

# LEVEL 3 COMMUNICATIONS INC

## FORM 10-Q (Quarterly Report)

Filed 05/15/96 for the Period Ending 03/31/96

Address	1025 ELDORADO BOULEVARD BLDG 2000 BROOMFIELD, CO 80021
Telephone	7208881000
CIK	0000794323
Symbol	LVLT
SIC Code	4813 - Telephone Communications, Except Radiotelephone
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

# LEVEL 3 COMMUNICATIONS INC

## FORM 10-Q (Quarterly Report)

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# FORM 10-Q

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Quarterly Period Ended March 31, 1996

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period to

*Commission file number 0-15658*

### PETER KIEWIT SONS', INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State of Incorporation)

47-0210602  
(I.R.S. Employer  
Identification No.)

1000 Kiewit Plaza, Omaha, Nebraska  
(Address of principal executive offices)

68131  
(Zip Code)

402-342-2052  
(Registrant's telephone number,  
including area code)

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(s)), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No

The number of shares outstanding of each class of the issuer's common stock, as of May 1, 1996:

Class B Common Stock .....	268,468 shares
Class C Common Stock .....	9,939,001 shares
Class D Common Stock .....	23,217,100 shares

**PETER KIEWIT SONS', INC.**

#### Part I - Financial Information

##### Item 1. Financial Statements

Consolidated Condensed Statements of Operations Consolidated Condensed Balance Sheets Consolidated Condensed Statements of Cash Flows Notes to Consolidated Condensed Financial Statements

##### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Part II - Other Information

##### Item 1. Legal Proceedings

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

**PETER KIEWIT SONS', INC.****Consolidated Condensed Statements of Operations**  
(Unaudited)

(dollars in millions, except per share data)	Three months ended March 31	
	1996	1995
Revenue	\$ 656	\$ 563
Cost of Revenue	(576)	(490)
	-----	-----
	80	73
General and Administrative Expenses	(59)	(52)
	-----	-----
Operating Earnings	21	21
Other Income (Expense):		
Investment Income, net	20	15
Interest Expense, net	(8)	(9)
Other, net	6	13
	-----	-----
	18	19
Equity Loss in MFS	-	(42)
	-----	-----
Earnings (Loss) Before Income Taxes and Minority Interest	39	(2)
Provision for Income Taxes	(14)	(21)
Minority Interest in Net Income of Subsidiaries	-	(3)
	-----	-----
Net Earnings (Loss)	\$ 25	\$ (26)
	=====	=====
Earnings (Loss) Attributable to Class B&C Stock	\$ 7	\$ (2)
	=====	=====
Earnings (Loss) Attributable to Class D Stock	\$ 18	\$ (24)
	=====	=====
Net Earnings (Loss) per Common and Common Equivalent Share:		
Class B&C	\$ .66	\$ (.16)
	=====	=====
Class D	\$ .77	\$ (1.14)
	=====	=====
Cash Dividends per Common Share:		
Class B&C	\$ -	\$ -
	=====	=====
Class D	\$ -	\$ -
	=====	=====

See accompanying notes to consolidated condensed financial statements.

**PETER KIEWIT SONS', INC.****Consolidated Condensed Balance Sheets**

(dollars in millions, except per share data)	March 31, 1996	December 30, 1995
	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 367	\$ 457
Marketable securities	615	604

Receivables, less allowance of \$22 and \$12	279	329
Costs and earnings in excess of		
billings on uncompleted contracts	94	78
Investment in construction joint ventures	78	73
Deferred income taxes	73	66
Other	50	47
	-----	-----
Total Current Assets	1,556	1,654
Property, Plant and Equipment,		
less accumulated depreciation and		
amortization of \$717 and \$710	676	667
Investments	583	542
Intangible Assets, net	490	478
Other Assets	79	114
	-----	-----
	\$3,384	\$3,455
	=====	=====

See accompanying notes to consolidated condensed financial statements.

## PETER KIEWIT SONS', INC.

### Consolidated Condensed Balance Sheets

	March 31, 1996	December 30, 1995
(dollars in millions, except per share data)	(unaudited)	
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 192	\$ 240
Short-term borrowings	25	45
Current portion of long-term debt:		
Telecommunications	35	36
Other	2	6
Accrued costs and billings in excess		
of revenue on uncompleted contracts	122	121
Accrued insurance costs	81	79
Other	137	127
	-----	-----
Total Current Liabilities	594	654
Long-Term Debt, less current portion:		
Telecommunications	260	264
Other	111	106
Deferred Income Taxes	232	236
Retirement Benefits	52	54
Accrued Reclamation Costs	101	100
Other Liabilities	196	220
Minority Interest	219	214
Stockholders' Equity:		
Preferred stock, no par value, authorized		
250,000 shares: no shares outstanding	-	-
Common stock, \$.0625 par value,		
\$1.5 billion aggregate redemption value:		
Class B, authorized 8,000,000 shares:		
263,468 outstanding in 1996 and 1995	-	-
Class C, authorized 125,000,000 shares:		
9,954,006 outstanding in 1996 and		
10,616,901 in 1995	1	1
Class D, authorized 50,000,000 shares:		
23,219,744 outstanding in 1996 and		
23,027,974 in 1995	1	1
Additional paid-in capital	208	210
Foreign currency adjustment	(6)	(6)
Net unrealized holding gain	17	17
Retained earnings	1,398	1,384
	-----	-----
Total Stockholders' Equity	1,619	1,607
	-----	-----
	\$ 3,384	\$3,455
	=====	=====

See accompanying notes to consolidated condensed financial statements.

