

Income Tax Benefit (Expense)

Income tax benefit (expense) was $5.6 million in 2000 and ($2.2) million in 2001. The change was due to net income before income taxes in 2001 as compared to net loss before income taxes in 2000. Our effective income tax rate increased from 38.3% in 2000 to 45.6% in 2001 due to the effect of items that are nondeductible for income tax purposes.

At June 30, 2001, we have (1) tax net operating loss carryforwards of approximately $101.0 million that will begin expiring in 2008 if not utilized, and (2) alternative minimum tax credit carryforwards of approximately $2.6 million available to offset regular income taxes payable in future years. Our 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 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. We estimate that our effective income tax rate for financial statement purposes will be approximately 55% to 60% in 2001.

FLUCTUATIONS IN QUARTERLY RESULTS OF OPERATIONS

<TABLE>

The following chart provides selected unaudited statement of operations data from our quarterly results of operations during 2001 and 2000:

<CAPTION>

(Amounts in thousands, except per share amounts)

-

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
2001					
Revenues:					
Long-distance services	$ 46,236	49,851			96,087
Cable services	18,046	18,873			36,919
Local access services	5,958	6,183			12,141
Internet services	2,619	3,134			5,753
Other services	24,058	7,494			31,552
Total revenues	96,917	85,535			182,452
Operating income	13,042	8,411			21,453
Net income before income taxes	4,322	436			4,758
Net income	2,423	166			2,589
Basic and diluted net income (loss) per common share	0.04	(0.01)			0.03
2000					
Revenues:					
Long-distance services	$ 43,620	44,855	48,185	46,016	182,676
Cable services	15,930	16,660	16,708	18,600	67,898
Local access services	4,520	4,789	5,236	5,660	20,205
Internet services	1,713	2,018	2,188	2,506	8,425
Other services	2,494	3,104	3,589	4,214	13,401
Total revenues	68,277	71,426	75,906	76,996	292,605
Operating income	877	3,550	5,610	5,966	16,003
Net loss before income taxes	(8,962)	(5,665)	(3,954)	(3,068)	(21,649)
Net loss	(5,498)	(3,526)	(2,352)	(1,858)	(13,234)
Basic and diluted net loss per common share	(0.12)	(0.08)	(0.05)	(0.04)	(0.29)

</TABLE>

Revenues

Total revenues for the quarter ended June 30, 2001 ("second quarter") were $85.5 million, representing a 11.7% decrease from $96.9 million for the quarter ended March 31, 2001 ("first quarter"). Excluding the first quarter fiber capacity sale, total second quarter revenues increased 10.5%.

Cost Of Sales and Services

Cost of sales and services decreased from $42.1 million in the first quarter to $33.8 million in the second quarter. Excluding the fiber capacity sale, cost of sales and services totaled $31.2 million in the first quarter. As a percentage of revenues, first and second quarter cost of sales and services totaled 43.4% and 39.6%, respectively. Excluding the fiber capacity sale, cost of sales and services totaled 40.3% as a percentage of revenues in first quarter. The second quarter decrease as a percentage of revenues results from reductions in access costs due to distribution and termination of traffic on our own long-distance and local services networks instead of paying other carriers to distribute and terminate our traffic. Partially off-setting the second quarter decrease is a decrease in the average rate per minute billed to customers without a comparable

decrease in access charges paid by us, and increased cable programming costs without a corresponding revenue increase. We expect cost savings to continue as traffic carried on our own facilities grows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $1.7 million in the second quarter as compared to the first quarter. As a percentage of revenues, second quarter selling, general and administrative expenses were 34.6% as compared to 28.7% for the first quarter. Excluding the fiber capacity sale in the first quarter, selling, general and administrative expenses were 34.3% as a percentage of revenues in the first quarter.

Net Income

We reported net income of $166,000 for the second quarter as compared to a $2.4 million for the first quarter. The decrease is primarily due to the fiber capacity sale in the first quarter.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities totaled $45.7 million in the six-month period ended June 30, 2001 ("2001") as compared to $19.9 million in the six-month period ended June 30, 2000 ("2000"), net of changes in the components of working capital. The increase in 2001 is, in part, due to the fiber capacity sale in 2001. Expenditures for property and equipment, including construction in progress, totaled $28.4 million in 2001. Other uses of cash during 2001 included repayment of $12.6 million of long-term borrowings and capital lease obligations, advances to Kanas and payments on Kanas' behalf of approximately $5.6 million (see note 3 to the accompanying Notes to Interim Condensed Consolidated Financial Statements), payment of a $1.2 million equipment lease deposit, and payment of $1.0 million in Series B preferred stock dividends. Other sources of cash in 2001 include $1.4 million from the issuance of our common stock.

Trade receivables increased $7.2 million from December 31, 2000 to June 30, 2001 primarily due to an increase in other common carrier trade receivables.

