As filed with the Securities and Exchange Commission on November 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 September 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 (State or other jurisdiction of incorporation or organization)	92-0072737 (I.R.S. Employer Identification No.)
2550 Denali Street Suite 1000 Anchorage, Alaska (Address of principal executive offices)	99503 (Zip Code)

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

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

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

The number of shares outstanding of the registrant's classes of common stock as of October 31, 2001 was:

50,772,673 shares of Class A common stock; and
3,885,784 shares of Class B common stock.

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GENERAL COMMUNICATION, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2001

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Cautionary Statement Regarding Forward-Looking Statements

You should carefully review the information contained in this Quarterly Report, but should particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission. 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 communications 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 in new markets; and competitor responses to our products and services and overall market acceptance of such products and services;
- The outcome of our ongoing negotiations with Incumbent Local Exchange Carriers ("ILECs") and state regulatory arbitrations and approvals with respect to new 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, some 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;
- Economic and other uncertainties arising from the events beginning September 11, 2001;
- 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
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<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<CAPTION>

ASSETS	(Unaudited) September 30, 2001	December 31, 2000
	(Amounts in thousands)	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 15,186	5,962
Receivables:		
Trade	58,176	49,872
Employee and other	896	378
	59,072	50,250
Less allowance for doubtful receivables	4,991	2,864
Net receivables	54,081	47,386
Prepaid and other current assets	5,134	2,505
Deferred income taxes, net	4,550	3,221
Inventories	3,598	5,717
Property held for sale	---	10,877
Notes receivable with related parties	338	241
Total current assets	82,887	75,909
Property and equipment in service, net of depreciation	379,439	347,802
Construction in progress	9,583	8,097
Net property and equipment	389,022	355,899
Cable franchise agreements, net of amortization of $25,389,000 and $21,509,000 at September 30, 2001 and December 31, 2000, respectively	181,504	184,983
Goodwill, net of amortization of $6,889,000 and $5,952,000 at September 30, 2001 and December 31, 2000, respectively	38,890	40,002
Other intangible assets, net of amortization of $1,155,000 and $729,000 at September 30, 2001 and December 31, 2000, respectively	3,946	3,936
Property held for sale	1,555	1,550
Deferred loan and senior notes costs, net of amortization of $5,205,000 and $4,166,000 at September 30, 2001 and December 31, 2000, respectively	7,493	8,402
Notes receivable with related parties	2,903	3,235
Other assets, at cost, net of amortization of $68,000 and $63,000 at September 30, 2001 and December 31, 2000, respectively	3,288	5,091

Total other assets	239,579	247,199
Total assets	$ 711,488	679,007

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

<TABLE>

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

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) September 30, 2001	December 31, 2000
	(Amounts in thousands)	
<S>	<C>	<C>
Current liabilities:		
Current maturities of obligations under capital leases	$ 1,608	1,600
Accounts payable	36,794	29,094
Accrued payroll and payroll related obligations	13,206	10,385
Deferred revenue	10,648	9,477
Accrued interest	5,129	9,256
Accrued liabilities	5,096	4,134
Subscriber deposits and other current liabilities	2,450	1,362
Total current liabilities	74,931	65,308
Long-term debt, excluding current maturities	332,700	334,400
Obligations under capital leases, excluding current maturities	45,695	46,882
Obligations under capital leases due to related party, excluding current maturities	146	214
Deferred income taxes, net of deferred income tax benefit	24,713	22,057
Other liabilities	5,367	4,077
Total liabilities	483,552	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 49,704,825 and 48,642,870 shares at September 30, 2001 and December 31, 2000, respectively	188,975	182,706
Class B. Authorized 10,000,000 shares; issued and outstanding 3,890,714 and 3,904,038 shares at September 30, 2001 and December 31, 2000, respectively; convertible on a share-per-share basis into Class A common stock	3,288	3,299
Less cost of 357,958 Class A common shares held in treasury at September 30, 2001 and December 31, 2000	(1,659)	(1,659)
Paid-in capital	9,859	7,368
Notes receivable with related parties issued upon stock option exercise	(2,288)	(2,976)
Retained deficit	(2,722)	(5,258)
Accumulated other comprehensive loss	(89)	---
Total stockholders' equity	195,364	183,480
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 711,488	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 September 30, 2001	2000	(Unaudited) Nine Months Ended September 30, 2001	2000
---	(Amounts in thousands, except per share amounts)			
<S>	<C>	<C>	<C>	<C>
Revenues	$ 88,019	75,906	270,471	215,609

Cost of sales and services	32,743	29,948	108,660	89,243
Selling, general and administrative expenses	30,957	27,052	88,399	77,439
Depreciation and amortization expense	14,127	13,296	41,767	38,890
Operating income	10,192	5,610	31,645	10,037
Interest expense	7,510	9,760	24,467	29,172
Interest income	35	196	297	554
Interest expense, net	7,475	9,564	24,170	28,618
Net income (loss) before income taxes	2,717	(3,954)	7,475	(18,581)
Income tax (expense) benefit	(1,190)	1,602	(3,359)	7,205
Net income (loss)	$ 1,527	(2,352)	4,116	(11,376)
Basic and diluted net income (loss) per common share	$ .02	(.05)	.05	(.25)

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

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 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)	Accumulated Other Comprehensive Loss	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1999	$176,740	3,422	(1,607)	6,343	(2,167)	9,817	---	192,548
Net loss	---	---	---	---	---	(11,376)	---	(11,376)
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	206	---	---	---	206
Class B shares converted to Class A	122	(122)	---	---	---	---	---	---
Shares issued under stock option plan	1,050	---	---	---	---	---	---	1,050
Shares issued under officer stock option agreements and notes issued upon officer stock option exercise	888	---	---	---	(809)	---	---	79
Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant	---	---	---	278	---	---	---	278
Shares issued to Employee Stock Purchase Plan	2,591	---	---	---	---	---	---	2,591
Shares issued upon warrant exercise	425	---	---	---	---	---	---	425
Purchase of treasury stock	---	---	(52)	---	---	---	---	(52)
Preferred stock dividends	---	---	---	---	---	(1,362)	---	(1,362)
Balances at September 30, 2000	$181,816	3,300	(1,659)	6,827	(2,976)	(2,921)	---	184,387

Balances at December 31, 2000	$182,706	3,299	(1,659)	7,368	(2,976)	(5,258)	---	183,480
Net income	---	---	---	---	---	4,116	---	4,116
Fair value of cash flow hedge, net of income tax benefit of $59	---	---	---	---	---	---	(89)	(89)
Comprehensive income	---	---	---	---	---	---	---	4,027
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	1,881	---	---	---	1,881
Class B shares converted to Class A	11	(11)	---	---	---	---	---	---
Shares issued under stock option plan	3,182	---	---	---	---	---	---	3,182
Amortization of the excess of GCI stock market value over stock option exercise cost on date of stock option grant	---	---	---	610	---	---	---	610
Shares issued to Employee Stock Purchase Plan	688	---	---	---	---	---	---	688
Acquisition of G.C. Cablevision, Inc. net assets and customer base	2,388	---	---	---	---	---	---	2,388
Payment received on note issued upon officer stock option exercise	---	---	---	---	688	---	---	688
Preferred stock dividends	---	---	---	---	---	(1,580)	---	(1,580)
Balances at September 30, 2001	$188,975	3,288	(1,659)	9,859	(2,288)	(2,722)	(89)	195,364

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

<TABLE>

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

<CAPTION>

<S>	(Unaudited) Nine Months Ended September 30, 2001 <C>	2000 <C>
	(Amounts in thousands)	
Operating activities:		
Net income (loss)	$ 4,116	(11,376)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	41,767	38,890
Amortization charged to selling, general and administrative	26	534
Non-cash cost of sale	10,877	---
Deferred income tax expense (benefit)	3,359	(7,205)
Bad debt expense, net of write-offs	2,127	1,204
Deferred compensation and compensatory stock options	1,081	484
Employee Stock Purchase Plan expense funded with issuance of General Communication, Inc. Class A common stock	---	2,115
Write-off of capitalized interest	170	1,955
Other noncash income and expense items	2	(251)
Change in operating assets and liabilities	96	8,650
Net cash provided by operating activities	63,621	35,000
Investing activities:		
Purchases of property and equipment	(46,663)	(33,362)
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	(1,154)	(1,385)
Payments received on notes receivable with related parties	772	617
Notes receivable issued to related parties	(525)	(1,022)

Cash received upon acquisition of Kanas Telecom, Inc.	228	---
Net cash used by investing activities	(54,174)	(27,896)
Financing activities:		
Repayments of long-term borrowings and capital lease obligations	(13,000)	(10,714)
Long-term borrowings - bank debt	10,000	---
Proceeds from common stock issuance	3,182	1,475
Payment of Series B preferred stock dividend	(963)	---
Payment received on note receivable with related party issued upon stock option exercise	688	---
Payment of debt issuance costs	(130)	(127)
Purchase of treasury stock	---	(52)
Net cash used by financing activities	(223)	(9,418)
Net increase (decrease) in cash and cash equivalents	9,224	(2,314)
Cash and cash equivalents at beginning of period	5,962	13,734
Cash and cash equivalents at end of period	$ 15,186	11,420