**PETER KIEWIT SONS', INC.**

**Consolidated Condensed Statements of Cash Flows**  
(Unaudited)

(dollars in millions)	Three months ended March 31	
	1996	1995
Cash flows from continuing operations:		
Net cash provided by continuing operations	\$ 53	\$ 12
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities	103	347
Purchases of marketable securities	(116)	(114)
Proceeds from sale of property, plant and equipment, and other investments	9	3
Capital expenditures	(28)	(141)
Acquisitions and investments in affiliates	(54)	(130)
Deferred development costs and other	(5)	(12)
	-----	-----
Net cash used in investing activities	(91)	(47)
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	6	21
Payments on long-term debt, including current portion	(8)	(12)
Net change in short-term borrowings	(20)	-
Repurchases of common stock	(12)	(5)
Dividends paid	(18)	(7)
Other	-	1
	-----	-----
Net cash used in financing activities	(52)	(2)
Cash flows from proceeds due to sales of discontinued packaging operations:	-	29
	-----	-----
Net change in cash and cash equivalents	(90)	(8)
Cash and cash equivalents at beginning of period	457	400
	-----	-----
Cash and cash equivalents at end of period	\$ 367	\$ 392
	=====	=====
Noncash investing activities:		
Issuance of MFS stock for purchase of telecommunications companies	\$ -	\$ 6

See accompanying notes to consolidated condensed financial statements.

**PETER KIEWIT SONS', INC.**

**Notes to Consolidated Condensed Financial Statements**

**1. Basis of Presentation**

The consolidated condensed balance sheet of Peter Kiewit Sons', Inc. ("PKS") and subsidiaries (the "Company") at December 30, 1995 has been condensed from the Company's audited balance sheet as of that date. All other financial statements contained herein are unaudited and, in the opinion of management, contain all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of financial position and results of operations for the periods presented. The Company's accounting policies and certain other disclosures are set forth in the notes to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 30, 1995.

Marketable securities at March 31, 1996 and December 30, 1995 include approximately \$60 million and \$62 million, respectively, of investments which are being held by the owners of various construction projects in lieu of retainage. Receivables at March 31, 1996 and December 30, 1995 include approximately \$54 million and \$50 million, respectively of retainage on uncompleted projects, the majority of which is expected to be collected within one year.

Where appropriate, items within the consolidated condensed financial statements have been reclassified from the previous periods to conform

to current year presentation.

## 2. Earnings (Loss) Per Share:

Primary earnings (loss) per share of common stock have been computed using the weighted average number of shares outstanding during each period. Fully diluted earnings (loss) per share have not been presented because they are not materially different from primary earnings (loss) per share. The number of shares used in computing earnings (loss) per share was as follows:

	Three Months Ended March 31,	
	1996	1995
Class B&C	10,257,392	13,909,422
Class D	23,236,057	21,265,769

## 3. Summarized Financial Information:

Holders of Class B&C Stock (Construction & Mining Group) and Class D Stock (Diversified Group) are stockholders of PKS. The Construction & Mining Group contains the Company's traditional construction and materials operations performed by Kiewit Construction Group Inc. and certain mining services performed by Kiewit Mining Group Inc. The Diversified Group contains coal mining properties owned by Kiewit Coal Properties Inc., communications companies owned by C-TEC Corporation ("C-TEC"), a minority interest in CalEnergy Company, Inc. ("CE"), international energy projects and miscellaneous investments, all owned by Kiewit Diversified Group Inc. ("KDG"). Corporate assets and liabilities which are not separately identified with the ongoing operations of the Construction & Mining Group or the Diversified Group are allocated equally between the two groups.

A summary of the results of operations and financial position for the Construction & Mining Group and the Diversified Group follows. The summary information for December 30, 1995 was derived from the audited financial statements of the respective groups which were exhibits to the 1995 Annual Report. All other summary information was derived from the unaudited financial statements of the respective groups which are exhibits to this Form 10-Q. All significant intercompany accounts and transactions, except those directly between the Construction & Mining Group and the Diversified Group, have been eliminated (in millions, except per share data).

### Construction & Mining Group:

	Three Months Ended March 31	
	1996	1995
Results of Operations:		
Revenue	\$ 502	\$ 426
Net earnings (loss)	7	(2)
Earnings (loss) per share	.66	(.16)
	March 31, 1996	December 30, 1995
Financial Position:		
Working capital	\$ 243	\$ 248
Total assets	925	981
Long-term debt, less current portion	9	9
Stockholders' equity	453	467

Included within the results of operations is mine management income from the Diversified Group of \$7 million in 1996 and \$8 million in 1995.

### Diversified Group:

	Three Months Ended March 31	
	1996	1995
Results of Operations:		
Revenue	\$ 155	\$ 141
Net earnings (loss)	18	(24)
Earnings (loss) per share	.77	(1.14)
	March 31, 1996	December 30, 1995
Financial Position:		
Working capital	\$ 719	\$ 752
Total assets	2,464	2,488
Long-term debt, less current portion	362	361
Stockholders' equity	1,166	1,140

Included within the results of operations is mine management expense paid to the Construction & Mining Group of \$7 million in 1996 and \$8 million in 1995.

#### 4. Acquisitions:

On March 6, 1996, RCN Corporation ("RCN") a subsidiary of KDG, closed an asset purchase agreement, along with other ancillary agreements, with Liberty Cable Company, Inc. ("Liberty") to purchase an indirect 80% interest in certain private cable systems in New York City and selected areas of New Jersey. The cable systems provide subscription television services using microwave frequencies. RCN paid sellers \$27 million on the closing date and has a contingent payment obligation of \$15 million that it expects to pay in full during 1996. Payment of the obligation is contingent upon Liberty attaining specific levels of subscribers. The transaction was accounted for as a purchase and Liberty's operating results have been consolidated since the acquisition date. Intangible assets recognized to date are approximately \$18 million, which are being amortized over periods of 5 to 15 years. Payments of the obligation will also be included in intangible assets. Liberty's 1995 and 1996 operating results prior to the acquisition were not significant relative to the Company's results.

### **PETER KIEWIT SONS', INC.**

#### **Notes to Consolidated Condensed Financial Statements**

#### 5. Investments:

In February 1996, the Company exercised 1.5 million CE options at a price of \$9 per share. The transaction increased the Company's ownership interest in CE to 24%. In addition, the Company has 4.3 million options to purchase additional CE stock at prices of \$11.625 to \$12 per share. Of these, 3.3 million options at \$12 per share may be exercised if CE's common stock trades at or above \$24 per share for 180 consecutive days.