Working capital totaled ($1.8) million at June 30, 2001, a $12.4 million decrease from working capital of $10.6 million as of December 31, 2000. The decrease is primarily attributed to our use of proceeds from the fiber capacity sale to purchase long-term capital assets and repay long-term debt.

On October 25, 2000 and March 23, 2001 we amended the Holdings $150,000,000 and $50,000,000 credit facilities. The amendments contain, among other things, provision for payment of a one-time amendment fee of $192,500, changes in certain financial covenants and ratios, and a limit of $70 million for 2001 capital expenditures (excluding capital expenditures by certain subsidiaries). Under these amendments, 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 2.50 to 1.0 through September 30, 2003 and must maintain a ratio of annualized operating cash flow to fixed charges of at least 1.0 to 1.0 effective January 1, 2002 (which adjusts to 1.05 to 1.0 in April, 2003 and thereafter).

We were in compliance with all loan covenants at June 30, 2001.

Our expenditures for property and equipment, including construction in progress, totaled $28.4 million and $18.9 million during the first six months of 2001 and 2000, respectively. We expect our expenditures for property and equipment, including construction in progress, for our core operations to total approximately $55.0 to $60.0 million during the year ended December 31, 2001. Planned capital expenditures over the next five years include those necessary for continued expansion of our long-distance, local exchange and Internet facilities, continuing development of our PCS network and upgrades to our cable television plant.

Dividends earned on our Series B preferred stock are payable at the semi-annual payment dates of April 30 and October 31 of each year. The determination of whether additional dividends will be paid in cash or additional fully-paid shares of Series B preferred stock is made at each semi-annual payment date through the four-year anniversary of the April 30, 1999 closing. Dividends earned after the four-year anniversary of closing are payable semi-annually in cash only.

We issued 10,000 shares of Series C preferred stock on June 30, 2001 to acquire a controlling interest in Kanas (see note 3 to the accompanying Notes to Interim Condensed Consolidated Financial Statements). The Series C preferred stock is convertible at $12 per share into GCI Class A common stock, is non-voting, and pays a 6% per annum quarterly cash dividend. We may redeem the Series C preferred stock at any time in whole but not in part. Mandatory redemption is required at any time after the fourth anniversary date at the option of holders of 80% of the outstanding shares of the Series C preferred stock. The redemption price is $1,000 per share plus the amount of all accrued and unpaid dividends, whether earned or declared, through the redemption date. In the event of a liquidation of GCI the holders of the Series C preferred stock shall be entitled to be paid an amount equal to the redemption price before any distribution or payment is made upon Junior Securities.

The long-distance, local access, cable, Internet and wireless services industries are experiencing increasing competition and rapid technological changes. Our future results of operations will be affected by our ability to react to changes in the competitive environment and by our ability to fund and implement new technologies. We are unable to determine how competition, technological changes and our net losses (excluding the effect of the fiber capacity sale) will affect our ability to obtain financing.

We believe that we will be able to meet our current and long-term liquidity and capital requirements, including our negative working capital at June 30, 2001, fixed charges and preferred stock dividends, through our cash flows from operating activities, existing cash, cash equivalents, short-term investments, credit facilities, and other external financing and equity sources. We plan to fund the acquisition of Rogers American Cablesystems, Inc. through our senior credit facility. Should cash flows be insufficient to support additional borrowings, capital expenditures will likely be reduced.

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations." SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001.

Use of the pooling-of-interests method will be prohibited on a prospective basis only. We do not expect that the adoption of SFAS No. 141 will have a significant impact on our financial condition or results of operations.

In July 2001, the Financial Accounting Standards Board issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Thus, amortization of goodwill including goodwill recorded in past business combinations, will cease upon adoption of SFAS No. 142, which for us will be on January 1, 2002. We are currently evaluating what the effects of adopting SFAS 142 will be on our financial position and results of operations.

The Alaska Economy

We offer voice and data telecommunication and video services to customers primarily throughout Alaska. As a result of this geographic concentration, growth of our business and of our operations depends upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, and in particular oil production, as well as investment earnings, tourism, government, and United States

military spending. Any deterioration in these markets could have an adverse impact on us. In fiscal 2001 the state's preliminary final results indicate that Alaska's oil revenues and federal funding supplied 44% and 35%, respectively, of the state's total revenues. Investment earning supplied only 0.2% of the state's total revenues in fiscal 2001 due to the recent decline in stock market investments. All of the federal funding is dedicated for specific purposes, however, leaving oil revenues as the primary funding source of general operating expenditures. In fiscal 2002 the state forecasts that Alaska's investment earnings, federal funding and oil revenues will supply 31%, 28% and 27%, respectively, of the state's total projected revenues.

