As filed with the Securities and Exchange Commission on November 14, 1997.

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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, 1997

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from   to

Commission File No. 0-15279

GENERAL COMMUNICATION, INC.

(Exact name of registrant as specified in its charter)

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

2550 Denali Street Suite 1000 Anchorage, Alaska	99503
(Address of principal executive offices)	(Zip Code)

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

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

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

The number of shares outstanding of the registrant's classes of common stock, as of October 31, 1997 was:
45,276,687 shares of Class A common stock; and
4,064,246 shares of Class B common stock.

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GENERAL COMMUNICATION, INC.

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 1997

<TABLE>
<CAPTION>

</TABLE>

<TABLE>

PART I. FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<CAPTION>

ASSETS	(Unaudited) September 30, 1997	December 31, 1996
	(Amounts in thousands)	
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 6,312	13,349
Receivables, net of allowance for doubtful Receivables of $909 and $597	35,039	28,768
Prepaid and other current assets	3,065	2,236
Deferred income taxes, net	1,094	835
Inventories	3,213	1,589
Notes receivable	615	325
Total current assets	49,338	47,102
Restricted cash (note 5)	40,253	---
Property and equipment in service, net	144,813	115,981
Construction in progress	20,144	20,770
Net property and equipment	164,957	136,751
Other assets:		
Intangible assets, net	247,140	250,920
Deferred debt issuance costs, net	9,281	900
Transponder deposit	9,100	9,100
Undersea fiber optic cable deposit (note 4)	8,247	---
Notes receivable	1,315	1,016
Other assets, at cost, net	1,428	1,546
Total other assets	276,511	263,482
Total assets	$ 531,059	447,335

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

<TABLE>

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

<CAPTION>

LIABILITIES AND STOCKHOLDERS' EQUITY	(Unaudited) September 30, 1997	December 31, 1996

	(Amounts in thousands)	
<S>	<C>	<C>
Current liabilities:		
Current maturities of long-term debt (note 3)	$ 1,666	31,969
Current maturities of obligations under capital leases	84	71
Accounts payable	24,842	23,677
Accrued payroll and payroll related obligations	3,769	3,830
Accrued liabilities	6,099	4,173
Accrued interest	3,356	2,708
Subscriber deposits and deferred revenues	3,877	3,449
Total current liabilities	43,693	69,877
Senior notes (note 3)	180,000	---
Long-term debt, excluding current maturities (note 3)	61,872	191,273
Obligations under capital leases, excluding current maturities	523	---
Obligations under capital leases due to related parties, excluding current maturities	611	675
Deferred income taxes, net	37,737	33,720
Other liabilities	2,229	2,236
Total liabilities	326,665	297,781
Stockholders' equity:		
Common stock (no par):		
Class A. Authorized 50,000,000 shares; issued and outstanding 45,276,687 and 36,586,973 shares at September 30, 1997 and December 31, 1996, respectively (note 4)	170,326	113,421
Class B. Authorized 10,000,000 shares; issued and outstanding 4,064,246 and 4,074,028 shares at September 30, 1997 and December 31, 1996, respectively; convertible on a share-per-share basis into Class A common stock	3,432	3,432
Less cost of 202,768 and 199,081 Class A common shares held in treasury at September 30, 1997 and December 31, 1996, respectively	(1,039)	(1,010)
Paid-in capital	4,478	4,229
Retained earnings	27,197	29,482
Total stockholders' equity	204,394	149,554
Commitments and contingencies (note 5)		
Total liabilities and stockholders' equity	$ 531,059	447,335

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<CAPTION>

	(Unaudited) Three Months Ended September 30,		(Unaudited) Nine Months Ended September 30,	
	1997	1996	1997	1996
	(Amounts in thousands except per share amounts)			
<S>	<C>	<C>	<C>	<C>
Revenues:				
Telecommunication services	$ 44,662	38,664	126,018	115,832
Cable services	13,294	---	41,005	---
Total revenues	57,956	38,664	167,023	115,832
Cost of sales and services	28,868	22,226	85,814	66,350
Selling, general and administrative expenses	19,535	10,609	53,850	31,930
Depreciation and amortization	5,767	1,812	17,495	5,616
Operating income	3,786	4,017	9,864	11,936
Interest expense, net	4,588	269	12,765	898
Net earnings (loss) before income taxes and extraordinary item	(802)	3,748	(2,901)	11,038
Income tax expense (benefit)	(307)	1,608	(1,049)	4,610

Net earnings (loss) before extraordinary loss on early extinguishment of debt	(495)	2,140	(1,852)	6,428
Loss on early extinguishment of debt, net of income tax benefit of $268	433	---	433	---
Net earnings (loss)	$ (928)	2,140	(2,285)	6,428
Earnings (loss) per common share:				
Net earnings (loss) before extraordinary loss on early extinguishment of debt	$ (0.01)	0.09	(0.04)	0.26
Extraordinary loss	(0.01)	---	(0.01)	---
Net earnings (loss)	$ (0.02)	0.09	(0.05)	0.26
Weighted average number of shares of common stock and common stock equivalents outstanding	48,096	25,090	44,933	24,847

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

<TABLE>

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
NINE MONTHS ENDED SEPTEMBER 30, 1997 AND 1996

<CAPTION>

(Unaudited) (Amounts in thousands)	Shares of Common Stock Class A	Shares of Common Stock Class B	Class A Common Stock	Class B Common Stock	Class A Shares Held in Treasury	Paid-in Capital	Retained Earnings
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1995	19,680	4,176	$ 13,912	3,432	(389)	4,041	22,020
Net earnings	---	---	---	---	---	---	6,428
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	---	---	187	---
Class B shares converted to Class A	90	(90)					
Shares acquired pursuant to officer deferred compensation agreement	---	---	---	---	(621)	---	---
Shares issued under stock option plan	82	---	187	---	---	---	---
Shares issued and issuable under officer stock option agreements	---	---	---	---	---	1	---
Balances at September 30, 1996	19,852	4,086	$ 14,099	3,432	(1,010)	4,229	28,448
Balances at December 31, 1996	36,587	4,074	$113,421	3,432	(1,010)	4,229	29,482
Net loss	---	---	---	---	---	---	(2,285)
Tax effect of excess stock compensation expense for tax purposes over amounts recognized for financial reporting purposes	---	---	---	---	---	198	---
Class B shares converted to Class A	10	(10)	---	---	---	---	---
Shares issued upon public offering (note 4)	7,000	---	46,734	---	---	---	---
Shares issued upon conversion of convertible note (notes 2 and 4)	1,538	---	9,983	---	---	---	---
Shares acquired pursuant to officer deferred compensation agreement	---	---	---	---	(29)	---	---
Shares issued under stock option plan	142	---	188	---	---	---	---
Shares issued and issuable under officer stock option agreements	---	---	---	---	---	51	---
Balances at September 30, 1997	45,277	4,064	$170,326	3,432	(1,039)	4,478	27,197