#### 6. Other Matters:

In 1994, several former shareholders of a subsidiary of MFS Communications Company, Inc. ("MFS") filed a lawsuit against MFS, KDG and the chief executive officer of MFS, in the United States District Court for the Northern District of Illinois, Case No. 94C-1381. These shareholders sold shares of the subsidiary to MFS in September 1992. MFS completed an initial public offering in May 1993. Plaintiffs allege that MFS fraudulently concealed material information about its plans from them, causing them to sell their shares at an inadequate price. Plaintiffs have alleged damages of at least \$100 million. Defendants have meritorious defenses and intend to vigorously contest this lawsuit. Defendants expect that a trial will be held in 1996. Prior to the initial public offering, KDG agreed to indemnify MFS against any liabilities arising from the September 1992 sale; if MFS is deemed to be liable to plaintiffs, KDG will be required to satisfy MFS' liability pursuant to the indemnity agreement.

The Company is involved in various other lawsuits, claims and regulatory proceedings incidental to its business. Management believes that any resulting liability for legal proceedings beyond that provided should not materially affect the Company's financial position, future results of operations or future cash flows.

#### 7. Subsequent Event:

On April 1, 1996, RCN purchased Residential Communications Network from C-TEC for cash of \$17.5 million. Residential Communications Network is a start-up joint effort with RCN which plans to provide telecommunications services to the residential market. The transaction will be accounted for as a purchase.

### **PETER KIEWIT SONS', INC.**

#### **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Separate management's discussion and analysis of financial condition and results of operations for the Kiewit Construction & Mining Group and the Kiewit Diversified Group have been filed as part of Exhibits 99.A and 99.B to this report. The Company will furnish without charge a copy of such exhibits upon the written request of a stockholder addressed to Stock Registrar, Peter Kiewit Sons', Inc., 1000 Kiewit Plaza, Omaha, Nebraska 68131.

Revenue from each of the Company's business segments for the three months ended March 31, comprised the following (in millions):

	1996	1995
Construction	\$ 499	\$ 419
Mining	56	65
Telecommunications	90	73
Other	11	6



----	----
\$ 656	\$ 563
=====	=====

## Results of Operations- First Quarter 1995 vs. First Quarter 1994

Construction. Construction and materials revenue increased by \$80 million or 19% during the first quarter of 1996 compared to the same period in 1995. Materials sales increased by 30% due to more favorable weather and market conditions during the first quarter. Also contributing to the increase was a 66% increase in joint venture revenue primarily from new work and the San Joaquin Toll Road project.

Contract backlog at March 31, 1996 was \$1.9 billion, of which 8% is attributable to foreign operations, principally, Canada and the Philippines. Projects on the west coast account for 35% of the total backlog which includes \$95 million from the San Joaquin Toll Road project.

Gross margins on construction and materials projects increased to 4.8% for the first quarter of 1996 versus 3.3% for the same time period in 1995. Increased operational efficiencies, primarily on joint venture projects, as well as claim settlements favorably affected construction margins. The growing materials business also continued to have a positive impact on margins.

Mining. Mining revenue decreased \$9 million in the first quarter of 1996 when compared to the first quarter of 1995. The decrease is primarily the result of fewer spot market sales of coal combined with less precious metal sales. Spot market coal sales were lower due to competition within the coal industry and greater hydro-electric power generation in the western United States. Precious metal inventory was essentially liquidated in 1995 resulting in the decrease in 1996. Alternate source coal sales were virtually unchanged from the first quarter of 1995.

### PETER KIEWIT SONS', INC.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating margins increased approximately 4% in the first quarter of 1996 when compared to the first quarter of 1995. The reduction of lower margin spot market coal sales and precious metal sales increased margins. In addition, the constant level of high margin alternate source coal sales for both periods combined with the overall reduction in revenue contributed to the increase in operating margins.

Telecommunications. Sales for C-TEC's telephone group increased \$3 million or 8% for the first quarter of 1996 as compared to the same period in 1995. The increase is primarily due to higher local network revenue, intrastate access revenue and long distance toll revenue. Cable revenue increased \$14 million or 59% in 1996. The acquisition of Twin County Trans Video, Inc. ("Twin County") and the consolidation of Mercom, Inc. ("Mercom") in 1995 and rate increases in April 1995 and February 1996 are primarily responsible for the increase.

The cost of revenue for C-TEC's telephone group in 1996 remained relatively stable as compared to 1995. The cable group's costs increased primarily due to the expenses associated with the additional Twin County and Mercom subscribers and higher programming fees. Also contributing to the increase was additional depreciation and amortization expense resulting from the Twin County and Mercom acquisitions.

General and Administrative Expenses. General and administrative expenses increased 13% in 1996. The expenses associated with the C-TEC restructuring, and higher compensation expenses contributed to the increase.

Investment Income, net. Investment income for the first three months of 1996 increased 33% as compared to the same period in 1995. Improvements in the net earnings attributable to equity method investees, primarily from CE, smaller equity losses from Megacable S.A. de C.V., and increases in interest and dividend income contributed to the higher earnings.

Other, net. Other income includes gains and losses on the disposition of property, plant and equipment and other assets, gains on subsidiary stock transactions and other items. In 1996, the lack of gains on subsidiary stock transactions and declines in other income relating to C-TEC were partially offset by increased gains on the sale of construction equipment.

Equity Loss in MFS. MFS is a leading provider of communications services to business. The Company spun-off its investment in MFS to Class D stockholders on September 30, 1995. Prior to the spin-off, the Company included its proportionate share of MFS' losses in the statement of operations. The significant initial development and roll out expenses associated with the expansion activities announced by MFS in 1993 and 1995 adversely affected MFS' 1995 results.

### PETER KIEWIT SONS', INC.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Provision for Income Taxes. The effective income tax rate in 1996 differs from the expected statutory rate of 35% primarily due to state income taxes. In 1995 the net operating loss limitations of MFS and the settlement of prior period issues, resulted in the higher effective rate.

## **Financial Condition - March 31, 1996 vs. December 30, 1995**

The Company's working capital decreased \$38 million or 4% during the first quarter of 1996. The decrease was mainly due to cash used to fund investing and financing activities. The decrease was partially offset by cash flows from operations.