The volume of oil transported by the TransAlaska Oil Pipeline System ("TAPS") over the past 20 years has been as high as 2.0 million barrels per day in fiscal 1988. Production has been declining over the last several years with an average of 1.0 million barrels produced per day in fiscal 2001. The state forecasts the production of 1.1 million barrels per day in fiscal 2002. The state continues to forecast a temporary reversal of the production rate decline through fiscal 2006 due to new developments at the Alpine, Nanuq, Northstar and Meltwater fields and new Prudhoe Bay satellite production.

Market prices for North Slope oil averaged $27.92 in fiscal 2001 and is forecasted to average $24.54 in fiscal 2002. The state forecasts the average price of North Slope oil to decline to $21.41 in fiscal 2003. The closing price per barrel was $25.08 on August 6, 2001.

The state believes the crude oil demand growth will slow in 2001 and 2002 as the result of slower economic growth and in response to the higher energy prices of the past two years. The state also believes that much of the current volatility in oil prices revolves around the issue of whether or not the Organization of Petroleum Exporting Countries ("OPEC") takes steps to increase or decrease production. The production policy of OPEC and its ability to continue to act in concert represents a key uncertainty in the state's revenue forecast.

The state of Alaska maintains the Constitutional Budget Reserve Fund that is intended to fund budgetary shortfalls. If the state's current projections are realized, the Constitutional Budget Reserve Fund will be depleted in 2005. If the fund is depleted, aggressive state action will be necessary to increase revenues and reduce spending in order to balance the budget. The Governor of the state of Alaska and the Alaska Legislature continue to pursue cost cutting and revenue enhancing measures.

Tourism, air cargo, and service sectors have helped offset the prevailing pattern of oil industry downsizing that has occurred during much of the last several years. Funds from federal sources of $1.8 billion are expected to be distributed to the state of Alaska for highways and other federally supported projects in fiscal 2001.

Should new oil discoveries or developments not materialize or the price of oil return to its prior depressed levels, the long term trend of continued decline in oil production from the Prudhoe Bay field area is inevitable with a corresponding adverse impact on the economy of the state, in general, and on demand for telecommunications and cable television services, and, therefore, on us, in particular.

The increase in residential and commercial natural gas prices and shortages in California during the past year, in particular, have resulted in a renewed effort to allow exploration and development in the Arctic National Wildlife Refuge ("ANWR"). On August 2, 2001 the U.S. House of Representatives voted in favor of opening ANWR and now the bill must go before the Senate. Deployment of a natural gas pipeline from Alaska's North Slope to the lower 48 states has been proposed to supplement natural gas supplies. A competing natural gas pipeline through Canada has also been proposed. The economic viability of a natural gas pipeline depends upon the price of and demand for natural gas. Either project could have a positive impact on the state of Alaska's revenues and the Alaska economy.

We have, since our entry into the telecommunication marketplace, aggressively marketed our services to seek a larger share of the available market. The customer base in Alaska is limited, however, with a population of approximately 627,000 people. 42% of the State's population is located in the Municipality of Anchorage, 13% is located in the Fairbanks North Star Borough, and 5% is located in the City and Borough of Juneau. The rest is spread out over the vast reaches of Alaska. No assurance can be given that the driving forces in the Alaska economy, and in particular, oil production, will continue at levels to provide an environment for expanded economic activity.

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

Seasonality

Our 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. Our 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. Our local service and Internet operations are not expected to exhibit significant seasonality, with the exception of SchoolAccess(TM) Internet services that are reduced during the summer months. Our ability to implement construction projects is also reduced during the winter months because of cold temperatures, snow and short daylight hours.

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

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

Our Senior 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, our interest expense will increase or decrease accordingly. As of June 30, 2001, we have borrowed $82.7 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost us $827,000 in additional gross interest cost on an annualized basis.

On January 3, 2001 we entered into an interest rate swap agreement to convert $50 million in 9.75% fixed rate debt to a variable interest rate equal to the 90 day Libor rate plus 334 basis points. The swap agreement carries interest rate risk. Should the Libor rate change, our interest expense will increase or decrease accordingly. A 1% change in the variable interest rate will change the annualized benefit of the swap by $500,000. As of June 30, 2001, the interest rate spread between the fixed and swapped variable rate is 2.096%, an annualized reduction in interest expense of approximately $1,048,000. As of August 1, 2001, the interest rate spread between the fixed and swapped variable rate is 2.731%, an annualized reduction in interest expense of approximately $1,365,000.

Our Fiber Facility carries interest rate risk. Amounts borrowed under this Agreement bear interest at either Libor plus 2.5%-2.75%, or at our choice, the lender's prime rate plus 1.25%-1.5%. Should the Libor rate, the lenders' base rate or the leverage ratios change, our interest expense will increase or decrease accordingly. As of June 30, 2001, we have borrowed $60.0 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost us $600,000 in additional gross interest cost on an annualized basis.