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

<TABLE>

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

<CAPTION>

	(Unaudited) Nine Months Ended September 30, 1997	1996
	(Amounts in thousands)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings (loss)	$ (2,285)	6,428
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	17,495	5,616
Deferred income tax expense	3,956	1,892
Deferred compensation and compensatory stock options	44	240
Bad debt expense, net of write-offs	312	3
Loss on early extinguishment of debt	701	---
Other noncash income and expense items	---	28
Change in operating assets and liabilities (note 2)	(4,930)	(5,460)
Net cash provided by operating activities	15,293	8,748
Cash flows from investing activities:		
Purchases of property and equipment	(40,699)	(24,767)
Restricted cash investment	(40,253)	---
Refunds of long-term deposits and purchases of other assets	(935)	(1,964)
Payment of transponder deposit	---	(7,800)
Payment of undersea fiber optic cable deposit	(8,247)	---
Notes receivable issued	(596)	(397)
Payments received on notes receivable	7	249
Net cash used in investing activities	(50,470)	(34,769)
Cash flows from financing activities:		
Long-term borrowings- Senior notes	180,000	---
Long-term borrowings- bank debt and leases	80,700	29,100
Repayments of long-term borrowings and capital lease obligations	(229,932)	(1,496)
Proceeds from equity offering	50,750	---
Payments of deferred debt issuance costs, underwriting fees and commissions	(13,284)	---
Proceeds from common stock issuance	188	187
Purchase of treasury stock	(29)	(621)
Net cash provided by financing activities	68,393	27,170
Net increase in cash and cash equivalents	(7,037)	1,238
Cash and cash equivalents at beginning of period	13,349	4,017
Cash and cash equivalents at end of period	$ 6,312	5,255

</TABLE>

See accompanying notes to interim condensed consolidated financial statements.

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES

Notes to Interim Condensed Consolidated Financial Statements

(Unaudited)

(1) (a) General

General Communication, Inc. ("GCI"), an Alaska corporation, was incorporated in 1979. GCI, Inc., an Alaska corporation, was incorporated May 13, 1997 and is a wholly owned subsidiary of GCI. GCI Holding, Inc. ("Holdings") is a wholly owned subsidiary of GCI, Inc. and was incorporated May 13, 1997. GCI Communication Corp. ("GCC"), an Alaska corporation, is a wholly owned subsidiary of Holdings and was incorporated in 1990. GCI Communication Services, Inc. ("Communication Services"), an Alaska corporation, is a wholly owned subsidiary of Holdings and was incorporated in 1992. GCI Leasing Co., Inc. ("Leasing Company"), an Alaska corporation, is a wholly owned subsidiary of Communication Services and was incorporated in 1992. GCI, GCI, Inc., Holdings and GCC are engaged in the transmission of interstate and intrastate private line and switched message long distance telephone service between Anchorage, Fairbanks, Juneau, and other communities in Alaska and the remaining United States and foreign countries. GCC also provides northbound services to certain common carriers terminating traffic in Alaska and sells and services dedicated communications systems and related equipment. Communication Services provides private network point-to-point data and voice transmission services between Alaska, Hawaii and the western contiguous United States. Leasing Company owns and leases capacity on an undersea fiber optic cable used in the transmission of interstate private line and switched message long distance services between Alaska and the remaining United States and foreign countries.

Cable television services are provided through GCI Cable, Inc. and through its ownership in Prime Cable of Alaska L.P. ("Prime"), and through GCI Cable, Inc.'s wholly owned subsidiaries GCI Cable/Fairbanks, Inc., and GCI Cable/Juneau, Inc. (collectively "GCI Cable" or "Cable Companies"). GCI Cable, Inc. and its subsidiaries are Alaska corporations and were incorporated in 1996. GCI Cable, Inc. is a wholly owned subsidiary of Holdings. Prime is a limited partnership organized under the laws of the state of Delaware whose partnership interests are wholly owned by GCI Cable, Inc.

GCI Transport Co., Inc., Fiber Hold Company, Inc., GCI Fiber Co., Inc., and GCI Satellite Co., Inc., all Alaska corporations, were incorporated in 1997 to finance the acquisition of satellite transponders and to construct and deploy the fiber optic cable system further described in note 5. GCI Transport Co., Inc. is a wholly owned subsidiary of Holdings. Fiber Hold Company, Inc., GCI Fiber Co., Inc., and GCI Satellite Co., Inc. are wholly-owned subsidiaries of GCI Transport Co., Inc. Alaska United Fiber System Partnership ("Alaska United") was organized in 1997 to construct, own and operate the fiber optic cable system described above and in note 4. Alaska United is a partnership wholly owned by the Company through GCI Fiber Co., Inc. and Fiber Hold Co., Inc.

(b) Other

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. The interim condensed consolidated financial statements include the consolidated accounts of General Communication,

Inc. and its wholly owned subsidiaries (collectively, the "Company") with all significant intercompany transactions eliminated. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ended December 31, 1997. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1996.

Reclassifications have been made to the 1996 financial statements to make them comparable with the 1997 presentation.

(2) Consolidated Statements of Cash Flows Supplemental Disclosures

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

<TABLE>
<CAPTION>

Nine-month periods ended September 30,	(Unaudited) 1997	1996
	(Amounts in thousands)	
<S>	<C>	<C>
Increase in receivables	$ (6,583)	(3,823)
Increase in prepaid and other current assets	(829)	(857)
(Increase) decrease in inventory	(1,624)	100
Increase (decrease) in accounts payable	1,165	(1,729)
Increase in accrued liabilities	1,926	288
Increase (decrease) in accrued payroll and payroll realted obligations	(61)	1,008
Decrease in accrued income taxes	---	(547)
Increase in accrued interest	648	283
Increase (decrease) in deferred revenues	428	(183)
	$ (4,930)	(5,460)

</TABLE>

The holders of $10 million of convertible subordinated notes exercised their conversion rights in January 1997 resulting in the exchange of such notes for 1,538,457 shares of the Company's Class A common stock.

Net income taxes received totaled $158,000 during the nine-month period ended September 30, 1997 and income taxes paid totaled $3,856,000 during the nine-month period ended September 30, 1996.

Interest paid totaled $15,423,000 and $1,572,000 during the nine-month periods ended September 30, 1997 and 1996, respectively.

The Company recorded $198,000 and $187,000 during the nine months ended September 30, 1997 and 1996, respectively, as 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.