Investing activities include \$54 million of investments, \$28 million of capital expenditures, net purchases of marketable securities of \$13 million and \$6 million of deferred development costs. The investments primarily include KDG's \$27 million outlay for an indirect 80% interest in Liberty, the exercise of CE options to purchase CE stock for \$14 million, \$4 million investment in a Philippine power project and \$4 million investment in three Indonesia power projects. These capital outlays were partially offset by \$9 million of proceeds from the sale of property, plant and equipment and other assets.

Financing sources include \$6 million of long-term debt borrowing for the construction financing of a privately owned toll road. Financing uses consisted of \$20 million for the repayment of short-term borrowing, C-TEC's \$7 million outlay for the payment of long-term debt, \$12 million for stock repurchases and \$18 million of cash dividends paid to Class B&C and Class D stockholders. In April 1996, the Company declared a \$.60 per share dividend for Class B&C Stock payable in May 1996.

In addition to the C-TEC activities described below, the Company anticipates making significant investments in its construction and mining businesses, including opportunities to acquire additional businesses. The Company also anticipates making significant investments in its infrastructure, telecommunications and energy businesses - including its joint venture agreement with CE covering international power project development activities - and searching for opportunities to acquire businesses which provide for long-term growth. The Company may also exercise 3.3 million CE options at \$12 per share if CE's common stock continues to trade at or above \$24 per share for 180 consecutive days. Other long-term liquidity uses include payment of income taxes and repurchasing the Company's stock. The Company's current financial condition and borrowing capacity should be sufficient for immediate operating and investing activities.

On November 8, 1995, C-TEC announced that it is evaluating strategic options for its various business units with a view toward enhancing shareholder value. Specifically, C-TEC is evaluating the advisability and feasibility of separating or restructuring its local telephone business, its cable television business, and its various other communications businesses. C-TEC engaged the investment banking firm Merrill Lynch & Co. to assist with the process. No assurances can be given that any transactions will be consummated.

In March 1996, under the terms of an agreement, RCN agreed to pay C-TEC approximately \$123 million for certain of C-TEC's assets, including the long distance group, C-TEC International, which holds the 40% interest in Megacable, S.A. de C.V., and a \$13 million note payable by Mazon Corporativo, S.A. de C.V., and Residential Communications Network. RCN purchased Residential Communications Network for cash in a transaction that closed on April 1, 1996. RCN's purchase of the other businesses for cash or C-TEC stock, at RCN's option, is expected to close in the second half of 1996. The transactions are subject to certain conditions including the receipt of all necessary regulatory approvals. The agreement with RCN contains a repurchase option under which C-TEC can reacquire the businesses if a restructuring of C-TEC's main businesses does not occur. Additionally, C-TEC retains a warrant to reacquire a 6% stake in Residential Communications Network. The agreement with RCN was approved by a special committee of the board of directors of C-TEC, composed of directors unaffiliated with either C-TEC or the Company.

### **PETER KIEWIT SONS', INC.**

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

#### **MFS Litigation.**

In 1994, several former shareholders of an MFS subsidiary filed a lawsuit against MFS, KDG and the chief executive officer of MFS, in the United States District Court for the Northern District of Illinois, Case No. 94C-1381. These shareholders sold shares of the subsidiary to MFS in September 1992. MFS completed an initial public offering in May 1993. Plaintiffs allege that MFS fraudulently concealed material information about its plans from them, causing them to sell their shares at an inadequate price. Plaintiffs have alleged damages of at least \$100 million. Defendants have meritorious defenses and intends to vigorously contest this lawsuit. Defendants expect that a trial will be held in 1996. Prior to the initial offering, KDG agreed to indemnify MFS against any liabilities arising from the September 1992 sale; if MFS is deemed to be liable to plaintiffs, KDG will be required to satisfy MFS' liabilities pursuant to the indemnity agreement.

### **Item 6. Exhibits & Reports on Form 8-K**

(a) Exhibits filed as part of this report are listed below.

Exhibit  
Number

99.A Kiewit Construction & Mining Group Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

99.B Kiewit Diversified Group Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

(b) No reports on Form 8-K were filed by the Company during the first quarter of 1996.

**SIGNATURES**

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**PETER KIEWIT SONS', INC.**

Dated: May 15, 1996

PETER KIEWIT SONS', INC.

\sRichard R. Jaros

Richard R. Jaros

Executive Vice President

Chief Financial Officer

**INDEX TO EXHIBITS**

Exhibit No.	
27	Financial Data Schedule (For electronic filing purposes only)
99.A	Kiewit Construction & Mining Group Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

99.B Kiewit Diversified Group Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

## ARTICLE 5

This schedule contains summary financial information extracted from the Form 10-Q for the period ending March 31, 1996 and is qualified in its entirety by reference to such financial statements.

MULTIPLIER: 1,000,000

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 28 1996
PERIOD END	MAR 31 1996
CASH	367
SECURITIES	615
RECEIVABLES	301
ALLOWANCES	22
INVENTORY	19
CURRENT ASSETS	1,556
PP&E	1,393
DEPRECIATION	717
TOTAL ASSETS	3,384
CURRENT LIABILITIES	594
BONDS	371
COMMON	2
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	1,617
TOTAL LIABILITY AND EQUITY	3,384
SALES	555
TOTAL REVENUES	656
CGS	503
TOTAL COSTS	576
OTHER EXPENSES	59
LOSS PROVISION	0
INTEREST EXPENSE	8
INCOME PRETAX	39
INCOME TAX	14
INCOME CONTINUING	25
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	25
EPS PRIMARY	\$.66 <sup>1</sup>
EPS DILUTED	\$.66 <sup>1</sup>

<sup>1</sup> \$.66 represents Class C Stock earnings per share, Class D Stock earnings per share \$.77.