Our Satellite Transponder Capital Lease carries interest rate risk. Amounts borrowed under this Agreement bear interest at Libor plus 3.25%. Should the Libor rate change, our interest expense will increase or decrease accordingly. As of June 30, 2001, we have borrowed $47.0 million subject to interest rate risk. On this amount, a 1% increase in the interest rate would cost us $470,000 in additional gross interest cost on an annualized basis.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

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

(a) Date of the meeting: June 7, 2001
Purpose of meeting: Annual shareholders meeting

(b) Name of each director elected at the meeting and the name of each other director whose term of office as a director continued after the meeting:

Name	Votes for	Votes withheld
Stephen M. Brett	78,796,373	362,250
Donne F. Fisher	78,432,522	363,851
William P. Glasgow	78,439,223	357,150
James M. Schneider	71,177,376	7,618,997

Directors, in addition to those listed above, whose term of office as director continued after the meeting:

Ronald R. Beaumont
Ronald A. Duncan
Paul S. Lattanzio
Stephen R. Mooney
Carter F. Page
Robert M. Walp

(c) Other matters voted upon: None

(d) Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 99.28 - The Bylaws of Potter View Development Co., Inc.

Exhibit 99.29 - The Articles of Incorporation of Potter View Development Co., Inc.

(b) Reports on Form 8-K filed during the quarter ended June 30, 2001 - None

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>	<C>	<C>
/s/ Ronald A. Duncan	President and Director (Principal Executive Officer)	August 10, 2001
/s/ John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	August 10, 2001
/s/ Alfred J. Walker	Vice President, Chief Accounting Officer (Principal Accounting Officer)	August 10, 2001

</TABLE>

ARTICLES OF INCORPORATION

OF

POTTER VIEW DEVELOPMENT CO., INC.

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

ARTICLE 1 - Name

The name of the corporation ("Corporation") is: POTTER VIEW DEVELOPMENT CO., INC.

ARTICLE II - Purposes and Powers

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

The Corporation shall have and may exercise all of the general powers of a natural person, including those provided in AS 10.06.010, as amended, and may transact any or all lawful business for which corporations may be incorporated under the Alaska Corporations Code.

ARTICLE III - Registered Office and Agent

The address of the Corporation's registered office and the name of its registered agent is Hartig, Rhodes, Hoge & Lekisch, P.C., 717 K Street, Anchorage, Alaska 99501.

ARTICLE IV - Capital

The Corporation shall have the authority to issue ten thousand (10,000) shares of no par value stock. These shares shall be common voting shares, each share having one (1) vote.

ARTICLE V - No Presumptive Rights

Pursuant to AS 10.06.210(1)(B), no holder of any stock of the Corporation shall be entitled to purchase, subscribe for or otherwise acquire, as a matter of right, any new or additional shares of stock, of any class, in the Corporation, any options or warrants to purchase, subscribe for or otherwise acquire any new or additional shares in the Corporation, or any shares, bonds, notes, debentures, or other securities convertible into or carrying options or warrants to purchase, subscribe for or otherwise acquire any such shares.

ARTICLE VI - No Cumulative Voting

Pursuant to AS 10.06.420(d), shareholders shall not cumulate their votes, but must vote shares held by them for as many persons as there are directors to be elected.

ARTICLE VII - Power to Redeem Shares

Pursuant to AS 10.06.325, the Corporation has the power on majority vote of the shareholders, to redeem, in whole or in part, any class of outstanding shares.

ARTICLE VIII - Quorum of Shareholders

A quorum for the conducting of any shareholder business shall be fifty-one percent (51%) of all outstanding shares that are entitled to vote.

ARTICLE VIX - Initial Directors

The initial number of directors of the Corporation shall be three (3). The names and addresses of the initial directors, who shall serve until the first annual meeting of shareholders or until their successors are elected and qualified are as follows:

Ronald A. Duncan
2550 Denali Street, Suite 1000
Anchorage, Alaska 99503

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

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

The number of directors may be increased or decreased from time to time by an amendment of the Bylaws; but no decrease shall have the effect of shortening the term of any incumbent director. The directors may fill any vacancy on the board created by reason of removal or retiring of any director.

ARTICLE X - Alien Affiliates

The Corporation is not affiliated with any nonresident alien or a corporation whose place of incorporation is outside the United States (as defined in AS 10.06.990(2) and (3)).

ARTICLE XI - Liability of Directors

The directors of the Corporation shall not be liable to the Corporation for monetary damages for a breach of fiduciary duty except for:

(1) A breach of a director's duty of loyalty to the Corporation;

(2) Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; or

(3) A transaction from which the director derives an improper personal benefit.

ARTICLE XII - Bylaws

The initial Bylaws of the Corporation shall be adopted by the Board of Directors, and the power to alter, amend or repeal the Bylaws shall be reserved to the board. The Bylaws may contain any provision for the regulation and management of the affairs of the Corporation and management of the affairs of the Corporation not inconsistent with the Alaska Corporation Code or with these Articles of Incorporation.