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

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

<CAPTION>

	Three Months Ended September 30, 2001			Three Months Ended September 30, 2000		
	Income (Numerator)	Shares (Denominator)	Per-share Amounts	Loss (Numerator)	Shares (Denominator)	Per-share Amounts
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net income (loss)	$1,527			$(2,352)		
Less Preferred Stock dividends:						
Series B	482			466		
Series C	153			---		
Basic EPS:						
Income (loss) available to common stockholders	892	53,165	$ .02	(2,818)	51,790	$ (.05)
Effect of Dilutive Securities:						
Unexercised stock options	---	1,615	---	---	---	---
Diluted EPS:						
Income (loss) available to common stockholders	$ 892	54,780	$ .02	$(2,818)	51,790	$ (.05)

</TABLE>
<TABLE>
<CAPTION>

	Nine Months Ended September 30, 2001			Nine Months Ended September 30, 2000		
	Income (Numerator)	Shares (Denominator)	Per-share Amounts	Loss (Numerator)	Shares (Denominator)	Per-share Amounts
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net income (loss)	$4,116			$(11,376)		
Less Preferred Stock dividends:						
Series B	1,427			1,362		
Series C	153			---		
Basic EPS:						
Income (loss) available to common stockholders	2,536	52,699	$ .05	(12,738)	51,254	$ (.25)
Effect of Dilutive Securities:						
Unexercised stock options	---	1,367	---	---	---	---
Diluted EPS:						
Income (loss) available to common stockholders	$2,536	54,066	$ .05	$(12,738)	51,254	$ (.25)

</TABLE>

<TABLE>

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

<CAPTION>

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
<S>	<C>	<C>	<C>	<C>
Unexercised stock options	---	1,999	---	2,461
Series B redeemable preferred stock	4,067	3,902	4,067	3,902
Series C redeemable preferred stock	833	---	281	---
Anti-dilutive common equivalent shares outstanding	4,900	5,901	4,348	6,363

Weighted average shares associated with outstanding stock options for the three and nine months ended September 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 (shares, in thousands):

	Three Months Ended September 30, 2001	Three Months Ended September 30, 2000	Nine Months Ended September 30, 2001	Nine Months Ended September 30, 2000
Weighted average shares associated with outstanding stock options	3	1,999	88	2,461

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 the market price of our common stock on a future date. At September 30, 2001 the market price condition was met and no common stock would be issuable if this date was the end of the contingency period.

If the conversion of Series B redeemable preferred stock to GCI Class A common stock as described in note 1(e) had occurred on September 30, 2001, it would not have had a material effect on our basic and diluted earnings per share.

(d) Common Stock

Following is the statement of common stock at September 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	143	(143)
Shares issued under stock option plan	596	---
Shares issued to Employee Stock Purchase Plan	448	---
Warrant exercise	425	---
Balances at September 30, 2000	48,482	3,905
Balances at December 31, 2000	48,643	3,904
Class B shares converted to Class A	13	(13)
Shares issued under stock option plan	811	---
Shares issued upon acquisition of G.C. Cablevision, Inc. net assets and customer base	238	---
Balances at September 30, 2001	49,705	3,891

(e) Redeemable Preferred Stocks

Redeemable preferred stocks consist of (amounts in thousands):

	September 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 September 30, 2001 and 2000 (shares, in thousands):

<CAPTION>

	Series B	Series C
<S>	<C>	<C>
Balances at December 31, 1999 and September 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 September 30, 2001	23	10

</TABLE>

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

Years ending September 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 September 30, 2001 and December 31, 2000 is $23,375,000 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.

In October 2001, a Series B preferred stockholder converted 5,665 shares of Series B preferred stock to GCI Class A common stock resulting in the issuance of approximately 1,021,000 shares of GCI Class A common 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 3). 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 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 our common stock and other shares of our capital stock hereafter issued which by its terms is junior to the Series C preferred stock. Series B preferred stock is senior to Series C preferred stock. The redemption amount on September 30, 2001 was $10,153,000.

(f) Accounting for Derivative Instruments and Hedging Activities
Effective January 1, 2001, we adopted Statement of Financial Accounting Standard 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 extends through August 1, 2007 and is cancelable at the option of the counterparty beginning August 1, 2002. We entered into the transaction to take

advantage of an anticipated decline in interest rates. Under SFAS No. 133, the interest rate swap is accounted for as a fair value hedge. 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. During the nine month period ended September 30, 2001 we recognized approximately $579,000 as a decrease to interest expense. As of September 30, 2001, the amount of change in the fair value of debt approximates the change in the fair value of the interest rate swap.

Effective September 21, 2001, we entered into an interest rate swap agreement to convert $25 million of variable interest rate debt equal to the 90 day Libor rate plus 334 basis points to 3.98% fixed rate debt. The interest rate swap terms mirror the underlying variable rate debt, except the interest rate swap terminates on September 21, 2004. We entered into the transaction to help insulate us from future increases in interest rates. Under SFAS No. 133, the interest rate swap is accounted for as a cash flow hedge. The initial fair value of the interest rate swap of approximately $148,000 ($89,000 after deducting income taxes) is recorded in other comprehensive income in the consolidated statements of stockholders' equity. The change in the fair value of the interest rate swap net of income taxes will be recorded as an increase or decrease in other comprehensive income in the Consolidated Statements of Stockholders' Equity in the period in which it is recognized. The accrual of interest income or expense is recognized in Interest Expense in the Consolidated Statements of Operations. During the nine month period

ended September 30, 2001 we had recognized approximately $9,000 in incremental interest expense resulting from this transaction.

(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) Comprehensive Income (Loss)

Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" requires us to report and display comprehensive income or loss and its components in a financial statement that is displayed with the same prominence as other financial statements. During the three and nine months ended September 30, 2001 we had other comprehensive loss of approximately ($89,000) as a result of the cash flow hedge discussed in note 1(f). Total comprehensive income at September 30, 2001 was $4,027,000. There were no components of other comprehensive income during the three or nine months ended September 30, 2000.

(i) Reclassifications

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

(j) 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 nine month periods ended September 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

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

Nine-month periods ended September 30,	2001	2000
(Increase) decrease in receivables	$ (8,819)	3,677
(Increase) decrease in inventory	2,119	(1,126)
Increase in prepaid and other current assets	(1,517)	(580)
Increase in accounts payable	7,134	5,704
Increase in accrued payroll and payroll related obligations	2,821	2,302
Increase in deferred revenues	1,038	535
Decrease in accrued interest	(4,127)	(3,112)
Increase in accrued liabilities	1,397	671
Increase in subscriber deposits and other current liabilities	150	116
Increase (decrease) in components of other long-term liabilities	(100)	463
	$ 96	8,650

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

We paid interest totalling approximately $28,594,000 and $31,130,000 during the nine month periods ended September 30, 2001 and 2000, respectively.

We recorded $1,881,000 and $206,000 during the nine months ended September 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 nine months ended September 30, 2000 we funded the employer matching portion of Employee Stock Purchase Plan contributions by issuing GCI Class A common stock valued at $2,115,000. We purchased such shares on the open market during the nine months ended September 30, 2001.

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

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 (see note 1(c)).

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).

(3) Acquisition of Kanas

Effective 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 to Valdez 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 now operated as GCI Fiber Communication Co., Inc. ("GFCC").

(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, Sitka 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 in Juneau during 2002.