(3) Long-term Debt and Senior Notes

Long-term Debt

The Company, through its subsidiary GCI Holdings, Inc. entered into new $200,000,000 and $50,000,000 credit facilities ("Senior Loan facilities") effective August 1, 1997 that mature on June 30, 2005 and bear interest at either Libor plus 0.75% 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. $57,700,000 was borrowed under the Senior Loan facilities at September 30, 1997. The Company is required to pay a commitment fee equal to 0.375% per annum on the unused portion of the commitment.

While Holdings may elect at any time to reduce amounts due and available under the Senior Loan facilities, a mandatory prepayment is required each quarter, beginning September 30, 2000 as follows:

Date of Payment	Percentage of Reduction of Outstanding Facilities
September 30, 2000	3.750%
December 31, 2000	3.750%
March 31, 2001	3.750%
June 30, 2001	3.750%
September 30, 2001	3.750%
December 31, 2001	3.750%

March 31, 2002	5.000%
June 30, 2002	5.000%
September 30, 2002	5.000%
December 31, 2002	5.000%
March 31, 2003	5.000%
June 30, 2003	5.000%
September 30, 2003	5.000%
December 31, 2003	5.000%
March 31, 2004	5.625%
June 30, 2004	5.625%
September 30, 2004	5.625%
December 31, 2004	5.625%

September 30, 2005	7.500%
December 31, 2005	7.500% and all remaining outstanding balances

The Senior Loan facilities contain, among others, covenants requiring maintenance of specific levels of operating cash flow to indebtedness and to interest expense. The Senior Loan facilities include limitations on acquisitions and additional indebtedness, and prohibit any direct or indirect distribution, dividend, redemption or other payment to any person on account of any general or limited partnership interest in, or shares of capital stock or other securities of Holdings or any of its subsidiaries. Holdings was in compliance with all Senior Loan facilities covenants during the period commencing August 1, 1997 (date of the loans) through September 30, 1997.

The Senior Loan facilities are collateralized by essentially all of Holdings' assets as well as a pledge of Holdings' stock by GCI, Inc.

$3.4 million of the Senior Loan facilities have been used to provide a letter of credit to secure payment of certain access charges associated with the Company's provision of telecommunications services within the state of Alaska.

In connection with the funding of the Senior Loan facilities, Holdings paid bank fees and other expenses of approximately $2,880,000, which will be amortized to interest expense over the life of the agreement.

Senior Notes

On August 1, 1997 GCI, Inc. issued $180,000,000 of 9.75% senior notes due 2007. The notes were issued at face value. Net proceeds to GCI, Inc. after deducting underwriting discounts and commissions totaled $174,600,000. Issuance costs will be amortized to interest expense over the term of the Senior Notes.

The notes are not redeemable prior to August 1, 2002. After August 1, 2002 the notes are redeemable at the option of GCI, Inc. under certain conditions and at stated redemption prices. The notes include limitations on additional indebtedness and prohibit payment of dividends, payments for the purchase, redemption, acquisition or retirement of GCI, Inc.'s stock, payments for early retirement of debt subordinate to the note, liens on property, and asset sales. Holdings was in compliance with all covenants during the period commencing August 1, 1997 (date of the notes) through September 30, 1997.

Net proceeds from the stock (see note 4) and senior note offerings and initial draws on the new senior loan facilities were used to repay borrowings outstanding under the Company's then existing credit facilities and to provide initial funding for construction of the undersea fiber optic cable (see note 6). The Company expects to borrow funds under its new credit facilities in the future to fund capital expenditures and for other general corporate purposes.

The Company's interim telephony agreement that was outstanding at December 31, 1997 matured on April 25, 1997. Since the entire facility matured within the twelve-month period ending

December 31, 1997, the outstanding balance at December 31, 1996 was included in current maturities of long-term debt.

(4) Stockholders' Equity

During January 1997, holders of $10 million of convertible subordinated notes exercised their conversion rights, which allowed them to exchange their notes for GCI Class A common shares at a conversion price of $6.50 per share. As a result, the note holders were issued a total of 1,538,457 shares of GCI Class A common stock.

General Communication, Inc. issued 7,000,000 shares of its class A common stock on August 1, 1997 for $7.25 per share, before deducting underwriting discounts and commissions. Net proceeds to General Communication, Inc. totaled $47,959,100.

(5) Commitments and Contingencies

Satellite Transponders

The Company entered into a purchase and lease-purchase option agreement in August 1995 for the acquisition of satellite transponders to meet its long-term satellite capacity requirements. The balance payable upon expected delivery of the transponders in 1998 is dependent upon a number of factors. The Company does not expect the remaining balance payable at delivery to exceed $41 million.

Litigation

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

Cable Service Rate Deregulation

Beginning in April 1993, the Federal Communications Commission ("FCC") adopted regulations implementing the Cable Television Consumer Protection and Competition Act of 1992. Included are rules governing rates charged by cable operators for the basic service tier, the installation, lease and maintenance of equipment (such as converter boxes and remote control units) used by subscribers to receive this tier and for cable programming services other than programming offered on a per-channel or per-program basis (the "regulated services"). Generally, the regulations require affected cable systems to charge rates for regulated services that have been reduced to prescribed benchmark levels, or alternatively, to support rates using costs-of-service methodology.

The regulated services rates charged by the Company may be reviewed by the State of Alaska, operating through the Alaska Public Utilities Commission ("APUC") for basic service, or by the FCC for cable programming service. Refund liability for basic service rates is limited to a one-year

period. Refund liability for cable programming service rates may be calculated from the date a complaint is filed with the FCC until the rate reduction is implemented.

In order for the State of Alaska to exercise rate regulation authority over the Company's basic service rates, 25% of a systems' subscribers must request such regulation by filing a petition with the APUC. At September 30, 1997, the State of Alaska has rate regulation authority over the Juneau system's basic service rates. (The Juneau system serves approximately 9% of the Company's total basic service subscribers at September 30, 1997.) Juneau's current rates have been approved by the APUC and there are no other pending filings with the APUC, therefore, there is no refund liability for basic service at this time.

Complaints by subscribers relating to cable programming service rates were filed with, and accepted by, the FCC for certain franchise areas; however, filings made in response to those complaints related to the period prior to July 15, 1994 were approved by the FCC. Therefore, the potential liability for cable programming service refunds would be limited to the period subsequent to July 15, 1994 for these areas. Management of the Company believes that it has complied in all material respects with the provisions of the FCC rules and regulations and that the Company is, therefore, not liable for any refunds. Accordingly, no provision has been made in the financial statements for any potential refunds. The FCC rules and regulations are, however, subject to judgmental interpretations, and the impact of potential rate changes or refunds ordered by the FCC could cause the Company to make refunds and/or to be in default of certain debt covenants.