ARTICLE XIII - Duration

The duration of the Corporation shall be perpetual.

ARTICLE XIV - Effective Date

These Articles will be effective upon filing.

IN WITNESS WHEREOF, I have signed these Articles this 13th day of March, 2001.

/s/
John M. Lowber

IN WITNESS WHEREOF, I have signed these Articles this 13th day of March, 2001.

/s/
Bonnie J. Paskvan

STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

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

/s/ Barb Bearman
Notary Public in and for the State of Alaska
My Commission Expires: 1-17-05

STATE OF ALASKA)
) ss.

THIRD JUDICIAL DISTRICT)

BONNIE J. PASKVAN says on oath or affirms that she has read the foregoing Articles of Incorporation of POTTER VIEW DEVELOPMENT CO., INC., and believes all statements made in the documents are true and correct.

/s/ Barb Bearman
Notary Public in and for the State of Alaska
My Commission Expires: 1-17-05

BYLAWS

OF

POTTER VIEW DEVELOPMENT CO., INC.

<TABLE>

TABLE OF CONTENTS

<CAPTION>

</TABLE>

<TABLE>
<CAPTION>

</TABLE>

ARTICLE I
OFFICES

The principal office of POTTER VIEW DEVELOPMENT CO., INC., Inc. ("Corporation") shall be located in Anchorage, Alaska. The Corporation may have such other offices, either within or without the State of Alaska, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

The registered office of the Corporation required by the Alaska Corporations Code to be maintained in the State of Alaska may be, but need not be, identical with the principal office in the State of Alaska, and the address of the registered office may be changed from time to time by the Board of Directors.

ARTICLE II
SHAREHOLDERS' MEETINGS

Section 1. Annual Meeting. The annual meeting of the Shareholders shall be held in the month of June of each year, for the purpose of electing Directors and for the transaction of such other business as may come before the meeting. If the election of Directors shall not be held on the day designated for the annual meeting of the Shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the Shareholders as soon thereafter as it conveniently may be held.

(a) Meetings of the Shareholders shall be presided over by the President or by any officer or Director or person selected at any time by the President to act as Chairman, or if he is not present or available or makes no selection, then by the Chairman of the Board of Directors. If neither the President nor the Chairman of the Board of Directors is present and no selection has been made, a Chairman should be chosen by a majority in interest of the Shareholders present in person or by proxy at the meeting and entitled to vote thereat.

(b) The Secretary of the meeting shall be the Secretary of the Corporation or an Assistant Secretary, or if none of such officers is present, any person appointed by the Chairman of the meeting.

Section 2. Special Meetings. Special meetings of the Shareholders for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting.

Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of Alaska, as the place of meeting called by the Board of Directors. A waiver of notice signed by all Shareholders entitled to vote at a meeting

may designate any place, either within or without the State of Alaska, as the place for the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Alaska.

Section 4. Notice of Meeting. Written notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than twenty (20) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the persons calling the meeting, to each Shareholder of record entitled to vote at such meeting. If mailed, the notice is considered delivered when deposited with postage prepaid in the United States mail addressed to the shareholder at the address of the shareholder as it appears on the stock transfer book of the corporation, or, if the shareholder has filed with the secretary of the corporation a written request that notice be mailed to a different address, addressed to the shareholder at the new address.

Section 5. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining Shareholders entitled to notice of or to vote at any meeting of Shareholders or any adjournment thereof, or Shareholders entitled to receive payment of a dividend, or in order to make a determination of Shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, seventy (70) days. If the stock transfer books shall be closed for the purpose of determining Shareholders entitled to notice of or to vote at a meeting of Shareholders, such books shall be closed for at least twenty (20) days immediately preceding such meeting.

Instead of closing the stock transfer books, the Board of Directors may fix a date as the record date for any such determination of Shareholders. This record date shall be not more than sixty (60) days, and in case of a meeting of Shareholders not less than twenty (20) days, prior to the date on which the particular action requiring such determination of Shareholders is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of Shareholders entitled to notice of or to vote at a meeting of Shareholders, or Shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring the dividend is adopted is, as the case may be, the record date for the determination of Shareholders. When a determination of Shareholders entitled to vote at any meeting of Shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof except where the determination has been made through the closing of the stock transfer books and the stated period of closing has expired.

Section 6. Voting Lists. At least twenty (20) days before each meeting of the Shareholders, the officer or agent having charge of the stock transfer books for shares of the Corporation shall make a complete list of the Shareholders entitled to vote at each meeting of Shareholders or any adjournment thereof, arranged in alphabetical

order, with the address of and the number of shares held by each. The list shall be kept on file at the registered office of the corporation and is subject to inspection by a Shareholder or the agent or attorney of a Shareholder at any time during the usual business hours for a period of twenty (20) days before the meeting. Such list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any Shareholder during the whole time of the meeting.