Internet services. We offer wholesale and retail Internet services. We offer cable modem service in Anchorage, Fairbanks, Juneau, Sitka and Valdez and plan to provide cable modem service in other areas 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 nine month periods ended September 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	$ 14,982	1,189	6,024	4,264	26,459	169	26,628
External	149,979	56,032	18,538	8,772	233,321	37,150	270,471
Total revenues	$ 164,961	57,221	24,562	13,036	259,780	37,319	297,099

Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes	$ 70,544	27,853	6,873	(7,008)	98,262	(24,137)	74,125
Operating income (loss)	$ 53,213	12,814	4,334	(9,067)	61,294	(28,936)	32,358
2000							
Revenues:							
Intersegment	$ 11,148	1,108	4,885	2,156	19,297	---	19,297
External	136,660	49,298	14,545	5,919	206,422	9,187	215,609
Total revenues	$ 147,808	50,406	19,430	8,075	225,719	9,187	234,906
Earnings (loss) from operations before depreciation, amortization, net interest expense and income taxes	$ 57,775	23,873	2,808	(7,123)	77,333	(28,167)	49,166
Operating income (loss)	$ 39,769	9,967	(596)	(8,446)	40,694	(30,418)	10,276

</TABLE>
<TABLE>

A reconciliation of reportable segment revenues to consolidated revenues follows:

<CAPTION>

Nine months ended September 30,	2001	2000
<S>	<C>	<C>
Reportable segment revenues	$ 259,780	225,719
Plus All Other revenues	37,319	9,187
Less intersegment revenues eliminated in consolidation	(26,628)	(19,297)
Consolidated revenues	$ 270,471	215,609

</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>

Nine months ended September 30,	2001	2000
<S>	<C>	<C>
Reportable segment earnings from operations before depreciation, amortization, net interest expense and income taxes	$ 98,262	77,333
Less All Other loss from operations before depreciation, amortization, net interest expense and income taxes	(24,137)	(28,167)
Less intersegment contribution eliminated in consolidation	(713)	(239)
Consolidated earnings from operations before depreciation, amortization, net interest expense and income taxes	73,412	48,927
Less depreciation and amortization expense	(41,767)	(38,890)
Consolidated operating income	31,645	10,037
Less interest expense, net	(24,170)	(28,618)
Consolidated net income (loss) before income taxes	$ 7,475	(18,581)

</TABLE>
<TABLE>

A reconciliation of reportable segment operating income to consolidated net income (loss) before income taxes follows:

<CAPTION>

Nine months ended September 30,	2001	2000
<S>	<C>	<C>
Reportable segment operating income	$ 61,294	40,694
Less All Other operating loss	(28,936)	(30,418)
Less intersegment contribution eliminated in consolidation	(713)	(239)

Consolidated operating income	31,645	10,037
Less interest expense, net	(24,170)	(28,618)
Consolidated net income (loss) before income taxes	$ 7,475	(18,581)

</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. ("Rogers"), a cable television service provider in Palmer and Wasilla, Alaska for $19.0 million in cash. The acquisition has received regulatory approval and is expected to be finalized in November 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.

Internal Revenue Service Examination
Our U.S. income tax return for 1999 was selected for examination by the Internal Revenue Service during 2001. The examination commenced during the third quarter of 2001. We believe this examination will not 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 third quarter of 2001 long-distance services revenue represented 61.2% 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 95.6% of our total long-distance services revenues during the third 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 9.6% to $8.1 million during the third quarter of 2001 as compared to the third 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 228.9% to $4.5 million during the third quarter of 2001 as compared to the third quarter of 2000. SchoolAccess(TM) services to nine school districts in Arizona and New Mexico began in 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 third quarter of 2001, local access charges accounted for 66.0% of long-distance cost of sales and services, fees paid to other long-distance carriers represented 25.2%, satellite transponder lease and undersea fiber maintenance costs represented 3.3%, and other costs represented 5.5% 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, 33.9% during the third 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 27.5% to $22.3 million during the third quarter of 2001 as compared to the third quarter of 2000. The average rate charged other common carriers increased 4.5% during the same period due to the discontinued carriage of certain low-margin wholesale minutes and total minutes carried increased 8.8%. 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 extended the contract term to March 2006 and reduced the rate 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 to March 2004 with two one-year automatic extensions to March 2006. The amendment reduced 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 third quarter of 2001, cable television revenues represented 21.7% 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 has received regulatory approval and is expected to be finalized in November 2001. This acquisition will allow our facilities to pass an additional 10,000 homes 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 third quarter of 2001 programming services generated 79.6% of total cable services revenues, equipment rental and installation fees accounted for 9.7% of such revenues, cable modem services accounted for 6.9% of such revenues, advertising sales accounted for 3.4% of such revenues, and other services accounted for the remaining 0.4% 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 third quarter of 2001 programming and copyright expenses represented 46.7% of total cable cost of sales and selling, general and administrative expenses, and general and administrative costs represented 45.0% of such total. Marketing and advertising costs represented approximately 8.3% 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 $6.4 million in the third quarter of 2001 representing 7.3% 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 52.5% of total local access services cost of sales and selling, general and administrative expenses during the third quarter of 2001. General and administrative and customer service costs represented approximately 35.6% of such total expenses, marketing and advertising costs represented approximately 9.1% of such total expenses, and operating and engineering expenses represented approximately 2.8% 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 $3.0 million representing 3.4% of total revenues in the third 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 50.3% of total Internet services cost of sales and selling, general and administrative expenses during the third quarter of 2001.

Internet cost of sales represented approximately 37.4% of such total expenses and marketing and advertising represented approximately 12.3% 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 through June 30, 2001 (see note 3 in the accompanying Notes to Interim Condensed Consolidated Financial Statements), 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 6.4% of total revenues in the third quarter of 2001 and included network solutions and outsourcing revenues totalling $4.7 million and communications equipment sales, cellular resale and other revenues totalling $885,000.

Depreciation, amortization and net interest expense on a consolidated basis decreased $1.3 million in the third quarter of 2001 as compared to the third 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 during the first six months of 2001. 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, the $46.7 million investment in other equipment and facilities during the first nine months of 2001 for which a partial year of depreciation will be recorded during 2001, and an increase in average outstanding indebtedness in the third quarter of 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 September 30,		Percentage Change 2001 vs. 2000	Nine Months Ended September 30,		Percentage Change 2001 vs. 2000
(Unaudited)	2001	2000		2001	2000	
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:						
Revenues						
Long-distance services	61.2%	63.5%	11.8%	55.5%	63.4%	9.7%
Cable services	21.7%	22.0%	14.4%	20.7%	22.9%	13.7%
Local access services	7.3%	6.9%	22.2%	6.9%	6.7%	27.5%
Internet services	3.4%	2.9%	38.0%	3.2%	2.7%	48.2%
Other services	6.4%	4.7%	56.0%	13.7%	4.3%	304.4%
Total revenues			16.0%			25.5%
Cost of sales and services	37.2%	39.5%	9.3%	40.2%	41.4%	21.8%
Selling, general and administrative expenses	35.2%	35.6%	14.4%	32.7%	35.9%	14.2%
Depreciation and amortization	16.0%	17.5%	6.2%	15.4%	18.0%	7.4%
Operating income	11.6%	7.4%	81.7%	11.7%	4.7%	215.3%
Net income (loss) before income taxes	3.1%	(5.2%)	168.7%	2.8%	(8.6%)	140.2%
Net income (loss)	1.7%	(3.1%)	164.9%	1.5%	(5.3%)	136.2%
Other Operating Data (1):						
Cable services operating income (2)	22.6%	18.5%	39.6%	22.9%	20.2%	

28.6%

Local services operating income (loss) (3)	25.0%	12.4%	146.3%	23.3%	(4.1%)	827.2%
Internet services operating loss (4)	(106.9%)	(132.4%)	(11.4%)	(103.4%)	(142.7%)	(7.4%)

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

Revenues

Total revenues increased 16.0% from $75.9 million in 2000 to $88.0 million in 2001.

Long-distance revenues from residential, commercial, governmental, and other common carrier customers increased 11.8% to $53.9 million in 2001. The increase was largely due to the following:

- An increase of 27.5% in revenues from other common carriers (principally WorldCom and Sprint) to $22.3 million in 2001,
- An increase of 9.6% in private line and private network transmission services revenues to $8.1 million in 2001 due to an increased number of leased circuits in service,
- An increase of 228.9% to $4.5 million in 2001 revenues from our packaged telecommunications offering to rural hospitals and health clinics and our SchoolAccess(TM) offering to rural school districts. The increase is primarily due to an increase in circuits and services sold to rural hospitals and health clinics from 10 circuits at September 30, 2000 to 51 circuits at September 30, 2001, and
- An increase of 5.6% in total minutes of use to 290.6 million minutes primarily due to a 8.8% increase in wholesale minutes carried for other common carriers. After excluding certain low-margin wholesale minutes no longer carried on our network in 2001, comparable total minutes of use over the prior year increased 17.1% and wholesale minutes carried for other common carriers increased 27.3% over the prior year.

Long-distance revenue increases were partially offset by the following:

- A 2.0% decrease in our average rate billed per minute on long-distance traffic to $0.119 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 4.5% 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 4.0% in the number of active residential, small business and commercial customers billed to 87,500 at September 30, 2001 as compared to September 30, 2000 primarily due to competitors' promotional offerings.

Cable revenues increased 14.4% to $19.1 million in 2001. Programming services revenues increased 15.9% to $15.2 million in 2001 and average gross revenue per average basic subscriber per month increased $5.02 or 10.4% in 2001 due to the following:

- Basic subscribers served increased approximately 4,500 to approximately 123,000 (of which approximately 1,000 basic subscribers were acquired from G.C. Cablevision, Inc. on March 31, 2001),
- Rates charged to subscribers in most systems increased as of February 2001,
- New facility construction efforts in 2000 and 2001 and the acquisition of GC Cablevision, Inc. subscribers resulted in approximately 4,600 additional homes passed which contributed to additional subscribers and revenues in 2001, and
- Digital subscriber counts increased 95.4% to approximately 21,300 at September 30, 2001 as compared to September 30, 2000.