In February 1996, the Telecommunications Act of 1996 was signed into federal law that impacts the cable industry. Most notably, the bill allows cable system operators to provide telephony services, allows telephone companies to offer video services, and provides for deregulation of cable programming service rates by 1999. Management of the Company believes the bill will not have a significant adverse impact on the financial position or results of operations of the Company.

Undersea Fiber Optic Cable Contract Commitment

The Company signed a contract in July 1997 for construction of the undersea portion of a $115 to $125 million fiber optic cable system connecting the cities of Anchorage, Juneau and Seattle via a subsea route. Subsea and terrestrial connections will extend the fiber optic cable to Fairbanks via Whittier and Valdez. Construction efforts will begin during the late summer of 1998 with commercial services expected to commence in December 1998. Pursuant to the contract, the Company paid $8.2 million August 1, 1997 and will pay the remaining balance in installments through December 1998 based on completion of certain key milestones. Approximately $40.3 million of proceeds from the public offerings, net of the $8.2 million paid in August (see note 3) were contributed to Alaska United. The use of such proceeds is restricted to funding the construction and deployment of the fiber optic cable system and is reported as Restricted Cash in the accompanying Interim Condensed Consolidated Financial Statements. The Company has received commitments for $75 million in bank financing to fund the remaining cost of construction and deployment.

<TABLE>

(7) Supplemental financial information (Amounts in thousands)

<CAPTION>

(Unaudited)

Nine-month periods ended September 30,	1997				1996
	Long-Distance	Cable	Local	Combined	Long-Distance
<S>	<C>	<C>	<C>	<C>	<C>
Revenues:					
Telecommunication revenues	$ 125,763	---	255	126,018	115,832
Cable revenues	---	41,005	---	41,005	---
Total revenues	125,763	41,005	255	167,023	115,832
Cost of sales and services:					
Distribution costs and costs of services	75,999	---	404	76,403	66,350
Programming and copyright costs	---	9,411	---	9,411	---
Total cost of sales and services	75,999	9,411	404	85,814	66,350
Selling, general and administrative expenses:					
Operating and engineering	8,275	---	294	8,569	7,550
Cable television, including management fees of $822	---	13,717	---	13,717	---
Sales and communications	10,375	---	264	10,639	8,920
General and administrative	17,477	---	1,281	18,758	14,047
Bad debts	1,865	302	---	2,167	1,413

Total selling, general and administrative expenses		37,992	14,019	1,839	53,850	31,930
Depreciation and amortization		7,543	9,903	49	17,495	5,616
Operating income (loss)	$	4,229	7,672	(2,037)	9,864	11,936

</TABLE>

PART I.
ITEM 2.

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

The following discussion and analysis should be read in conjunction with the Company's Interim Condensed Consolidated Financial Statements and the notes thereto. As used herein, EBITDA consists of earnings before interest (net), income taxes, depreciation, amortization and other income (expense). EBITDA is a measure commonly used in the telecommunications and cable television industries to analyze companies on the basis of operating performance. It is not a measure of financial performance under generally accepted accounting principles and should not be considered as an alternative to net income as a measure of performance nor as an alternative to cash flow as a measure of liquidity.

OVERVIEW

Long Distance Telecommunications Services

The Company has historically reported revenues principally from the provision of interstate and intrastate long distance telecommunications services to residential, commercial and governmental customers and to other common carriers (principally MCI Telecommunications, Inc. ("MCI") and U.S. Sprint ("Sprint")). These services accounted for approximately 93.0% of the Company's telecommunications services revenues during the first nine months of 1997. The balance of telecommunications services revenues have been attributable to corporate network management contracts, telecommunications equipment sales and service and other miscellaneous revenues (including revenues from prepaid and debit calling cards, the installation and leasing of customers' VSAT equipment and fees charged to MCI and Sprint for certain billing services). Factors that have the greatest impact on year-to-year changes in telecommunications services revenues include the rate per minute charged to customers and usage volumes, usually expressed as minutes of use. These factors in turn depend in part upon economic conditions in Alaska. The economy of Alaska is dependent upon the natural resource industries, in particular oil production, as well as tourism, government and United States military spending.

The Company's telecommunications cost of sales and services has consisted principally of the direct costs of providing services, including local access charges paid to local exchange carriers ("LECs") for the origination and termination of long distance calls in Alaska, fees paid to other long distance carriers to carry calls that terminate in areas not served by the Company's network (principally the lower 49 states, most of which calls are carried over MCI's network, and international locations, which calls are carried principally over Sprint's network), and the cost of equipment sold to the Company's customers. During the first nine months of 1997, local access charges accounted for 46.7% of telecommunications cost of sales and services, fees paid to other long distance carriers represented 36.9%, satellite transponder lease and undersea fiber maintenance costs represented 8.3%, enterprise services and outsourcing costs represented 5.2%, and telecommunications equipment accounted for 2.9% of telecommunications cost of sales and services.

The Company's telecommunications selling, general, and administrative expenses have consisted of operating and engineering, service, sales and communications, management information systems, general and administrative, legal and regulatory expenses. Most of these expenses consist of salaries, wages and benefits of personnel and certain other indirect costs (such as rent, travel, utilities and certain equipment costs). A significant portion of telecommunications selling, general, and administrative expenses, 27.3%

during the nine months ended September 30, 1997, represents the cost of the Company's advertising, promotion and market analysis programs.

Cable Services

Following the cable system acquisitions effective October 31, 1996, the Company now reports a significant level of revenues and EBITDA from the provision of cable services. During the first nine months of 1997, cable revenues and EBITDA represented 24.6% and 64.2%, respectively, of consolidated revenues and EBITDA.

The cable systems serve 21 communities and areas in Alaska, including the state's three largest population centers, Anchorage, Fairbanks and Juneau.

The Company generates cable services revenues from three primary sources: (1) programming services, including monthly basic or premium subscriptions and pay-per-view movies or other one-time events, such as sporting events; (2) equipment rentals or installation; and (3) advertising sales. During the nine months ended September 30, 1997 programming services generated 86.0% of total cable services revenues, equipment rental and installation fees accounted for 7.8% of such revenues, advertising sales accounted for 3.9% of such revenues, and other services accounted for the remaining 2.3% of total cable services revenues. The primary factors that contribute to year-to-year changes in cable services revenues are average monthly subscription and pay-per-view rates, the mix among basic, premium and pay-per-view services, and the average number of subscribers during a given reporting period.

The cable systems' operating, selling, general and administrative expenses have consisted principally of programming and copyright expenses, labor, maintenance and repairs, marketing and advertising, rental expense, property taxes and depreciation and amortization. In the first nine months of 1997 programming and copyright expenses represented approximately 28.2% of total cable operating expenses. Marketing and advertising costs represented approximately 1.7% of such total expenses and depreciation and amortization represented 29.7% of such expenses.