**Exhibit 99.A****KIEWIT CONSTRUCTION & MINING GROUP**

## Index to Financial Statements and

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Statements:

Condensed Statements of Operations for the three months ended March 31, 1996 and 1995

Condensed Balance Sheets as of March 31, 1996 and December 30, 1995

Condensed Statements of Cash Flows for the three months ended March 31, 1996 and 1995

Notes to Condensed Financial Statements

Management's Discussion and Analysis of Financial Condition and Results of Operations

**KIEWIT CONSTRUCTION & MINING GROUP****Condensed Statements of Operations**

(unaudited)

(dollars in millions, except per share data)	Three months ended March 31	
	1996	1995
Revenue	\$ 502	\$ 426
Cost of Revenue	(478)	(409)
	-----	-----
	24	17
General and Administrative Expenses	(30)	(32)
	-----	-----
Operating Loss	(6)	(15)
Other Income (Expense):		
Investment Income, net	4	3
Interest Expense, net	(1)	(1)
Other, net	14	11
	-----	-----
	17	13
	-----	-----
Earnings (Loss) Before Income Taxes	11	(2)
Provision for Income Taxes	(4)	-
	-----	-----
Net Earnings (Loss)	\$ 7	\$ (2)
	=====	=====
Earnings (Loss) per Common and Common Equivalent Share	\$ .66	\$ (.16)
	=====	=====

See accompanying notes to condensed financial statements.

**KIEWIT CONSTRUCTION & MINING GROUP**

## Condensed Balance Sheets

(dollars in millions)	March 31, December 30, 1996 1995	
	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 90	\$ 94
Marketable securities	115	120
Receivables, less allowance of \$20 and \$10	199	258
Costs and earnings in excess of billings on uncompleted contracts	94	78

Investment in construction joint ventures	78	73
Deferred income taxes	67	61
Other	12	13
	-----	-----
Total Current Assets	655	697
Property, Plant and Equipment, less accumulated depreciation and amortization of \$414 and \$421	159	161
Investments	93	83
Other Assets	18	40
	-----	-----
	\$ 925	\$ 981
	=====	=====
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, including retainage of \$40 and \$42	\$ 150	\$ 179
Short-term borrowings	25	45
Current portion of long-term debt	-	2
Accrued construction costs and billings in excess of revenue on uncompleted contracts	109	111
Accrued insurance costs	81	79
Other	47	33
	-----	-----
Total Current Liabilities	412	449
Long-Term Debt, less current portion	9	9
Other Liabilities	51	56
Stockholders' Equity (Redeemable common stock, \$331 million aggregate redemption value):		
Common equity	456	471
Net unrealized holding gain	2	1
Foreign currency adjustment	(5)	(5)
	-----	-----
Total Stockholders' Equity	453	467
	-----	-----
	\$ 925	\$ 981
	=====	=====

See accompanying notes to condensed financial statements.

## KIEWIT CONSTRUCTION & MINING GROUP

### Condensed Statements of Cash Flows (unaudited)

	Three months ended March 31	
(dollars in millions)	1996	1995
Cash flows from operations:		
Net cash provided by operations	\$ 50	\$ 41
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities	36	102
Purchases of marketable securities	(34)	(42)
Proceeds from sales of property, plant and equipment	8	3
Acquisitions	(3)	-
Capital expenditures	(12)	(22)
Other	-	(1)
	-----	-----
Net cash provided by (used in) investing activities	(5)	40
Cash flows from financing activities:		
Payments on long-term debt, including current portion	(1)	(3)
Net change in short-term borrowings	(20)	-
Repurchases of common stock	(3)	(3)
Dividends paid	(6)	(7)
Exchange of Class B&C Stock for Class D Stock, net	(19)	(54)
	-----	-----
Net cash used in financing activities	(49)	(67)
	-----	-----
Net change in cash and cash equivalents	(4)	14
Cash and cash equivalents at beginning of period	94	70
	-----	-----

Cash and cash equivalents at end of period	\$ 90	\$ 84
	=====	=====

See accompanying notes to condensed financial statements.

## KIEWIT CONSTRUCTION & MINING GROUP

### Notes to Condensed Financial Statements

#### 1. Basis of Presentation:

The condensed balance sheet of Kiewit Construction & Mining Group (the "Group") at December 30, 1995 has been condensed from the Group's audited balance sheet as of that date. All other financial statements contained herein are unaudited and have been prepared using the historical amounts included in the Peter Kiewit Sons', Inc. ("PKS") consolidated condensed financial statements. The Group's accounting policies and certain other disclosures are set forth in the notes to the financial statements contained in PKS' Annual Report on Form 10-K as an exhibit for the year ended December 30, 1995.

Although the financial statements of PKS' Construction & Mining Group and Diversified Group separately report the assets, liabilities and stockholders' equity of PKS attributed to each such group, legal title to such assets and responsibility for such liabilities will not be affected by such attribution. Holders of Class B&C Stock and Class D Stock are stockholders of PKS. Accordingly, the PKS consolidated condensed financial statements and related notes as well as those of the Kiewit Diversified Group should be read in conjunction with these financial statements.

Marketable securities at March 31, 1996 and December 30, 1995 include approximately \$60 million and \$62 million, respectively, of investments which are being held by the owners of various construction projects in lieu of retainage. Receivables at March 31, 1996 and December 30, 1995 include approximately \$54 million and \$50 million, respectively, of retainage on uncompleted projects, the majority of which is expected to be collected within one year.

Where appropriate, items within the condensed financial statements have been reclassified from the previous periods to conform to current year presentation.

#### 2. Earnings (Loss) Per Share:

Primary earnings (loss) per share of common stock have been computed using the weighted average number of shares outstanding during each period. Fully diluted earnings (loss) per share have not been presented because they are not materially different from primary earnings (loss) per share. The number of shares used in computing earnings (loss) per share was 10,257,392 for the three months ended March 31, 1996 and 13,909,422 for the three months ended March 31, 1995.