The cable services segment's share of cable modem revenue (offered through our Internet services segment) increased $441,000 to $1.3 million in 2001.

Local access services revenues increased 22.2% in 2001 to $6.4 million. At September 30, 2001 approximately 73,300 lines were in service as compared to approximately 57,900 lines in service at September 30, 2000.

Internet services revenues increased 38.0% to $3.0 million in 2001 primarily due to growth in the average number of customers served. We had approximately 67,900 active residential, commercial and small business retail dial-up Internet

subscribers at September 30, 2001 as compared to approximately 59,000 at September 30, 2000. We had approximately 21,500 active residential, commercial and small business retail cable modem subscribers at September 30, 2001 as compared to approximately 13,000 at September 30, 2000.

The 56% increase in other services revenues to $5.6 million in 2001 is primarily due to increased revenues from managed services.

Cost of Sales and Services
Total cost of sales and services increased 9.3% to $32.7 million in 2001. As a percentage of total revenues, total cost of sales and services decreased from 39.5% in 2000 to 37.2% in 2001.

Long-distance cost of sales and services increased 1.8% to $19.9 million in 2001. Long-distance cost of sales as a percentage of long-distance revenues decreased from 40.6% in 2000 to 36.9% in 2001 primarily due to the effect of reassigning traffic carried by satellite transponders and fiber optic cable from leased to owned capacity, 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, and a $450,000 non-recurring refund in 2001 from a local exchange carrier in respect of its earnings that exceeded regulatory requirements. 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 16.1% to $5.2 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 26.8% in 2000 to 27.2% 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 20.9% to $3.5 million in 2001. Local access services cost of sales and services as a percentage of local access services revenues decreased from 56.0% in 2000 to 55.4% in 2001. As local access services revenues increase, economies of scale and more efficient network utilization continue to 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 13.5% to $1.2 million in 2001. Internet services costs of sales as a percentage of Internet services revenues totaled 39.5% and 48.0% 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 allocable 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 continue to 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 14.4% to $31.0 million in 2001 and, as a percentage of total revenues, decreased from 35.6% in 2000 to 35.2% in 2001. The increased expense in 2001 is due to increased health insurance and labor costs, increased accrual of a company-wide success sharing bonus, and costs to operate GFCC (see note 3 to the accompanying Notes to Interim Condensed Consolidated Financial Statements).

Depreciation and Amortization
Depreciation and amortization expense increased 6.2% to $14.1 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 $46.7 million investment in other equipment and facilities during the first nine 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 21.8% to $7.5 million in 2001. This decrease resulted primarily from decreased interest rates in 2001 on our variable rate debt and approximately $294,000 earned from an interest rate swap agreement (further described in note 1(e) to the accompanying Notes to Interim Condensed Consolidated Financial Statements).

As described in note 1(e) to the accompanying Notes to Interim Condensed Consolidated Financial Statements, effective September 21, 2001, we entered into an interest rate swap agreement to convert $25 million of variable interest rate debt equal to the 90 day Libor rate plus 334 basis points to 3.98% fixed rate debt.

Income Tax Benefit (Expense)
Income tax benefit (expense) was $1.6 million in 2000 and ($1.2) 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 40.5% in 2000 to 43.8% in 2001 due to the effect of items that are nondeductible for income tax purposes.

NINE MONTHS ENDED SEPTEMBER 30, 2001 ("2001") COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2000 ("2000")

Revenues
Total revenues increased 25.5% from $215.6 million in 2000 to $270.5 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 16.4%.

Long-distance revenues from residential, commercial, governmental, and other common carrier customers increased 9.7% to $150.0 million in 2001. The increase was largely due to the following:

- An increase of 31.3% in private line and private network transmission services revenues to $26.6 million in 2001 due to an increased number of leased circuits in service,
- An increase of 10.5% in revenues from other common carriers (principally WorldCom and Sprint) to $59.5 million in 2001,
- An increase of 83.4% to $10.9 million in 2001 revenues from our packaged telecommunications offering to rural hospitals and health clinics and our SchoolAccess(TM) offering to rural school districts. The increase is primarily due to an increase in circuits and services sold to rural hospitals and health clinics from 10 circuits at September 30, 2000 to 51 circuits at September 30, 2001, and
- An increase of 0.6% in total minutes of use to 795.1 million minutes primarily due to a 2.2% increase in wholesale minutes carried for other common carriers. After excluding certain low-margin wholesale minutes no longer carried for other common carriers, comparable total minutes over the prior year increased 13.9% and wholesale minutes carried for other common carriers increased 24.1% over the prior year.

Long-distance revenue increases were partially offset by the following:

- A 3.4% decrease in our average rate per minute on long-distance traffic to $0.118 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 8.1% 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 4.0% in the number of active residential, small business and commercial customers billed to 87,500 at September 30, 2001 as compared to September 30, 2000 primarily due to competitors' promotional offerings.

Cable revenues increased 13.7% to $56.0 million in 2001. Programming services revenues increased 10.6% to $45.0 million in 2001 and average gross revenue per average basic subscriber per month increased $5.02 or 10.4% in 2001 resulting from the following:

- Basic subscribers served increased approximately 4,500 to approximately 123,000 (of which approximately 1,000 basic subscribers were acquired from G.C. Cablevision, Inc. on March 31, 2001),
- Rates charged to subscribers in most systems increased as of February 2001,
- New facility construction efforts in 2000 and 2001 and the acquisition of GC Cablevision, Inc. subscribers resulted in approximately 4,600 additional homes passed which contributed to additional subscribers and revenues in 2001, and
- Digital subscriber counts increased 95.4% to approximately 21,300 at September 30, 2001 as compared to September 30, 2000.

The cable services segment's share of cable modem revenue (offered through our Internet services segment) increased $1.9 million to $3.5 million in 2001.

Local access services revenues increased 27.5% in 2001 to $18.5 million. At September 30, 2001 approximately 73,300 lines were in service as compared to approximately 57,900 lines in service at September 30, 2000.

Internet services revenues increased 48.2% to $8.8 million in 2001 primarily due to growth in the average number of customers served. We had approximately 67,900 active residential, commercial and small business retail dial-up Internet subscribers at September 30, 2001 as compared to approximately 59,000 at September 30, 2000. We had approximately 21,500 active residential, commercial and small business retail cable modem subscribers at September 30, 2001 as compared to approximately 13,000 at September 30, 2000.

The 304.4% increase in other services revenues to $37.2 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
Total cost of sales and services increased 21.8% to $108.7 million in 2001. As a percentage of total revenues, total cost of sales and services decreased from 41.4% in 2000 to 40.2% in 2001. Excluding the fiber capacity sale in 2001, total cost of sales and services as a percentage of total revenues decreased from 41.4% in 2000 to 39.0% in 2001.

Long-distance cost of sales and services decreased 2.8% to $57.8 million in 2001. Long-distance cost of sales as a percentage of long-distance revenues decreased from 43.5% in 2000 to 38.5% in 2001 primarily due to the effect of reassigning traffic carried by satellite transponders and fiber optic cable from leased to

owned capacity, 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, and a $450,000 non-recurring refund in 2001 from a local exchange carrier in respect of its earnings that exceeded regulatory requirements. 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 15.7% to $15.2 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 26.7% 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 22.4% to $10.2 million in 2001. Local access services cost of sales and services as a percentage of local access services revenues decreased from 57.2% in 2000 to 54.9% in 2001. As local access services revenues increase, economies of scale and more efficient network utilization continue to 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 14.5% to $3.6 million in 2001. Internet services costs of sales as a percentage of Internet services revenues totaled 41.2% and 53.3% in 2001 and 2000, respectively. The Internet services costs of sales decrease as a percentage of Internet services revenues is primarily due to a $3.4 million increase in Internet's allocable 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 continue to 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 14.2% to $88.4 million in 2001 and, as a percentage of total revenues, decreased from 35.9% in 2000 to 32.7% in 2001. Excluding the fiber capacity sale in 2001, selling, general and administrative expenses, as a percentage of total revenues, decreased from 35.9% in 2000 to 34.7% in 2001. The increase in 2001 is due to increased health insurance and labor costs, increased accrual of a company-wide success sharing bonus, and incremental new costs to operate GFCC (see note 3 to the accompanying Notes to Interim Condensed Consolidated Financial Statements).

Depreciation and Amortization
Depreciation and amortization expense increased 7.4% to $41.8 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 $46.7 million investment in other equipment and facilities during the first nine 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 15.5% to $24.2 million in 2001. This decrease resulted primarily from decreased interest rates in 2001 on our variable rate debt, approximately $579,000 earned from an interest rate swap agreement (further described in note 1(e) to the accompanying Notes to Interim Condensed Consolidated Financial Statements), and decreased average outstanding long-term debt balances during the first six months of 2001. Partially offsetting these decreases was an increase in our average outstanding capital lease obligation balances resulting from the lease of satellite transponder capacity.