Section 7. Quorum. A majority of the outstanding shares of the Corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of Shareholders. If a quorum is present, the affirmative vote of the majority of shares represented at the meeting and entitled to vote on the subject matter is the act of the Shareholders unless the vote of a greater number or voting by class is required by the articles of incorporation, bylaws or the Alaska Corporations Code.

The Shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum, if any action taken other than adjournment is approved by at least a majority of shares required to constitute a quorum.

If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 8. Proxies. At all meetings of Shareholders, a Shareholder may vote in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. A proxy continues in full force and effect until revoked by the person executing it, however, no proxy shall be valid after eleven (11) months from the date of its execution, unless such proxy qualifies as an irrevocable proxy as defined within AS 10.06.418(e).

Section 9. Voting of Shares. An outstanding share, regardless of class, is entitled to one vote on each matter submitted to a vote at a meeting of Shareholders, except as may be otherwise provided in the articles of incorporation.

Section 10. Voting of Shares by Certain Holders.

(a) Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provisions, as the board of directors of such corporation may determine.

(b) Shares held by an administrator, executor, guardian or conservator may be voted by such person, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by the trustee,

either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

(c) Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer into his name if authority to transfer the shares is contained in an appropriate order of the court by which such receiver was appointed.

(d) A Shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

(e) Neither treasury shares, nor shares of its own stock held by the Corporation in a fiduciary capacity, nor shares held by another corporation if a majority of the shares entitled to vote for the election of directors of the other corporation is held by the Corporation, may be voted at a meeting or counted in determining the total number of outstanding shares.

Section 11. Informal Action by Shareholders. Any action required to be taken at a meeting of the Shareholders, or any other action which may be taken at a meeting of the Shareholders, may be taken without a meeting by written consent, identical in content setting out the action taken, signed by all of the Shareholders entitled to vote on the action.

ARTICLE III
BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors.

Section 2. Number, Tenure and Qualifications. The number of Directors of the Corporation shall be not less than one (1) nor more than nine (9); unless the Corporation, now or at any time in the future, has three (3) or more Shareholders in which case the Corporation shall have not fewer than three (3) directors; or unless the Corporation has only two (2) Shareholders, in which case the Corporation shall have at least two (2) directors. Each Director shall hold office until the next annual meeting of Shareholders and until his successor shall have been elected and qualified. Directors need not be residents of the State of Alaska or Shareholders of the Corporation. The initial number of Directors shall be one (1).

Section 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this Bylaw immediately after, and at the same place as, the annual meeting of the Shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Alaska, for the holding of additional regular meetings without other notice than such resolution.

Section 4. Special Meetings.

(a) Special meetings of the Board of Directors may be called by the Chairman of the Board, the President, a Vice President, the Secretary, or a Director or such person authorized to call the meeting may fix the time and place for holding the meeting, either inside or outside the State of Alaska.

(b) Notice of any special meeting shall be given at least ten (10) days prior thereto by written notice delivered personally or mailed to each Director at his business address, or at least seventy-two (72) hours before the meeting by electronic means, personal messenger, or comparable person-to-person communication. If mailed by certified mail, such notice shall be deemed to be delivered when deposited in the United States mail properly addressed, with postage thereon prepaid. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 5. Quorum. A majority of the presently qualified Directors shall constitute a quorum for the transaction of business at any meeting of the

Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice; provided, further, that where there are only two Directors, both shall be necessary to constitute a quorum.

Section 6. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 7. Attendance at Meetings. The Board of Directors may conduct a meeting of the Board by communicating simultaneously with each other by means of conference telephones or similar communications equipment and any action taken at such meeting shall not be invalidated by reason of the fact that the respective members of the Board were not assembled together in one place at the time of taking such action or conducting such business.

Section 8. Vacancies. Where a vacancy created by the removal of a Director is pursuant to AS 10.06.460 or 10.06.463, such vacancies occurring on the Board may be filled only by a vote of the Shareholders. Any other vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of Directors may be filled by election by the Board of Directors for a term of office continuing only until the next election of

Directors by the Shareholders. In no case may a vacancy continue longer than six (6) months or until the next annual meeting, whichever occurs first.

Section 9. Compensation. By resolution of the Board of Directors, each Director may be paid his or her expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a stated salary as Director or a fixed sum for attendance at each meeting of the Board of Directors or both. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefor.

Section 10. Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his/her dissent shall be entered in the minutes of the meeting or unless he/she shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 11. Removal of Directors. Any Director may be removed with or without cause, at any time, by a vote of the Shareholders holding a majority of the shares then issued and outstanding, at any special meeting called for that purpose, or at the annual meeting. Except as otherwise prescribed by statute, a Director may be removed for cause by a vote of the majority of the entire board. Prior to vote by the Board on the question of removal of any Director for cause, such Director must be given written notice of the reasons for such action.