## KIEWIT CONSTRUCTION & MINING GROUP

### Notes to Condensed Financial Statements

#### 3. Summarized Financial Information:

The Group's 50% portion of PKS' corporate assets and liabilities and related transactions, which are not separately identified with the ongoing operations of the Construction & Mining Group or the Diversified Group, and items attributable to the Group are as follows:

(dollars in millions)

	March 31, 1996	December 30, 1995
Cash and cash equivalents	\$ -	\$ 4
Marketable securities	9	10
Property, plant and equipment, net	5	5
Other assets	3	4
	-----	-----
Total Assets	\$ 17	\$ 23
	=====	=====
Accounts payable	\$ 25	\$ 10
Long-term debt, including current portion	9	11
Other liabilities	1	-
	-----	-----

Total Liabilities

\$ 35  
=====

\$ 21  
=====

Three Months Ended March 31, 1996 1995

Other income (expense), net \$ (1) \$ (1)

Corporate general and administrative costs have been allocated to the Group. These allocations were less than \$1 million for the three months ended March 31, 1996 and 1995.

Mine management income from the Diversified Group was \$7 million and \$8 million for the three months ended March 31, 1996 and 1995.

4. Other Matters:

The Group is involved in various lawsuits, claims and regulatory proceedings incidental to its business. Management believes that any resulting liability, beyond that provided, should not materially affect the Group's financial position, future results of operations or future cash flows.

## KIEWIT CONSTRUCTION & MINING GROUP

Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations - First Quarter 1996 vs. First Quarter 1995

Revenue from each of the Group's business segments was (in millions):

	Three Months Ended March 31	
	1996	1995
Construction	\$ 499	\$ 421
Other	3	5
	-----	-----
	\$ 502	\$ 426
	=====	=====

Construction. Construction and materials revenue increased by \$78 million or 19% during the first quarter of 1996 compared to the same period in 1995. Materials sales increased by 30% due to more favorable weather and market conditions during the first quarter. Also contributing to the increase was a 66% increase in joint venture revenue primarily from new work and the San Joaquin Toll Road project.

Contract backlog at March 31, 1996 was \$1.9 billion, of which 8% is attributable to foreign operations, principally, Canada and the Philippines. Projects on the west coast account for 35% of the total backlog which includes \$95 million from the San Joaquin Toll Road project.

Gross margins on construction and materials projects increased to 4.8% for the first quarter of 1996 versus 3.3% for the same period in 1995. Increased operational efficiencies, primarily on joint venture projects, as well as claim settlements, favorably affected construction margins. The growing materials business also continued to have a positive impact on margins.

General and Administrative Expenses. General and administrative expenses decreased 6% in the first three months of 1996. An overall decline in administrative expenses, particularly computer operating expenses, was partially offset by an increase in compensation expense.

Investment Income, net. The improvement in investment income is attributable to the decline in losses on the sale of securities and higher equity earnings primarily from an investment in an electrical contractor.

Other, net. Other income is primarily comprised of mine management income from the Diversified Group and gains and losses on the disposition of property, plant and equipment and other assets. In 1996, the Group recognized \$7 million in gains on the sale of operating assets as compared to \$2 million in 1995. Mine management income declined slightly from \$8 million in 1995 to \$7 million in 1996.

## KIEWIT CONSTRUCTION & MINING GROUP

Management's Discussion and Analysis of Financial Condition and Results of Operations

### Financial Condition - March 31, 1996 vs. December 30, 1995

The Group's working capital decreased \$5 million or 2% during the first quarter of 1996. The decline was primarily due to the exchange for



Class D Stock and repurchase of Class B&C Stock totaling \$22 million, the repayment of \$20 million on short-term borrowings and dividend payments of \$6 million. In addition to the cash used in financing activities, the Group had capital expenditures, net of sales proceeds, of \$4 million. Partially funding these outflows was \$50 million of cash provided by operations and \$2 million of net proceeds from the sale and maturity of marketable securities.

The Group anticipates investing between \$40 and \$75 million annually in its construction business, including opportunities to acquire additional businesses and purchasing additional shares of an electrical contractor - the Group is committed to 80% ownership in 1997. Other long term liquidity uses include the payment of income taxes, repurchases and conversions of common stock and the payment of dividends, including a \$.60 per share dividend payable in May 1996. The Group's current financial condition and borrowing capacity together with anticipated cash flows from operations should be sufficient for immediate cash requirements and future investing activities.

**Exhibit 99.B****KIEWIT DIVERSIFIED GROUP**

## Index to Financial Statements and

Management's Discussion and Analysis of Financial Condition and Results of Operations

**Financial Statements:**

Condensed Statements of Operations for the three months ended March 31, 1996 and 1995 Condensed Balance Sheets as of March 31, 1996 and December 30, 1995

Condensed Statements of Cash Flows for the three months ended March 31, 1996 and 1995 Notes to Condensed Financial Statements

Management's Discussion and Analysis of  
Financial Condition and Results of Operations**KIEWIT DIVERSIFIED GROUP**Condensed Statements of Operations  
(unaudited)

(dollars in millions, except per share data)	Three months ended March 31	
	1996	1995
Revenue	\$ 155	\$ 141
Cost of Revenue	(99)	(85)
	-----	-----
	56	56
General and Administrative Expenses	(36)	(28)
	-----	-----
Operating Earnings	20	28
Other Income (Expense):		
Investment Income, net	16	12
Interest Expense, net	(7)	(8)
Other, net	(1)	10
	-----	-----
	8	14
Equity Loss in MFS	-	(42)
	-----	-----
Earnings Before Income Taxes and Minority Interest	28	-
Provision for Income Taxes	(10)	(21)
Minority Interest in Net Income of Subsidiaries	-	(3)
	-----	-----
Net Earnings (Loss)	\$ 18	\$ (24)
	=====	=====
Earnings (Loss) Per Common & Common Equivalent Share	\$ .77	\$(1.14)
	=====	=====

See accompanying notes to condensed financial statements.