As described in note 1(e) to the accompanying Notes to Interim Condensed Consolidated Financial Statements, effective September 21, 2001, we entered into

an interest rate swap agreement to convert $25 million of variable interest rate debt equal to the 90 day Libor rate plus 334 basis points to 3.98% fixed rate debt.

Income Tax Benefit (Expense)
Income tax benefit (expense) was $7.2 million in 2000 and ($3.4) million in 2001. The change was due to our generation of net income before income taxes in 2001 as compared to a net loss before income taxes in 2000. Our effective income tax rate increased from 38.8% in 2000 to 44.9% in 2001 due to the effect of items that are nondeductible for income tax purposes.

At September 30, 2001, we have (1) tax net operating loss carryforwards of approximately $143.6 million that will begin expiring in 2007 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 45% to 50% in 2001.

Our U.S. income tax return for 1999 was selected for examination by the Internal Revenue Service during 2001. The examination commenced during the third quarter of 2001. We believe this examination will not have a material adverse effect on our financial position, results of operations or our liquidity.

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
<S>	<C>	<C>	<C>	<C>	<C>
2001					
Revenues:					
Long-distance services	$ 46,236	49,851	53,892		149,979
Cable services	18,046	18,873	19,113		56,032
Local access services	5,958	6,183	6,397		18,538
Internet services	2,619	3,134	3,019		8,772
Other services	24,058	7,494	5,598		37,150
Total revenues	96,917	85,535	88,019		270,471
Operating income	13,042	8,411	10,192		31,645
Net income before income taxes	4,322	436	2,717		7,475
Net income	2,423	166	1,527		4,116
Basic and diluted net income (loss) per common share	0.04	(0.01)	0.02		0.05
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 September 30, 2001 ("third quarter") were $88.0 million, representing a 2.9% increase from $85.5 million for the quarter ended June 30, 2001 ("second quarter"). The third quarter increase resulted from

a 8.1% increase in long-distance services revenue to $53.9 million primarily due to a 16.5% increase in revenues from other common carriers to $22.3 million. Long distance minutes increased 11.3% to 290.6 million minutes, primarily due to a 28.4% increase in other common carrier minutes (principally WorldCom and Sprint) off-set by a 14.6% decrease in minutes of traffic carried for customers other than other common carriers. The long-distance average rate per minute was $.117 and $.119 in the second and third quarters, respectively. The increase in long-distance services revenue is off-set by a $1.9 million decrease in other services revenue primarily due to a decrease in non-recurring project management services revenue.

Long-distance revenues have historically been highest in the summer months as a result of temporary population increases attributable to tourism and increased seasonal economic activity such as construction, commercial fishing, and oil and gas activities. Cable television revenues, on the other hand, are higher in the

winter months because consumers spend more time at home and tend to watch more television during these months. Local service and Internet access services are not expected to exhibit significant seasonality. Our ability to implement construction projects is also hampered during the winter months because of cold temperatures, snow and short daylight hours.

Cost Of Sales and Services

Cost of sales and services decreased from $33.8 million in the second quarter to $32.7 million in the third quarter. As a percentage of revenues, second and third quarter cost of sales and services totaled 39.6% and 37.2%, respectively. The third 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, a 1.9% increase to $.119 in the average rate per minute billed to customers, and a $450,000 non-recurring refund in the third quarter from a local exchange carrier in respect of its earnings that exceeded regulatory requirements. Partially off-setting the third quarter decrease is an increase in 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 $1.4 million in the third quarter as compared to the second quarter. As a percentage of revenues, third quarter selling, general and administrative expenses were 35.2% as compared to 34.6% for the second quarter. The increase in selling, general and administrative expenses in the third quarter as compared to the second quarter is primarily due to incremental new costs to operate GFCC (see note 3 to the accompanying Notes to Interim Condensed Consolidated Financial Statements).

Net Income

We reported net income of $1.5 million for the third quarter as compared to a $166,000 for the second quarter. The increase is due to increased operating income and reduced net interest expense, offset by increased income tax expense.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities totaled $63.6 million in the nine month period ended September 30, 2001 ("2001") as compared to $35.0 million in the nine month period ended September 30, 2000 ("2000"), net of changes in the components of working capital. The increase in 2001 is primarily due to the fiber capacity sale in 2001 and increased cash flow from all service offerings. Expenditures for property and equipment, including construction in progress, totaled $46.7 million in 2001. Other uses of cash during 2001 included repayment of $13.0 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 $10.0 million in long-term borrowings and $3.2 million from the issuance of our common stock.

Trade receivables increased $8.3 million from December 31, 2000 to September 30, 2001 primarily due to an increase in other common carrier trade receivables and broadband trade receivables related to our services to hospitals and health clinics.

Working capital totaled $8.0 million at September 30, 2001, a $2.6 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, March 23, 2001 and October 31, 2001 we amended the Holdings $150,000,000 and $50,000,000 credit facilities. The amendments provided for our acquisition of Kanas and Rogers, and contain, among other things, provision for

payment of a one-time amendment fees of $433,000, changes in certain financial covenants and ratios, and a limit of $70 million and $60 million for 2001 and 2000, respectively, for 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) and,
- fixed charges coverage ratio (as defined) of Holdings and certain of its subsidiaries to exceed 1.00 to 1.00 from January 1, 2003 through March 31, 2004 (which adjusts to 1.05 to 1.0 in April, 2004 and thereafter).

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

Our expenditures for property and equipment, including construction in progress, totaled $46.7 million and $33.4 million during the first nine 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 $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. Series B preferred stock dividends of $937,000 were paid in cash in October 2001.

In October 2001, a Series B preferred stockholder converted 5,665 shares of Series B preferred stock to GCI Class A common stock resulting in the issuance of approximately 1,021,000 shares of GCI Class A common stock.

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. Series C preferred stock dividends of $150,000 were paid in cash in October 2001.

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 and technological changes 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, 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 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 ("FASB") 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 FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 provides accounting and reporting standards for intangible assets acquired individually, with a group of other assets, or as part of a business combination. This statement addresses how acquired goodwill and other

intangible assets are recorded upon their acquisition as well as how they are to be accounted for after they have been initially recognized in the financial statements. Under this statement, goodwill and other intangibles with indefinite useful lives, on a prospective basis, will no longer be amortized, however will be tested for impairment at least annually, based on a fair value comparison. Intangibles that have finite useful lives will continue to be amortized over their respective useful lives. This statement also requires expanded disclosure for goodwill and other intangible assets. We will be required to adopt this statement no later than January 1, 2002. At the date of adoption, we will be required to complete a transitional intangible asset impairment test. Any resulting impairment loss will be recognized as a cumulative effect of a change in accounting principle. In connection with the adoption of this standard, our unamortized goodwill balance will no longer be amortized, but will continue to be tested for impairment. We estimate that 2002 amortization expense of goodwill will be reduced by approximately $1.2 million. We are assessing which other intangible assets should be categorized as having indefinite useful lives and the total impact of such standard on our results of operations, financial position and cash flows.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 provides accounting and reporting standards for costs associated with the retirement of long-lived assets. This statement requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the entity capitalizes a cost by increasing the carrying amount of the related long-lived asset. Over time, the liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. We will be required to adopt this statement no later than January 1, 2003 and do not expect this statement to have a material effect on our results of operations, financial position and cash flows.

In October 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No. 144 replaces SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. However it retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used and for measurement of long-lived assets to be disposed of by sale. This statement applies to all long-lived assets, including discontinued operations, and replaces the provisions of APB Opinion No. 30, Reporting Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, for the disposal of segments of a business. This statement requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. We will

be required to adopt this statement no later than January 1, 2002 and are currently assessing the impact of this statement on our results of operations, financial position and cash flows.

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 forecasts 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 $23.17 on November 5, 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 become depressed, 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. In the past year there has been 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. According to their public comments, neither Exxon Mobil, BP or Phillips Petroleum, Alaska's large natural gas owners, believe either natural gas pipeline makes financial sense based upon their preliminary analysis. The governor of the State of Alaska and certain natural gas transportation companies continue to support a natural gas pipeline.

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 September 30, 2001, we have borrowed $92.7 million subject to interest rate

risk. On this amount, a 1% increase in the interest rate would cost us $927,000 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 September 30, 2001, the interest rate spread between the fixed and swapped variable rate is 2.73%, an annualized reduction in interest expense of approximately $1,365,000. As of November 1, 2001, the interest rate spread between the fixed and swapped variable rate is 4.18%, an annualized reduction in interest expense of approximately $2,090,000.

On September 21, 2001, we entered into an interest rate swap agreement to convert $25 million of variable interest rate debt equal to the 90 day Libor rate plus 334 basis points to 3.98% fixed rate debt. 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 $250,000. As of September 30, 2001, the interest rate spread between the variable rate and swapped fixed rate is 1.19%, an annualized increase in interest expense of approximately $298,000. As of October 22, 2001, the interest rate spread between the fixed and swapped variable rate is 1.52%, an annualized increase in interest expense of approximately $380,000.