Section 12. Resignation. A Director may resign effective upon giving written notice to the Chairman of the Board, the President, the Secretary, or the Board of Directors of the Corporation, unless the notice specifies a later time for the effectiveness of the resignation. If the resignation is effective at a future time, a successor may be elected to take office when the resignation becomes effective.

Section 13. Voting by Interested Directors. No Director may vote upon any matter in which he has an adverse or personal interest, unless such interest has been fully disclosed to the Board of Directors and the Board of Directors, by majority of vote without the interested Director voting, permits such interested Director to vote.

Section 14. Action by Directors Without a Meeting. Action required or permitted to be taken by the Board or a committee designated by the Board may be taken without a meeting on written consents, identical in consent, setting out the action taken and signed by all the members of the Board or the committee. The written consents shall be filed with the minutes. The consents have the same effect as an unanimous vote.

ARTICLE IV
OFFICERS

Section 1. Number. The officers of the Corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors.

Any two (2) or more offices may be held by the same person.

Section 2. Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the Shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as convenient. Each officer shall hold office until his successor shall have been duly elected and shall have qualified, or until his death, or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation will be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. President. The President shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present, preside at all meetings of the Shareholders and of the Board of Directors. He may sign, with the Secretary or any other proper officer of the Corporation authorized by the Board of Directors, certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these Bylaws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice Presidents. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of

and be subject to all the restrictions upon the President. Any Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 7. The Secretary. The Secretary shall:

(a) keep the minutes of the proceedings of the Shareholders and of the Board of Directors in one or more books provided for that purpose;

(b) see that all notices are duly given in accordance with the provisions of these Bylaws or as required by law;

(c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized;

(d) keep a register of the post office address of each Shareholder which shall be furnished to the Secretary by such Shareholder;

(e) sign with the President, or a Vice President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors;

(f) have general charge of the stock transfer books of the Corporation; and

(g) in general perform all duties incident to the office of the Secretary and such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. The Treasurer. The Treasurer shall:

(a) have charge and custody of and be responsible for all funds and securities of the Corporation;

(b) receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositories as shall be selected; and

(c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the President or a Vice President certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President of the Board of Directors.

Section 10. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

ARTICLE V
LIMITATION OF LIABILITY AND INDEMNIFICATION OF DIRECTORS, OFFICERS AND AGENTS OF THE CORPORATION

Section 1. Limitation of Liability. No person shall be liable to the Corporation for any loss or damage suffered by it on account of any action taken or omitted to be taken in good faith, as a Director, member of a Committee or Officer of the Corporation, if such person exercised or used the same degree of care and skill, including reasonable inquiry, as a prudent person would have exercised or used under the circumstances in the conduct of his/her own affairs. Without limitation on the foregoing, any such person shall be deemed to have exercised or used such degree of care and skill if such action were taken or omitted in reliance in good faith upon advice of counsel for the Corporation, or the books of account or other records of the Corporation, or reports or information made or furnished to the Corporation by any officials, accountants, engineers, agents or employees of the Corporation, or by an independent Certified Public Accountant or auditor, engineer, appraiser, or other expert employed by the Corporation and selected with reasonable care by the Board of Directors, by any such committee or by an authorized officer of the Corporation.

Section 2. Right of Indemnification. Each Director, member of a Committee, Officer, Agent and Employee of the Corporation, and each former director, member of a committee, officer, agent and employee of the Corporation, and any person who may have served at its request as a director, officer, agent or employee of another Corporation in which it is a creditor, and his heirs and personal representative shall be indemnified by the Corporation against all loss or damage suffered and all costs and expenses imposed upon or incurred by him in connection with or arising out of any action, suit or proceedings (whether civil or criminal in nature) in which he may be involved, to which he may be a party by reason of being or having been (or his personal representative or estate having been) such director, member of a committee, officer, agent or employee, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in performance

of his duty; provided, however, that the Corporation shall be given reasonable notice of the institution of such action, suit or proceedings; and in the event the same shall be settled in whole or in part, the Corporation or its counsel shall consent to such settlement if it be determined by its counsel or found by a majority of the Board of Directors then in office and not involved in such controversy, that such settlement is to the best interest of the Corporation and that the person to be indemnified was not guilty of negligence or misconduct in performance of duty.

Indemnification (unless ordered by the court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification is proper in the circumstances because the director, officer, employee or committee member has met the applicable standard of conduct. This determination shall be made (a) by the Board of Directors, by a majority vote of a quorum consisting of directors who were not parties to the action or proceeding; or (b) by independent legal counsel in a written opinion, either (i) if such a quorum is not obtainable, or (ii) if a quorum of disinterested directors so requests such a written opinion; or (c) by approval of the outstanding shares.