**KIEWIT DIVERSIFIED GROUP**

## Condensed Balance Sheets

(dollars in millions)	March 31, 1996	December 30, 1995
	(unaudited)	
Assets		
Current Assets:		

Cash and cash equivalents	\$ 277	\$ 363
Marketable securities	500	484
Receivables, less allowance of \$2 and \$2	82	81
Deferred income taxes	6	5
Other	38	34
	-----	-----
Total Current Assets	903	967
Property, Plant and Equipment, less accumulated depreciation and amortization of \$303 and \$289	517	506
Investments	490	459
Intangible Assets, net	475	462
Other Assets	79	94
	-----	-----
	\$2,464	\$2,488
	=====	=====
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 42	\$ 61
Current portion of long-term debt:		
Telecommunications	35	36
Other	2	4
Accrued costs and billings in excess of revenue on uncompleted contracts	13	10
Accrued reclamation and other mining costs	17	18
Other	75	86
	-----	-----
Total Current Liabilities	184	215
Long-Term Debt, less current portion:		
Telecommunications	260	264
Other	102	97
Deferred Income Taxes	234	235
Retirement Benefits	52	54
Accrued Reclamation Costs	100	99
Other Liabilities	147	170
Minority Interest	219	214
Stockholders' Equity (Redeemable common stock \$1,149 million aggregate redemption value):		
Common equity	1,152	1,125
Foreign currency adjustment	(1)	(1)
Net unrealized holding gain	15	16
	-----	-----
Total Stockholders' Equity	1,166	1,140
	-----	-----
	\$2,464	\$2,488
	=====	=====

See accompanying notes to condensed financial statements.

## KIEWIT DIVERSIFIED GROUP

### Condensed Statements of Cash Flows (unaudited)

	Three months ended March 31	
(dollars in millions)	1996	1995
Cash flows from operations:		
Net cash provided by (used in) continuing operations	\$ 16	\$ (29)
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities and investments	67	245
Purchases of marketable securities	(82)	(72)
Capital expenditures	(16)	(119)
Acquisitions and investment in affiliates	(64)	(129)
Deferred development costs and other	(4)	(12)
	-----	-----
Net cash used in investing activities	(99)	(87)
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	6	21
Payments on long-term debt, including current portion	(7)	(9)

Repurchases of common stock	(9)	(2)
Exchange of Class B&C Stock for Class D Stock	19	54
Payments of dividends	(12)	-
Other	-	1
	-----	-----
Net cash provided by (used in) financing activities	(3)	65
Cash flows from proceeds due to sales of discontinued packaging operations	-	29
	-----	-----
Net change in cash and cash equivalents	(86)	(22)
Cash and cash equivalents at beginning of period	363	330
	-----	-----
Cash and cash equivalents at end of period	\$ 277	\$ 308
	=====	=====
Noncash investing activities:		
Issuance of MFS stock for the purchase of telecommunications companies	\$ -	\$ 6

See accompanying notes to condensed financial statements.

## KIEWIT DIVERSIFIED GROUP

### Notes to Condensed Financial Statements

#### 1. Basis of Presentation:

The condensed balance sheet of Kiewit Diversified Group (the "Group") at December 30, 1995 has been condensed from the Group's audited balance sheet as of that date. All other financial statements contained herein are unaudited and have been prepared using historical amounts included in the Peter Kiewit Sons', Inc. ("PKS") consolidated condensed financial statements. The Group's accounting policies and certain other disclosures are set forth in the notes to the financial statements contained in PKS' Annual Report on Form 10-K as an exhibit for the year ended December 30, 1995.

Although the financial statements of PKS' Construction & Mining Group and Diversified Group separately report their assets, liabilities and stockholders' equity of PKS attributed to each such group, legal title to such assets and responsibility for such liabilities will not be affected by such attribution. Holders of Class B&C Stock and Class D Stock are stockholders of PKS. Accordingly, the PKS consolidated condensed financial statements and related notes as well as those of the Kiewit Construction & Mining Group should be read in conjunction with these financial statements.

Where appropriate, items within the condensed financial statements have been reclassified from the previous periods to conform to current year presentation.

#### 2. Earnings (Loss) Per Share:

Primary earnings (loss) per share of common stock have been computed using the weighted average number of shares outstanding during each period. Fully diluted earnings (loss) per share have not been presented because they are not materially different from primary earnings (loss) per share. The number of shares used in computing earnings (loss) per share was 23,236,057 for the three months ended March 31, 1996 and 21,265,769 for the three months ended March 31, 1995.

#### 3. Summarized Financial Information:

The Group's 50% portion of PKS' corporate assets and liabilities and related transactions, which are not separately identified with the ongoing operations of the Construction & Mining Group or the Diversified Group, and specifically attributable items are as follows:

## KIEWIT DIVERSIFIED GROUP

### Notes to Condensed Financial Statements

(dollars in millions)

March 31,	December 30,
1996	1995

Cash and cash equivalents	\$ -	\$ -
Marketable securities	9	10
Property, plant and equipment, net	5	5
Other assets	3	3
	----	----
Total Assets	\$ 17	\$ 18
	====	====
Accounts payable	\$ 13	\$ 23
Long-term debt, including current portion	2	3
Other liabilities	1	-
	----	----
Total Liabilities	\$ 16	\$ 26
	====	====
	Three Months Ended	
	March 31,	
	1996	1995
Other income (expense), net	(1)	1

Corporate general and administrative costs have been allocated to the Group. These allocations were \$2 million and \$1 million for the three months ended March 31, 1996 and 1995.

Mine management expense from the Construction & Mining Group was \$7 million and \$8 million for the three months ended March 31, 1996 and 1995.

#### 4. Acquisitions:

On March 6, 1996, RCN Corporation ("RCN") a subsidiary of KDG, closed an asset purchase agreement, along with other ancillary agreements, with Liberty Cable Company, Inc. ("Liberty") to purchase an indirect 80% interest in certain private cable systems in New York City and selected areas of New Jersey. The cable systems provide subscription television services using microwave frequencies. RCN paid sellers \$27 million on the closing date and has a contingent payment obligation of \$15 million that it expects to pay in full during 1996. Payment of the obligation is contingent upon Liberty attaining specific levels of subscribers. The transaction was accounted for as a purchase and Liberty's operating results have been consolidated since the acquisition date. Intangible assets recognized to date are approximately \$18 million, which are being amortized over periods of 5 to 15 years. Payments of the obligation will also be included in intangible assets. Liberty's 1995 and 1996 operating results prior to the acquisition were not significant relative to the Group's results.