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 September 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 September 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 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 10.89 - Seventh Amendment to $50,000,000 Amended and Restated Credit Agreements

Exhibit 10.90 - Seventh Amendment to $200,000,000 Amended and Restated Credit Agreements

(b) Reports on Form 8-K filed during the quarter ended September 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.

Signature	Title	Date
/s/ Ronald A. Duncan	President and Director (Principal Executive Officer)	November 12, 2001
/s/ John M. Lowber	Senior Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer)	November 12, 2001
/s/ Alfred J. Walker	Vice President, Chief Accounting Officer (Principal Accounting Officer)	November 12, 2001

SEVENTH AMENDMENT TO $50,000,000 AMENDED AND RESTATED CREDIT AGREEMENT

SEVENTH AMENDMENT TO $50,000,000 AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is dated as of the 27th day of April, 2001 and entered into among GCI HOLDINGS, INC., an Alaskan corporation (herein, together with its successors and assigns, called the "Borrower"), the Lenders (as defined in the Credit Agreement as defined below), BANK OF AMERICA, N.A., as Administrative Agent for itself and the Lenders (the "Administrative Agent"), CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and TD SECURITIES (USA), INC. as Syndication Agent.

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into a $50,000,000 Amended and Restated Credit Agreement, dated November 14, 1997, as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000 and by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001 (as amended and as further amended, restated or otherwise modified from time to time, the "Credit Agreement") and a $200,000,000 Amended and Restated Credit Agreement, dated as of November 14, 1997 (as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001 and as further amended, restated or otherwise modified from time to time, the "$200MM Credit Facility");

WHEREAS, the Borrower has requested certain provisions of the Credit Agreement be amended;

WHEREAS, the Lenders, the Administrative Agent and the Borrower have agreed to modify the Credit Agreement upon the terms and conditions set forth below;

NOW, THEREFORE, for valuable consideration hereby acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

SECTION 1. Definitions, Generally. Unless specifically defined or redefined below, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

SECTION 2. Amendment to Section 7.06. Section 7.06 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

> 7.06. Distributions and Restricted Payments. The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, make any Restricted Payments, other than any Restricted Payment in the form of a Distribution made by any Restricted Subsidiary to any other Restricted Subsidiary or to the Borrower, and other than
>
> (a) so long as
>
> (i) there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment,
>
> (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Restricted Payment and
>
> (iii) the date of such Restricted Payment is after September 30, 2000, Restricted Payments made (A) exclusively out of the Capital Stock of GCI and/or (B) exclusively out of Excess Cash Flow up to a maximum amount of the difference between $15,000,000 in the aggregate over the term of this Agreement, provided that, in the case of this subsection (B), such $15,000,000 shall be minus the sum of (I) the aggregate amount of Investments made in accordance with the terms of Section 7.10(e) hereof over the term of this Agreement, and (II) any specifically consented to or waived cash distributions made by the Borrower to be used for GCI's preferred stock or Senior Notes (or other cash payment which would otherwise be prohibited by this Section 7.06),

(b) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower may make Restricted Payments in the form of Distributions to GCII in an amount not in excess of cash income Taxes attributable to income from the Borrower and its Restricted Subsidiaries (and GCII may make Restricted Payments in such amounts in the form of Distributions to GCI), and scheduled cash interest payments required to be paid by GCII under the Senior Notes, and GCII may make Restricted Payments in the form of (and not in excess of) scheduled cash interest payments required to be paid by GCII

under the Senior Notes, provided that, the Lenders agree that in no event shall the opening phrase of this subsection (b) prohibit the payment of any such Distribution by the Borrower or payment of interest by GCII on the Senior Notes for more than 180 consecutive days in any consecutive 360-day period, unless there exists an Event of Default under Section 8.01(a) hereof (whether by acceleration or otherwise),

(c) so long as there exists no Default or Event of Default both before and after giving effect to the payment thereof, payment of Management Fees and amounts due under the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof,

(d) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower or any other GCI Entity (i) may make Restricted Payments on Funded Debt incurred in accordance with the terms of Sections 7.02(b)(but with respect to the Senior Notes, only payments of cash interest which accrues thereon), 7.02(d), 7.02(f)(i), and 7.02(g) hereof, and (ii) may make payments of income Taxes, and

(e) after the Kanas Closing, so long as there exists no Default or Event of Default both before and after giving effect to the payment thereof, GCI may make payments and distributions annually in an aggregate amount not to exceed $600,000 a year, to the holders of its Series C 6% Preferred Stock, provided that such payments and distributions permitted to be paid under this subsection (e) may only be made out of the aggregate cash proceeds actually received by GCI after January 1, 2000 from the exercise of stock options and stock warrants.

SECTION 3. Conditions Precedent. This Seventh Amendment shall not be effective until the Administrative Agent shall have determined in its sole discretion that all proceedings of the Borrower taken in connection with this Seventh Amendment and the transactions contemplated hereby shall be satisfactory in form and substance to the Administrative Agent and the Borrower has satisfied the following conditions:

(a) the Borrower shall have delivered to the Administrative Agent a loan certificate of the Borrower certifying (i) as to the accuracy of its representations and warranties set forth in Article V of the Credit Agreement, as amended by this Seventh Amendment and the other Loan Papers, (ii) that there exists no Default or Event of Default, and the execution, delivery and performance of this Seventh Amendment will not cause a Default or Event of Default, except those Defaults and Events of Default specifically waived hereby, (iii) as to resolutions authorizing the Borrower to execute, deliver and perform this Seventh Amendment and all Loan Papers and to execute and perform all transactions contemplated by this Seventh Amendment, and all other documents and instruments delivered or executed in connection with this Seventh Amendment, (iv) that it has complied with all agreements and conditions to be

complied with by it under the Credit Agreement, the other Loan Papers and this Seventh Amendment by the date hereof and (v) that it has received all consents, amendments and waivers from all Persons necessary or required, if any, to (A) enter into this Amendment or (B) effectuate the amendments set forth above, including, without limitation, under the Indenture and related documentation and under the AUSP Credit Agreement and related documentation;

(b) the Borrower and the Lenders shall have entered into a seventh amendment to the $200MM Credit Facility on terms substantially identical to the terms of this Seventh Amendment;

(c) the Borrower shall have paid the Administrative Agent a five basis points amendment fee, such amendment fee to be allocated among the Lenders executing this Seventh Amendment prior to noon (Central Standard time), Friday, April 27, 2001, as evidenced by a facsimile receipt by counsel to the Administrative Agent of such Lender's signature to this Seventh Amendment prior to such time; and

(d) the Borrower shall have delivered such other documents, instruments, and certificates, in form and substance satisfactory to the Administrative Agent, as the Administrative Agent shall deem necessary or appropriate in connection with this Seventh Amendment and the transactions contemplated hereby.

SECTION 4. Representations and Warranties. The Borrower represents and warrants to the Lenders and the Administrative Agent that (a) this Seventh Amendment constitutes its legal, valid, and binding obligation, enforceable in accordance with the terms hereof (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other laws or principles of equity affecting the enforcement of creditors' rights generally), (b) there exists no Default or Event of Default under the Credit Agreement, (c) its representations and warranties set forth in the Credit Agreement and other Loan Papers are true and correct on the date hereof, (d) it has complied with all agreements and conditions to be complied with by it under the Credit Agreement and the other Loan Papers by the date hereof, and (e) the Credit Agreement, as amended hereby, and the other Loan Papers remain in full force and effect.

SECTION 5. Waiver. Borrower has requested the Administrative Agent and the Lenders to waive the restrictions on cash dividends in Section 7.06(a) of the Credit Agreement, with respect to two payments on GCI's $20,000,000 preferred stock issuance, one payment to be made in April of 2001 and the other payment to be made in October of 2001, each payment to be in an amount not to exceed $1,000,000 (the "Payment Requests"). Administrative Agent and each Lender hereby on a one-time, limited conditional basis waive the requirements of the Credit Agreement and Section 7.06 thereof to permit (i) a cash distribution to be made by the Borrower in April of 2001 in an amount not to exceed $1,000,000, and (ii) a cash distribution to be made by the Borrower in October of 2001 in an amount not to exceed $1,000,000, in each case only so long as each of the following conditions has been satisfied: 1) each such distribution shall be used by GCI to pay cash

dividends on its $20,000,000 preferred stock issuance within one Business Day after the date of distribution by the Borrower, 2) there shall exist no Default or Event of Default both immediately before and after giving effect to each such distribution; 3) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Restricted Payment and 4) each such cash distribution shall be deducted from the $15,000,000 aggregate amount set forth in Section 7.06(a) hereof. Nothing in this Section shall affect the Borrower's obligations under the Credit Agreement or the other Loan Papers executed in connection therewith (except as specifically provided in this Section), which remain valid, binding and enforceable, and except as amended hereby, unamended, or shall constitute a waiver by the Administrative Agent or the Lenders of any of their rights or remedies (except as specifically provided in this Section), now or at any time in the future, with respect to any requirement under the Credit Agreement or the other Loan Papers or with respect to an Event of Default or Default, occurring now or at any time in the future.