Local Services

The Company began offering local exchange services initially in Anchorage during late September 1997, and expects that local exchange services will represent less than 1.0% of revenues in 1997 and less than 7.0% of revenues in 1998. In the first nine months of 1997 operating and engineering expenses represented approximately 15.6% of total local services operating expenses. Marketing and advertising costs represented approximately 14.0% of such total expenses, customer service, general and administrative costs represented approximately 67.8% of such total expenses, and depreciation and amortization represented 2.6% of such total expenses. The Company expects that it will generate moderately negative EBITDA from local exchange services during this time period.

PCS Services

In 1995 the Company began developing plans for PCS wireless communications service deployment and is currently evaluating various vendors for a proposed PCS network. In 1997 the Company conducted a technical trial of its candidate technology. Outside plant communications infrastructure work was undertaken during the 1996 and 1997 construction seasons. Switching and other central office installation was undertaken in 1997. The Company currently expects to launch PCS service in Anchorage as early as 1999.

The Company anticipates that depreciation and amortization and interest expense on a consolidated basis will be substantially higher in 1997 as compared to 1996 resulting primarily from the cable company acquisitions. As a result, the Company anticipates recording a net loss in 1997.

RESULTS OF OPERATIONS

The following table sets forth selected financial data of the Company 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)
<TABLE>
<CAPTION>

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1997	Three Months Ended September 30, 1996	Three Months Ended September 30, 1997	Percentage Change: Nine Months 1997 vs. Nine Months 1996	Percentage Change: Three Months 1997 vs. Three Months 1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:						
Revenues						
Telecommunications services	100.0%	75.3%	100.0%	76.7%	8.6%	14.9%
Cable services	0.0%	24.6%	0.0%	22.9%	---	---
Local services	0.0%	0.1%	0.0%	0.4%	---	---
Total revenues	100.0%	100.0%	100.0%	100.0%	44.2%	49.9%
Cost of sales and services	57.3%	51.4%	57.5%	49.8%	29.3%	29.9%
Selling, general and administrative expenses	27.6%	32.2%	27.4%	33.7%	68.7%	84.1%
Depreciation and amortization	4.8%	10.5%	4.7%	10.0%	211.5%	218.3%
Operating income	10.3%	5.9%	10.4%	6.5%	-17.4%	-5.8%
Net earnings (loss) before income taxes and						

extraordinary loss	9.5%	-1.7%	9.7%	-1.4%	-126.3%	-121.4%
Loss on early extinguishment of debt, net	0.0%	0.3%	0.0%	0.7%	NA	NA
Net earnings (loss)	5.5%	-1.4%	5.5%	-1.6%	-135.5%	-143.4%
Other Operating Data:						
Cable operating income (1)	NA	18.7%	NA	19.5%	NA	NA
Cable EBITDA (1)	NA	42.9%	NA	42.8%	NA	NA
Local operating loss (2)	NA	-798.8%	NA	-231.0%	NA	NA
Local EBITDA (2)	NA	-779.6%	NA	-211.8%	NA	NA
Consolidated EBITDA	15.2%	16.4%	15.1%	16.5%	55.9%	63.9%

<FN>
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(1) Computed as a percentage of total cable services revenues.
(2) Computed as a percentage of total local services revenues.
</FN>
</TABLE>

THREE MONTHS ENDED SEPTEMBER 30, 1997 ("1997") COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1996 ("1996")

REVENUES. Total revenues increased 49.9% from $38.7 million in 1996 to $58.0 million in 1997. Long distance transmission revenues from commercial, residential, governmental, and other common carrier customers increased 14.7% from $36.0 in 1996 to $41.3 million in 1997. This increase in revenues resulted in part from a 9.4% increase in minutes of interstate and international traffic carried, which traffic totaled

160.9 million minutes during the quarter, and a 9.7% increase in minutes of intrastate traffic, which traffic totaled 34.2 million minutes during the quarter. The increases in traffic resulted from (1) an increase in services provided to other common carriers (principally MCI and Sprint), which other common carrier revenues increased 23.3% from $12.9 million in 1996 to $15.9 million in 1997, (2) growth in the underlying economy, (3) usage stimulation resulting from reductions in rates, and (4) an expansion of the Company's service area resulting from the turn-up of a number of new satellite earth station facilities located in rural Alaska. Private line and private network transmission revenues increased 24.2% from $3.3 million in 1996 to $4.1 million in 1997. The Company reported nine months of cable services revenues in 1997 following its acquisition of the cable systems effective October 31, 1996. The number of subscribers increased approximately 1,100 and the number of homes passed by the cable systems increased approximately 571 during the three-month period ended September 30, 1997. The increase in subscribers is largely attributed to the seasonal return of customers during the fall and winter months as customers come back inside from summer activities. Anchorage area basic rates were increased approximately 4.4% in April 1997 to reduce margin compression resulting from increasing programming costs.

The Company's average revenue per minute on long distance traffic increased approximately 2.0 percent for the third quarter of 1997 as compared to the same period of 1996. Average rate per minute increases resulted primarily from increased calling card rates commencing May 1997 and a change in the Company's traffic mix. Such increases were offset in part by the Company's promotion of, and customers' acceptance of new calling plans offering discounted rates and length of service rebates.

COST OF SALES AND SERVICES. Cost of sales and services totaled $22.2 million in 1996 and $28.9 million in 1997. Of this increase, $3.1 million resulted from cable services programming and copyright charges incurred during 1997. Transmission access and distribution costs, which represent cost of sales for transmission services, increased 13.7% from $20.5 million in 1996 to $23.3 million in 1997 and amounted to approximately 56.9 percent and 56.4 percent of transmission revenues in 1996 and 1997, respectively. The decrease in distribution costs as a percentage of transmission revenues results primarily from (1) reductions in access charges paid by the Company to other carriers for distribution of its traffic, and (2) avoidance of access charges resulting from the Company's distribution and termination of its traffic on its own network instead of paying other carriers to distribute and terminate its traffic. Changes in distribution costs as a percentage of revenues will also occur as the Company's traffic mix changes.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 84.0% from $10.6 million in 1996 to $19.5 million in 1997, and, as a percentage of total revenues, increased from 27.4% in 1996 to 33.6% in 1997. Selling, general and administrative expenses increased as a result of (1) increased sales, advertising and telemarketing costs which totaled $3.0 million in 1996 as compared to $3.8 million in 1997; (2) bad debt expense totaling $556,000 in 1996 compared to $1.0 million in 1997 (directly associated with increased revenues); and (3) increased costs totaling $2.7 million in engineering, operations, customer service, accounting, human resources, legal and regulatory, and management information services. Such costs were associated with the development and introduction, or planned introduction, of new products and services including local exchange services, PCS services, and Internet services. Cable services selling, general and administrative costs totaled $4.4 million in 1997. Local services selling, general and administrative costs totaled $627,000 in 1997.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased $4.0 million from $1.8 million in 1996 to $5.8 million in 1997. Of this increase, $3.1 million resulted from the Company's acquisition of the cable systems effective October 31, 1996, with the balance of the increase attributable to the Company's $38.6 million investment in facilities during 1996 for which a full year of depreciation will be recorded during the year ending December 31, 1997 and the investment of $40.7 million

in facilities through September 30, 1997 for which a partial year of depreciation is being recorded during 1997.