Section 3. Rights Cumulative. The provisions of this Article V shall not be deemed exclusive or in limitation of, but shall be cumulative of and in addition to any other limitations of liability, indemnities, and rights to which such Director, member of a Committee, Officer, Agent or other person may be entitled under Alaska Statute, these Bylaws or pursuant to any agreement or resolution of the Board of Directors or of the Shareholders, or otherwise.

ARTICLE VI
CONTRACTS, LOANS, CHECKS, DEPOSITS AND COMPENSATION

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits . All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VII
CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the President or a Vice President and by the Secretary or an Assistant Secretary and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the Corporation itself or one of its employees. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person or entity to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and canceled; except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

All shares issued by the Corporation shall contain a legend on the certificates stating substantially the following:

> The shares represented by this certificate have not been registered under any federal or state securities law. They have been acquired for investment and may not be transferred without an effective registration statement pursuant to such laws or an opinion of counsel satisfactory to the corporation that registration is not required.

Section 2. Transfer of Shares. Transfer of any shares of the Corporation shall be done in compliance with all federal, state and local securities laws, and any transfer of in violation thereof is void. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder of record thereof or by its legal representative, who shall furnish proper evidence of authority to transfer filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The entity or person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

ARTICLE VIII
TAXABLE YEAR AND ACCOUNTING PERIOD

The taxable year and accounting period of the Corporation shall begin on January 1 and end on December 31, unless changed by resolution of the Board of Directors.

ARTICLE IX
DIVIDENDS

The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in cash, property, or its own shares, except when the Corporation is insolvent, or when the dividend would render the Corporation insolvent, or when the dividend is contrary to restrictions contained in the Articles of Incorporation.

ARTICLE X
CORPORATE SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the Corporation and the state of incorporation and the words "Corporate Seal."

ARTICLE XI
WAIVER OF NOTICE

Whenever any notice is required to be given to any Shareholder or Director of the Corporation under the provisions of these Bylaws or under the provisions of the Articles of Incorporation or under the provisions of the Alaska Corporation Code, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XII
AMENDMENTS

Except as may be provided in the Articles, these Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors.

ARTICLE XIII
EXECUTIVE COMMITTEE

Section 1. Appointment. The Board of Directors, by resolution adopted by a majority of the full board, may designate two (2) or more of its members to constitute an Executive Committee. The designation of such committee and the delegation thereto of

authority shall not operate to relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

Section 2. Authority. Except as limited by the Articles or AS 10.06.468, the Executive Committee, when the Board of Directors is not in session, shall have and may exercise all of the authority of the Board of Directors except to the extent, if any, that such authority shall be limited by the resolution appointing the Executive Committee.

Section 3. Tenure and Qualifications. Each member of the Executive Committee shall hold office until the next regular annual meeting of the Board of Directors following his designation and until his successor is designated as a member of the Executive Committee and is elected and qualified.

Section 4. Meetings. Regular meetings of the Executive Committee may be held without notice at such times and places as the Executive Committee may fix from time to time by resolution. Special meetings of the Executive Committee may be called by any member thereof upon not less than five (5) days' notice, stating the place, date and hour of the meeting, which notice may be written or oral, and if mailed by certified mail, shall be deemed to be delivered when deposited in the United States mail addressed to the member of the Executive Committee at his business address, postage prepaid. Any member of the Executive Committee may waive notice of any meeting, and no notice of any meeting need be given to any member thereof who attends in person. The notice of a meeting of the Executive Committee need not state the business proposed to be transacted at the meeting.

Section 5. Quorum. A majority of the members of the Executive Committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the Executive Committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 6. Action Without a Meeting. Any action that may be taken by the Executive Committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so to be taken, shall be signed by all of the members of the Executive Committee before such action be taken further. The Executive Committee can validly conduct a meeting by communicating simultaneously with each other by means of conference telephones or similar communications equipment.

Section 7. Vacancies. Any vacancy in the Executive Committee may be filled by a resolution adopted by a majority of the full Board of Directors.

Section 8. Resignations and Removal. Any member of the Executive Committee may be removed at any time, with or without cause, by resolution adopted by a majority of the full Board of Directors. Any member of the Executive Committee may resign from the Executive Committee at any time by giving written notice to the President or Secretary of the Corporation and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Procedure. The Executive Committee shall elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these Bylaws. It shall keep regular minutes of its proceedings and report the same to the Board of Directors for its information at the meeting thereof held next after the proceedings shall have been taken.

ARTICLE XIV
CONDUCT OF MEETINGS

All meetings conducted under these Bylaws shall be governed in accordance with Roberts Rules of Order.

I, the undersigned, hereby certify that the foregoing Bylaws for governing the operation and management of POTTER VIEW DEVELOPMENT CO., INC., were duly adopted by the Directors by unanimous written consent, effective as of March 23, 2001.

/s/
Greg Jones, President

/s/
John M. Lowber, Secretary / Treasurer