SECTION 6. Entire Agreement; Ratification. THE CREDIT AGREEMENT AND THE LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. EXCEPT AS MODIFIED OR SUPPLEMENTED HEREBY, THE CREDIT AGREEMENT, THE OTHER LOAN PAPERS AND ALL OTHER DOCUMENTS AND AGREEMENTS EXECUTED IN CONNECTION THEREWITH SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 7. Counterparts. This Seventh Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof hereof, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

SECTION 8. GOVERNING LAW. THIS SEVENTH AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS.

SECTION 9. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN PAPERS AND THE BORROWER IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST

THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY

MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER SHALL BE BROUGHT ONLY IN A COURT IN DALLAS, TEXAS.

SECTION 10. WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

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IN WITNESS WHEREOF, this Seventh Amendment to Amended and Restated Credit Agreement is executed as of the date first set forth above.

IN WITNESS WHEREOF, this Seventh Amendment to Amended and Restated Credit Agreement is executed as of the date first set forth above.

GCI HOLDINGS, INC.

/s/
By: John M. Lowber

Its: Senior Vice President
Chief Financial Officer

BANK OF AMERICA, N.A., Individually as a Lender and as Administrative Agent

/s/
By: Derrick C. Bell

Its: Principal

CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and Individually as a Lender

/s/
By: Jeremy Horn

Its:

TD SECURITIES (USA), INC., as Syndication Agent

/s/
By: William J. Burke

Its: Vice Prsident

TORONTO DOMINION (TEXAS), INC., Individually as a Lender

By:

Its:

11

COBANK, ACB, Individually as a Lender

/s/
By: Teresa L. Fountain

Its: Assistant Corporate Secretary

12

GENERAL ELECTRIC CAPITAL CORPORATION, Individually as a Lender

/s/
By: Brian P. Ward

Its: Manager-Operations

13

UNION BANK OF CALIFORNIA, N.A., Individually as a Lender

/s/
By: Matthew H. Fleming

Its: Assistant Vice President

14

BANK OF HAWAII, Individually as a Lender

By:

Its:

15

THE BANK OF NEW YORK, Individually as a Lender

/s/
By: Gerry Granovsky

Its: Vice President

16

BNP PARIBAS, Individually as a Lender

/s/
By: Gregg Bonardi

Its: Director, Media & Telecom Finance

/s/
By: Ted Koerner

Its: Director, Media & Finance

17

CITY NATIONAL BANK, Individually as a Lender

/s/
By: Patrick M. Drum

Its: Vice President

FLEET NATIONAL BANK, Individually as a Lender

/s/
By: Denis D. Hamboyan

Its: Director

THE FUJI BANK, LIMITED, Individually as a Lender

/s/
By: Shinzo Nishitate

Its: Senior Vice President

SUMITOMO MITSUI BANKING CORPORATION, Individually as a Lender

By:

Its:

NATIONAL BANK OF ALASKA, Individually as a Lender

/s/
By: Brent Ulmer

Its: Vice President

ALLFIRST BANK, Individually as a Lender

/s/
By: Michael G. Toomey

Its: Vice President

SEVENTH AMENDMENT TO $200,000,000 AMENDED AND RESTATED CREDIT AGREEMENT

SEVENTH AMENDMENT TO $200,000,000 AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is dated as of the 27th day of April, 2001 and entered into among GCI HOLDINGS, INC., an Alaskan corporation (herein, together with its successors and assigns, called the "Borrower"), the Lenders (as defined in the Credit Agreement as defined below), BANK OF AMERICA, N.A., as Administrative Agent for itself and the Lenders (the "Administrative Agent"), CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and TD SECURITIES (USA), INC. as Syndication Agent.

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent entered into a $200,000,000 Amended and Restated Credit Agreement, dated November 14, 1997, as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, and by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001 (as amended and as further amended, restated or otherwise modified from time to time, the "Credit Agreement") and a $50,000,000 Amended and Restated Credit Agreement, dated as of November 14, 1997 (as amended by that certain Consent and First Amendment, dated January 27, 1998, by that certain Second Amendment to Amended and Restated Credit Agreement dated as of July 3, 1998, by that certain Third Amendment to Amended and Restated Credit Agreement dated as of April 13, 1999, by that certain Fourth Amendment to Amended and Restated Credit Agreement dated as of January 18, 2000, by that certain Fifth Amendment to Amended and Restated Credit Agreement dated as of October 25, 2000, by that certain Sixth Amendment to Amended and Restated Credit Agreement dated as of March 23, 2001, and as further amended, restated or otherwise modified from time to time, the "$50MM Credit Facility");

WHEREAS, the Borrower has requested certain provisions of the Credit Agreement be amended;

WHEREAS, the Lenders, the Administrative Agent and the Borrower have agreed to modify the Credit Agreement upon the terms and conditions set forth below;

NOW, THEREFORE, for valuable consideration hereby acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

SECTION 1. Definitions, Generally. Unless specifically defined or redefined below, capitalized terms used herein shall have the meanings ascribed thereto in the Credit Agreement.

SECTION 2. Amendment to Section 7.06. Section 7.06 in Article VII of the Credit Agreement shall be amended and restated in its entirety as follows:

> 7.06. Distributions and Restricted Payments. The Borrower shall not, and shall not permit the Parents or any Restricted Subsidiary to, make any Restricted Payments, other than any Restricted Payment in the form of a Distribution made by any Restricted Subsidiary to any other Restricted Subsidiary or to the Borrower, and other than
>
> (a) so long as
>
> (i) there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment,
>
> (ii) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Restricted Payment and
>
> (iii) the date of such Restricted Payment is after September 30, 2000, Restricted Payments made (A) exclusively out of the Capital Stock of GCI and/or (B) exclusively out of Excess Cash Flow up to a maximum amount of the difference between $15,000,000 in the aggregate over the term of this Agreement, provided that, in the case of this subsection (B), such $15,000,000 shall be minus the sum of (I) the aggregate amount of Investments made in accordance with the terms of Section 7.10(e) hereof over the term of this Agreement, and (II) any specifically consented to or waived cash distributions made by the Borrower to be used for GCI's preferred stock or Senior Notes (or other cash payment which would otherwise be prohibited by this Section 7.06),

(b) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower may make Restricted Payments in the form of Distributions to GCII in an amount not in excess of cash income Taxes attributable to income from the Borrower and its Restricted Subsidiaries (and GCII may make Restricted Payments in such amounts in the form of Distributions to GCI), and scheduled cash interest payments required to be paid by GCII under the Senior Notes, and GCII may make Restricted Payments in the form of (and not in excess of) scheduled cash interest payments required to be paid by GCII

under the Senior Notes, provided that, the Lenders agree that in no event shall the opening phrase of this subsection (b) prohibit the payment of any such Distribution by the Borrower or payment of interest by GCII on the Senior Notes for more than 180 consecutive days in any consecutive 360-day period, unless there exists an Event of Default under Section 8.01(a) hereof (whether by acceleration or otherwise),

(c) so long as there exists no Default or Event of Default both before and after giving effect to the payment thereof, payment of Management Fees and amounts due under the Transponder Purchase Agreement for Galaxy X referred to in Section 7.18 hereof,

(d) so long as there exists no Default or Event of Default both before and after giving effect to any such Restricted Payment, the Borrower or any other GCI Entity (i) may make Restricted Payments on Funded Debt incurred in accordance with the terms of Sections 7.02(b)(but with respect to the Senior Notes, only payments of cash interest which accrues thereon), 7.02(d), 7.02(f)(i), and 7.02(g) hereof, and (ii) may make payments of income Taxes, and

(e) after the Kanas Closing, so long as there exists no Default or Event of Default both before and after giving effect to the payment thereof, GCI may make payments and distributions annually in an aggregate amount not to exceed $600,000 a year, to the holders of its Series C 6% Preferred Stock, provided that such payments and distributions permitted to be paid under this subsection (e) may only be made out of the aggregate cash proceeds actually received by GCI after January 1, 2000 from the exercise of stock options and stock warrants.