INTEREST EXPENSE, NET. Interest expense, net of interest income, increased from $269,000 in 1996 to $4.6 million in 1997. This increase resulted primarily from increases in the Company's average outstanding indebtedness incurred in connection with its acquisition of the cable systems and investment in new facilities during 1997, offset in part by increases in the amount of interest capitalized during 1997.

INCOME TAX EXPENSE. Income tax expense decreased from $1.6 million in 1996 to a benefit of $307,000 in 1997 due to the Company incurring a net loss before income taxes and extraordinary item in 1997 as compared to net earnings in 1996.

LOSS ON EXTINGUISHMENT OF DEBT. The Company recorded a net loss on extinguishment of debt of $433,000 in 1997 resulting from refinancing its previously outstanding Senior Credit Facility effective August 1, 1997. The loss resulted from the write-off of unamortized deferred debt issuance costs. The loss is reported in the accompanying interim condensed consolidated financial statements net of an income tax benefit of $268,000.

NINE MONTHS ENDED SEPTEMBER 30, 1997 ("1997") COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1996 ("1996")

REVENUES. Total revenues increased 44.2% from $115.8 million in 1996 as compared to $167.0 million in 1997. Long distance transmission revenues from commercial, residential, other common carriers and governmental customers increased 10.4% from $106.0 million in 1996 to $117.0 million in 1997. This increase reflected a 9.8% increase in interstate and international minutes of use to 463 million minutes and a 9.9% increase in intrastate minutes of use to 100 million minutes. Approximately $7.7 million of the long distance transmission revenue growth in 1997 was due to a 21.6% increase in revenues from other common carriers (principally MCI and Sprint), from $35.7 million in 1996 to $43.4 million in 1997. Revenue growth in 1997 was also due to (1) a 11.3% increase in private line and private network transmission services revenues, from $10.6 million in 1996 to $11.8 million in 1997; and (2) reporting nine months of cable services revenues in 1997 totaling $41.0 million following the Company's acquisition of the cable systems effective October 31, 1996.

The above increases in revenues were offset in part by a 2.8% reduction in the Company's average revenue per minute on long distance traffic from $0.182 per minute in 1996 to $0.177 per minute in 1997. The decrease in revenues per minute resulted from the Company's promotion of and customers' enrollment in new calling plans offering discounted rates and length of service rebates. Systems sales and services revenues increased 2.7% from $7.3 million in 1996 to $7.5 million in 1997.

COST OF SALES AND SERVICES. Cost of sales and services was $66.4 million in 1996 and $85.8 million in 1997. As a percentage of total revenues, cost of sales and services decreased from 57.3% in 1996 to 51.4% in 1997. The decrease in cost of sales and services as a percentage of revenues during 1997 as compared to 1996 resulted primarily from the addition of cable television operations commencing October 31, 1996 which has proportionately lower cost of sales and services as a percentage of revenues than does telecommunication operations.

Transmission access and distribution costs increased 14.4% from $60.4 million in 1996 to $69.1 million in 1997 and amounted to approximately 57.0% and 59.1% of transmission revenues in 1996 and 1997, respectively. The increase in distribution costs as a percentage of transmission revenues results primarily

from reduced average rate per minute billed to customers in 1997 as compared to 1996 without an offsetting reduction in the rate per minute billed to the Company for access and termination services. Additionally, 1996 costs were reduced by refunds received in the first and second quarters totaling approximately $960,000 from a local exchange carrier and the National Exchange Carriers Association in respect of earnings by them which exceeded regulatory requirements. 1996 transmission access and distribution costs excluding these refunds were 57.9% of transmission services revenues. Changes in distribution costs as a percentage of revenues will also occur as the Company's traffic mix changes. Increases in cost of products sold and network services cost of sales as a proportion of the associated revenues also contributed to the increase in 1997 costs as compared to 1996.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses increased 69.0% from $31.9 million in 1996 to $53.9

million in 1997. As a percentage of total revenues, selling, general and administrative expenses increased from 27.6% in 1996 to 32.3% in 1997. Selling, general and administrative expenses increased as a result of increased sales and customer service volumes, additional bad debt expense totaling $2.2 million in 1997 compared to $1.4 million in 1996 (directly associated with increased revenues), and increased sales, advertising and telemarketing costs totaling $10.6 million in 1997 compared to $8.9 million in 1996, due to the introduction of new services, various marketing plans and other proprietary rate plans. Additionally, selling, general and administrative expenses increased in 1997 due to an increase of approximately $3.3 million in engineering, operations, accounting, human resources, legal and regulatory, and management information services expenses. Such costs were associated with the development and introduction, or planned introduction, of new products and services including local services, cable television services, rural message and data telephone services, PCS services, and Internet services. Cable services selling, general and administrative costs totaled $13.7 million in 1997. Local services selling, general and administrative costs totaled $1.8 million in 1997.

DEPRECIATION AND AMORTIZATION. Depreciation and amortization expense increased 212.5% from $5.6 million in 1996 to $17.5 million in 1997. Of this increase, $9.9 million resulted from the Company's acquisition of the cable systems effective October 31, 1996, with the balance of the increase attributable to the Company's $38.6 million investment in facilities during 1996 for which a full year of depreciation will be recorded during the year ending December 31, 1997 and the investment of $40.7 million in facilities through September 30, 1997 for which a partial year of depreciation is being recorded during 1997.

INTEREST EXPENSE, NET. Interest expense, net of interest income, increased from $898,000 in 1996 to $12.8 million in 1997. This increase resulted primarily from increases in the Company's average outstanding indebtedness resulting primarily from its acquisition of the cable systems and construction of new facilities in rural Alaska, offset in part by increases in the amount of interest capitalized during 1997.

INCOME TAX EXPENSE. Income tax expense decreased from $4.6 million in 1996 to a benefit of $1.0 million in 1997 due to the Company incurring a net loss before income taxes and extraordinary item in 1997 as compared to net earnings in 1996. The Company's effective income tax rate decreased from 41.8% in 1996 to 36.6% in 1997 due to the net loss and the proportional amount of items that are nondeductible for income tax purposes.

As a result of its acquisition of the cable systems, the Company acquired net operating loss carryforwards ("NOL carryforwards") for income tax purposes totaling $58.5 million which begin to expire in 2004 if not utilized. However, the Company's utilization of these NOL carryforwards is subject to certain limitations pursuant to Section 382 of the Internal Revenue Code. Because of the limitation on the NOL carryforwards, the Company established an $8.1 million valuation allowance to offset the gross amount of the deferred tax

asset. The amount of the valuation allowance was based on an estimate of the amount of the NOL carryforwards that will not be utilized, and the effective income tax rate. The amount of deferred tax asset considered realizable, however, could be reduced if estimates of future taxable income during the carryforward periods are reduced.

LOSS ON EXTINGUISHMENT OF DEBT. The Company recorded a net loss on extinguishment of debt of $433,000 in 1997 resulting from refinancing its previously outstanding Senior Credit Facility effective August 1, 1997. The loss resulted from the write-off of unamortized deferred debt issuance costs. The loss is reported in the accompanying financial statements net of an income tax benefit of $268,000.

SEASONALITY; FLUCTUATIONS IN QUARTERLY RESULTS OF OPERATIONS

The following chart provides selected unaudited statement of operations data from the Company's quarterly results of operations during 1996 and 1997:
<TABLE>
<CAPTION>

	(Dollars in thousands, except per share amounts)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
1996					
<S>	<C>	<C>	<C>	<C>	<C>
Revenues					
Telecommunications services	$ 37,969	39,199	38,664	39,587	155,419
Cable services	---	---	---	9,475	9,475
Total revenues	37,969	39,199	38,664	49,062	164,894
Operating income	3,947	3,970	4,017	4,475	16,409
Net earnings	$ 2,137	2,150	2,140	1,035	7,462
Net earnings per share	$ 0.09	0.09	0.09	0.02	0.27

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Cable EBITDA	$ ---	---	---	4,416	4,416
Consolidated EBITDA	$ 5,834	5,888	5,829	8,267	25,818

	(Dollars in thousands, except per share amounts)				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
1997					
Revenues					
Telecommunications services	$ 39,225	42,131	44,407		125,763
Cable services	13,656	14,055	13,294		41,005
Local services	---	---	255		255
Total revenues	52,881	56,186	57,956		167,023
Operating income	3,292	2,786	3,786		9,864
Loss on early extinguishment of debt	---	---	433		433
Net loss	$ (525)	(832)	(928)		(2,285)
Net loss per share	$ (0.01)	(0.02)	(0.02)		(0.05)
Cable EBITDA	$ 6,025	5,863	5,687		17,575
Consolidated EBITDA	$ 9,412	8,394	9,553		27,359

</TABLE>

Total revenues in the quarter ended September 30, 1997 were $58.0 million, representing a 3.2% increase over total revenues in the second quarter of 1997 of $56.2 million. This increase in revenues resulted in part from (1) by a 5.5% increase in telecommunications services revenues to $44.4 million in the third quarter of 1997 from $42.1 million during the second quarter of 1997. This increase is attributable in part to the increase in minutes of traffic carried during the third quarter of 1997 of approximately 9.0 million minutes as compared to the second quarter of 1997 (a 4.8% increase), and (2) an increase in the average rate per minute billed during the third quarter of 1997 of approximately $0.001 as compared to the second quarter of 1997 (a 0.6% increase). Partially offsetting this increase was a decrease in cable services revenues to $13.3 million in the third quarter of 1997 from $14.1 million in the second quarter of 1997. As further described below, cable revenues are generally lower during the summer months as compared to the winter months.

Operating expenses increased during the third quarter of 1997 as compared to the second quarter of 1997 principally as a result of (1) operating and turn-up costs, including rent and utilities, of the Company's new rural DAMA satellite earth-station facilities, and (2) personnel, sales, engineering, operations, customer service, management information systems, accounting, human resources, legal and regulatory expenses associated with the development and introduction, or planned introduction, of new products and services including local services, PCS services and Internet services.

The Company expects that its EBITDA and EBITDA margins during the remainder of 1997 may improve due to (1) cable service rate increases beginning in April 1997, and (2) increased revenue generation from the Company's rural telephony expansion and new service and product offerings to offset expenses generated by these endeavors. The Company reported a net loss of $928,000 for the third quarter of 1997 as compared to a net loss of $832,000 during the second quarter of 1997. The net loss was attributable to (1) increased selling, general and administrative costs incurred during the third quarter of 1997 as compared to the second quarter of 1997, (2) increased interest expense, and (3) the write-off of $701,000 in deferred debt issuance costs.

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. The Company's ability to implement construction projects is also reduced during the winter months because of cold temperatures, snow and short daylight hours.

ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards No. 128, Earnings Per Share, supersedes APB Opinion No. 15, Earnings Per Share, and specifies the computation, presentation, and disclosure requirements for earnings per share ("EPS") for entities with publicly held common stock or common stock equivalents. The statement replaces Primary EPS and Fully Diluted EPS with Basic EPS and Diluted EPS, respectively. Basic EPS, unlike Primary EPS, excludes all dilution while Diluted EPS, like Fully Diluted EPS, reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Due to an immaterial difference between Primary and Fully Diluted EPS, the Company has historically only presented a single EPS. The Company in the future will present both Basic and Diluted EPS for income (loss) from continuing operations and net income (loss). The statement is effective for financial statements for both interim and annual periods ending after December 15, 1997. After adoption, all prior period EPS data will be restated. The adoption of the new statement will have minimal effect on the Company's EPS.

In February 1997, the Accounting Standards Board issued SFAS No. 129, Disclosure Of Information About Capital Structure. SFAS No. 129 consolidates the existing guidance in authoritative literature relating to a company's capital structure. SFAS No. 129 is effective for financial statements for periods ending after December 15, 1997. Capital structure disclosures required by this standard include liquidation preferences of preferred stock, information about the pertinent rights and privileges of the outstanding equity securities, and the redemption amounts for all issues of capital stock that are redeemable at fixed or determinable prices on fixed or determinable dates. Management of the Company does not expect that adoption of SFAS No. 129 will have a material impact on the Company's financial statement disclosures.

In June 1997, the Accounting Standards Board issued SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. Statement 130 is applicable to all entities that provide a full set of financial statements consisting of a statement of financial position, results of operations and cash flows. SFAS No. 130 is effective for interim and annual periods beginning after December 15, 1997. Management of the Company does not expect that adoption of SFAS No. 130 will have a material impact on the Company's financial statement disclosures.