SECTION 3. Conditions Precedent. This Seventh Amendment shall not be effective until the Administrative Agent shall have determined in its sole discretion that all proceedings of the Borrower taken in connection with this Seventh Amendment and the transactions contemplated hereby shall be satisfactory in form and substance to the Administrative Agent and the Borrower has satisfied the following conditions:

(a) the Borrower shall have delivered to the Administrative Agent a loan certificate of the Borrower certifying (i) as to the accuracy of its representations and warranties set forth in Article V of the Credit Agreement, as amended by this Seventh Amendment and the other Loan Papers, (ii) that there exists no Default or Event of Default, and the execution, delivery and performance of this Seventh Amendment will not cause a Default or Event of Default, except those Defaults and Events of Default specifically waived hereby, (iii) as to resolutions authorizing the Borrower to execute, deliver and perform this Seventh Amendment and all Loan Papers and to execute and perform all transactions contemplated by this Seventh Amendment, and all other documents and instruments delivered or executed in connection with this Seventh Amendment, (iv) that it has complied with all agreements and conditions to be

complied with by it under the Credit Agreement, the other Loan Papers and this Seventh Amendment by the date hereof and (v) that it has received all consents, amendments and waivers from all Persons necessary or required, if any, to (A) enter into this Amendment or (B) effectuate the amendments set forth above, including, without limitation, under the Indenture and related documentation and under the AUSP Credit Agreement and related documentation;

(b) the Borrower and the Lenders shall have entered into a seventh amendment to the $50MM Credit Facility on terms substantially identical to the terms of this Seventh Amendment;

(c) the Borrower shall have paid the Administrative Agent a five basis points amendment fee, such amendment fee to be allocated among the Lenders executing this Seventh Amendment prior to noon (Central Standard time), Friday, April 27, 2001, as evidenced by a facsimile receipt by counsel to the Administrative Agent of such Lender's signature to this Seventh Amendment prior to such time; and

(d) the Borrower shall have delivered such other documents, instruments, and certificates, in form and substance satisfactory to the Administrative Agent, as the Administrative Agent shall deem necessary or appropriate in connection with this Seventh Amendment and the transactions contemplated hereby.

SECTION 4. Representations and Warranties. The Borrower represents and warrants to the Lenders and the Administrative Agent that (a) this Seventh Amendment constitutes its legal, valid, and binding obligation, enforceable in accordance with the terms hereof (subject as to enforcement of remedies to any applicable bankruptcy, reorganization, moratorium, or other laws or principles of equity affecting the enforcement of creditors' rights generally), (b) there exists no Default or Event of Default under the Credit Agreement, (c) its representations and warranties set forth in the Credit Agreement and other Loan Papers are true and correct on the date hereof, (d) it has complied with all agreements and conditions to be complied with by it under the Credit Agreement and the other Loan Papers by the date hereof, and (e) the Credit Agreement, as amended hereby, and the other Loan Papers remain in full force and effect.

SECTION 5. Waiver. Borrower has requested the Administrative Agent and the Lenders to waive the restrictions on cash dividends in Section 7.06(a) of the Credit Agreement, with respect to two payments on GCI's $20,000,000 preferred stock issuance, one payment to be made in April of 2001 and the other payment to be made in October of 2001, each payment to be in an amount not to exceed $1,000,000 (the "Payment Requests"). Administrative Agent and each Lender hereby on a one-time, limited conditional basis waive the requirements of the Credit Agreement and Section 7.06 thereof to permit (i) a cash distribution to be made by the Borrower in April of 2001 in an amount not to exceed $1,000,000, and (ii) a cash distribution to be made by the Borrower in October of 2001 in an amount not to exceed $1,000,000, in each case only so long as each of the following conditions has been satisfied: 1) each such distribution shall be used by GCI to pay cash

dividends on its $20,000,000 preferred stock issuance within one Business Day after the date of distribution by the Borrower, 2) there shall exist no Default or Event of Default both immediately before and after giving effect to each such distribution; 3) the Total Leverage Ratio is less than 5.00 to 1.00 both before and after giving effect to any such Restricted Payment and 4) each such cash distribution shall be deducted from the $15,000,000 aggregate amount set forth in Section 7.06(a) hereof. Nothing in this Section shall affect the Borrower's obligations under the Credit Agreement or the other Loan Papers executed in connection therewith (except as specifically provided in this Section), which remain valid, binding and enforceable, and except as amended hereby, unamended, or shall constitute a waiver by the Administrative Agent or the Lenders of any of their rights or remedies (except as specifically provided in this Section), now or at any time in the future, with respect to any requirement under the Credit Agreement or the other Loan Papers or with respect to an Event of Default or Default, occurring now or at any time in the future.

SECTION 6. Entire Agreement; Ratification. THE CREDIT AGREEMENT AND THE LOAN PAPERS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. EXCEPT AS MODIFIED OR SUPPLEMENTED HEREBY, THE CREDIT AGREEMENT, THE OTHER LOAN PAPERS AND ALL OTHER DOCUMENTS AND AGREEMENTS EXECUTED IN CONNECTION THEREWITH SHALL CONTINUE IN FULL FORCE AND EFFECT.

SECTION 7. Counterparts. This Seventh Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument. In making proof hereof, it shall not be necessary to produce or account for any counterpart other than one signed by the party against which enforcement is sought.

SECTION 8. GOVERNING LAW. THIS SEVENTH AMENDMENT SHALL BE CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS (AND NOT THE LAW OF CONFLICTS) OF THE STATE OF TEXAS, BUT GIVING EFFECT TO FEDERAL LAWS.

SECTION 9. CONSENT TO JURISDICTION. THE BORROWER HEREBY IRREVOCABLY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF ANY UNITED STATES FEDERAL OR TEXAS STATE COURT SITTING IN DALLAS IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO ANY LOAN PAPERS AND THE BORROWER IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN ANY SUCH COURT AND IRREVOCABLY WAIVES ANY OBJECTION IT MAY NOW OR HEREAFTER HAVE AS TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING BROUGHT IN SUCH A COURT OR THAT SUCH COURT IS AN INCONVENIENT FORUM. NOTHING HEREIN SHALL LIMIT THE RIGHT OF THE ADMINISTRATIVE AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST

THE BORROWER IN THE COURTS OF ANY OTHER JURISDICTION. ANY JUDICIAL PROCEEDING BY THE BORROWER AGAINST THE ADMINISTRATIVE AGENT OR ANY LENDER OR ANY AFFILIATE OF THE ADMINISTRATIVE AGENT OR ANY LENDER INVOLVING, DIRECTLY OR INDIRECTLY, ANY

MATTER IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER SHALL BE BROUGHT ONLY IN A COURT IN DALLAS, TEXAS.

SECTION 10. WAIVER OF JURY TRIAL. THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY WAIVES TRIAL BY JURY IN ANY JUDICIAL PROCEEDING INVOLVING, DIRECTLY OR INDIRECTLY, ANY MATTER (WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE) IN ANY WAY ARISING OUT OF, RELATED TO, OR CONNECTED WITH ANY LOAN PAPER OR THE RELATIONSHIP ESTABLISHED THEREUNDER.

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IN WITNESS WHEREOF, this Seventh Amendment to Amended and Restated Credit Agreement is executed as of the date first set forth above.

GCI HOLDINGS, INC.

/s/
By: John M. Lowber

Its: Senior Vice President
Chief Financial Officer

BANK OF AMERICA, N.A., Individually as a Lender and as Administrative Agent

/s/
By: Derrick C. Bell

Its: Principal

CREDIT LYONNAIS NEW YORK BRANCH, as Documentation Agent and Individually as a Lender

/s/
By: Jeremy Horn

Its:

TD SECURITIES (USA), INC., as Syndication Agent

/s/
By: William J. Burke

Its: Vice Prsident

TORONTO DOMINION (TEXAS), INC., Individually as a Lender

By:

Its:

COBANK, ACB, Individually as a Lender

/s/
By: Teresa L. Fountain

Its: Assistant Corporate Secretary

GENERAL ELECTRIC CAPITAL CORPORATION, Individually as a Lender

/s/
By: Brian P. Ward

Its: Manager-Operations

UNION BANK OF CALIFORNIA, N.A., Individually as a Lender

/s/
By: Matthew H. Fleming

Its: Assistant Vice President

BANK OF HAWAII, Individually as a Lender

By:

Its:

THE BANK OF NEW YORK, Individually as a Lender

/s/
By: Gerry Granovsky

Its: Vice President

BNP PARIBAS, Individually as a Lender

/s/
By: Gregg Bonardi

Its: Director, Media & Telecom Finance

/s/
By: Ted Koerner

Its: Director, Media & Finance

CITY NATIONAL BANK, Individually as a Lender

/s/
By: Patrick M. Drum

Its: Vice President

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FLEET NATIONAL BANK, Individually as a Lender

/s/
By: Denis D. Hamboyan

Its: Director

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THE FUJI BANK, LIMITED, Individually as a Lender

/s/
By: Shinzo Nishitate

Its: Senior Vice President

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SUMITOMO MITSUI BANKING CORPORATION, Individually as a Lender

By:

Its:

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NATIONAL BANK OF ALASKA, Individually as a Lender

/s/
By: Brent Ulmer

Its: Vice President

22

ALLFIRST BANK, Individually as a Lender

/s/
By: Michael G. Toomey

Its: Vice President

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