In June 1997, the Accounting Standards Board issued SFAS No. 131, Financial Reporting for Segments of a Business Enterprise which applies to all public business enterprises. SFAS No. 131 specifies the computation, presentation, and disclosure requirements for business segment information. SFAS No. 131 supersedes SFAS No. 14, Financial Reporting for Segments of a Business Enterprise, but retains the requirement to report information about major customers. It amends SFAS No. 94, Consolidation of All Majority-Owned Subsidiaries, to remove the special disclosure requirements for previously unconsolidated subsidiaries. Statement 131 is effective for financial statements for periods beginning after December 15, 1997. Management of the Company does not expect that adoption of SFAS No. 131 will have a material impact on the Company's financial statement disclosures.

LIQUIDITY AND CAPITAL RESOURCES

The Company reported cash flows from operating activities during the nine months ended September 30, 1997 of $15.3 million, net of changes in the components of working capital. Additional sources of cash during the nine months ended September 30, 1997 included long-term borrowings of $260.7 million and class A common stock offering proceeds totaling $50.8 million as further described below. The Company's expenditures for property and equipment, including construction in progress, totaled $24.8 million and $40.7 million during the nine months ended September 30, 1996 and 1997, respectively. Uses of cash during the first three quarters of 1997 included repayment of $229.9 million of long-term borrowings and capital lease obligations, payment of deferred debt issuance costs, underwriting fees and commissions totaling $13.3 million, investment of $40.3 million in restricted cash, payment of a undersea fiberoptic cable deposit totaling $8.2 million, and an increase in notes receivable of $596,000.

Net receivables increased $6.3 million from December 31, 1996 to September 30, 1997 resulting from: (1) increased MTS revenues in 1997 as compared to 1996; (2) increased amounts due from other common carriers attributed to growth in their traffic carried by the Company; and (3) increased private line sales activity in 1997 as compared to 1996.

The Company reported a working capital deficit of $22.8 million as of December 31, 1996. The Company's then existing credit facility matured within the following twelve-month period resulting in the outstanding balance as of December 31, 1996 being included in current maturities of long-term debt. Except for the classification of the Company's senior indebtedness as current, working capital at December 31, 1996 totaled $4.6 million. Working capital at September 30, 1997 totaled $5.6 million, a $1.0 million increase from working capital recomputed at December 31, 1996.

General Communication, Inc. issued 7.0 million shares of its class A common stock on August 1, 1997 for $7.25 per share, before deducting underwriting discounts and commissions. Net proceeds to General Communication, Inc. totaled $47,959,100. Concurrently with the stock offering, $180.0 million of 9.75% senior notes due 2007 were issued to the public by GCI, Inc., a newly created wholly owned subsidiary of General Communication, Inc. Net proceeds to GCI, Inc. after deducting underwriting discounts and commissions totaled $174,600,000.

Concurrently with the public offerings described above, GCI Holdings, Inc. ("Holdings", a newly created wholly-owned subsidiary of GCI, Inc.) entered into new $200,000,000 and $50,000,000 credit facilities effective August 1, 1997. The new facilities mature June 30, 2005 and bear interest at either Libor plus 0.75% 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. $57,700,000 was drawn on the credit facilities as of September 30, 1997.

The new credit facilities and the public notes impose restrictions on the operations and activities of the Company, including requirements that the Company comply with certain financial covenants and financial ratios. Under the credit facility, Holdings may not permit the ratio of senior debt to annualized operating cash flow of Holdings and certain of its subsidiaries to exceed 3.5 to 1.0, total debt to annualized operating cash flow to exceed 7.0 to 1.0, and annualized operating cash flow to interest expense to exceed 1.5 to 1.0. Each of the foregoing ratios decreases in specified increments during the life of the credit facility. The credit facility will also require Holdings to maintain a ratio of annualized operating cash flow to debt service of Holdings and certain of its subsidiaries of at least 1.25 to 1.0, and annualized operating cash flow to fixed

charges of at least 1.0 to 1.0 (which adjusts to 1.05 to 1.0 in April, 2003 and thereafter). The credit facility will also limit capital expenditures of Holdings and certain of its subsidiaries to no more than $55.0 million (post-closing), $90.0 million, and $65.0 million in 1997, 1998 and 1999, respectively. The public notes impose a requirement that the leverage ratio of GCI, Inc. and certain of its subsidiaries will not exceed 7.5 to 1.0 prior to December 31, 1999 and 6.0 to 1.0 thereafter, subject to the ability of GCI, Inc. and certain of its subsidiaries to incur specified permitted indebtedness without regard to such ratios.

Net proceeds from the public offerings and new credit facility were used to retire amounts owing under the Company's existing credit agreements, fund $50 million in capital for use in constructing an undersea fiberoptic cable, and for working capital requirements.

The Company anticipates that its capital expenditures in 1997 may total as much as $75.0 million. Planned capital expenditures over the next five years include $240.0 million to $260.0 million to fund expansion of long distance facilities, (including approximately $40.0 million for satellite transponders and approximately $115.0 to $125.0 million for new undersea fiber optic cable facilities which will be financed by GCI Transport Co., Inc., a newly created subsidiary of GCI Holdings, Inc.) between $140.0 million and $160.0 million to fund development, construction and operating costs of its local exchange and PCS networks and businesses; and between $65.0 million and $85.0 million to upgrade its cable television plant and to purchase equipment for new cable television services. Sources of funds for these planned capital expenditures include net proceeds of the public offerings described above, internally generated cash flows and borrowings under the Company's new credit facilities described above and its separate committed financing for GCI Transport Co., Inc., all of which funds will be necessary to complete the Company's planned capital expenditures.

Management expects that cash flow generated by the Company and borrowings under its facilities will be sufficient to meet its planned capital expenditures and working capital requirements. The Company's ability to invest in discretionary capital and other projects will depend upon its future cash flows and access to borrowings under its credit facilities.

INFLATION

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

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings

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

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:
Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K filed during the quarter ended September 30, 1997:
Report dated August 1, 1997 describing Alaska United Fiber System Partnership's down payment on a financial commitment to proceed with the construction of a $115 to $125 million fiber optic submarine cable system linking the state of Alaska, with landings in Juneau, Whittier and Valdez, Alaska, with the state of Washington, with a landing in Richmond Beach at Puget Sound near Seattle, Washington.

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.

November 14, 1997	By:	/s/ Ronald A. Duncan
(Date)		Ronald A. Duncan, President and Director (Principal Executive Officer)
November 14, 1997	By:	/s/ John M. Lowber
(Date)		John M. Lowber, Senior Vice President and Chief Financial Officer (Principal Financial Officer)
November 14, 1997	By:	/s/ Alfred J. Walker
(Date)		Alfred J. Walker, Vice President and Chief Accounting Officer (Principal Accounting Officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE INTERIM CONSOLIDATED STATEMENT OF INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND THE CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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