## KIEWIT DIVERSIFIED GROUP

### Notes to Condensed Financial Statements

#### 5. Investments:

In February 1996, the Group exercised 1.5 million CE options at a price of \$9 per share. The transaction increased the Group's ownership interest in CE to 24%. In addition, the Group has 4.3 million options to purchase additional CE stock at prices of \$11.625 to \$12 per share. Of these, 3.3 million options at \$12 per share may be exercised if CE's common stock trades at or above \$24 per share for 180 consecutive days.

#### 6. Other Matters:

In 1994, several former shareholders of a MFS subsidiary filed a lawsuit against MFS, KDG and the chief executive officer of MFS, in the United States District Court for the Northern District of Illinois, Case No. 94C-1381. These shareholders sold shares of the subsidiary to MFS in September 1992. MFS completed an initial public offering in May 1993. Plaintiffs allege that MFS fraudulently concealed material information about its plans from them, causing them to sell their shares at an inadequate price. Plaintiffs have alleged damages of at least \$100 million. Defendants have meritorious defenses and intend to vigorously contest this lawsuit. Defendants expect that a trial will be held in 1996. Prior to the initial public offering, KDG agreed to indemnify MFS against any liabilities arising from the September 1992 sale; if MFS is deemed to be liable to plaintiffs, KDG will be required to satisfy MFS' liability pursuant to the indemnity agreement.

The Group is involved in other various lawsuits, claims and regulatory proceedings incidental to its business. Management believes that any resulting liability for legal proceedings beyond that provided should not materially affect the Group's financial position, future results of operations or future cash flows.

#### 7. Subsequent Event:

On April 1, 1996, RCN purchased Residential Communications Network from C-TEC for cash of \$17.5 million. Residential Communications Network is a start-up joint effort with RCN which plans to provide telecommunications services to the residential market. The transaction will be accounted for as a purchase.

## KIEWIT DIVERSIFIED GROUP

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Results of Operations - First Quarter 1996 vs. First Quarter 1995

**Mining.** Mining revenue decreased \$7 million in the first quarter of 1996 when compared to the first quarter of 1995. The decrease is primarily the result of fewer spot market sales of coal. Spot market coal sales were lower due to the competition within the coal industry and greater hydro-electric power generation in the western United States. Alternate source coal sales were virtually unchanged from the first quarter of 1995.

Operating margins increased approximately 4% in the first quarter of 1996 when compared to the first quarter of 1995. The reduction of lower margin spot market coal sales increased margins. In addition, the constant level of high margin alternate source coal sales for both periods combined with the overall reduction in revenue contributed to the increase in operating margins.

**Telecommunications.** Sales for C-TEC's telephone group increased \$3 million or 8% for the first quarter of 1996 as compared to the same period in 1995. The increase is primarily due to higher local network revenue, intrastate access revenue and long distance toll revenue. Cable revenue increased \$14 million or 59% in 1996. The acquisition of Twin County Trans Video, Inc. ("Twin County") and the consolidation of Mercom, Inc. ("Mercom") in 1995 and rate increases in April 1995 and February 1996 are primarily responsible for the increase.

The cost of revenue for C-TEC's telephone group in 1996 remained relatively stable as compared to 1995. The cable group's costs increased primarily due to the expenses associated with the additional Twin County and Mercom subscribers and higher programming fees. Also contributing to the increase was additional depreciation and amortization expenses resulting from the Twin County and Mercom acquisitions.

**General and Administrative Expenses.** General and administrative expenses increased 29% in 1996. The expenses associated with the C-TEC restructuring and higher compensation expenses contributed to the increase.

**Investment Income, net.** Investment income in the first three months of 1996 increased 33% as compared to the same period in 1995. Improvements in the net earnings attributable to equity method investees, primarily from CE, smaller equity losses from Megacable S.A. de C.V., and increases in interest and dividend income contributed to the higher earnings.

**Other, net.** Other income includes gains and losses on the disposition of property, plant and equipment and other assets, gains on subsidiary stock transactions and other items. In 1996, the lack of gains on subsidiary stock transactions and a decrease in other income related to C-TEC, resulted in the decline of other income.

KIEWIT DIVERSIFIED GROUP

### Management's Discussion and Analysis of Financial Condition and Results of Operations

#### Results of Operations - First Quarter 1996 vs. First Quarter 1995

**Equity Loss in MFS.** MFS is a leading provider of communications services to business. PKS spun-off its investment in MFS to Class D stockholders on September 30, 1995. Prior to the spin-off, the Group included its proportionate share of MFS' losses in the statement of operations. The significant initial development and roll out expenses associated with the expansion activities announced in 1993 and 1995 adversely affected MFS' results.

**Provision for Income Taxes.** In 1995 the net operating loss limitations of MFS and the settlement of prior period issues, resulted in the higher effective rate.

#### Financial Condition - March 31, 1996 vs. December 30, 1995

Due to the significant investing activities described below, the Group's working capital decreased \$33 million or 4% in the first quarter of 1996.

Investing activities include \$64 million of investments, \$16 million of capital expenditures, net purchases of marketable securities of \$15 million and \$6 million of deferred development costs. The investments primarily include C-TEC's \$13 million outlay for a note from Kiewit Construction and Mining Group, which is receivable from Mazon Corporativo, S.A. de C.V., KDG's \$27 million indirect investment in Liberty, the exercise of CE options to purchase CE stock for \$14 million, \$4 million investment in a Philippine power project and \$4 million investment in three Indonesia power projects. These capital outlays were partially offset by \$2 million of proceeds from the sale of property, plant and equipment and other assets.

Financing sources include \$19 million for the exchange of Class B&C Stock for Class D Stock and \$6 million for the construction financing of a privately owned toll road. Financing uses consist of \$12 million for the payment of dividends, \$9 million for stock repurchases and \$1 million of payments on stockholder notes and C-TEC's \$6 million outlay for the payment of long-term debt.

In addition to the C-TEC activities described below, the Group anticipates making significant investments in its infrastructure, telecommunications and energy businesses - including its joint venture agreement with CE covering international power project development activities - and searching for opportunities to acquire businesses which provide for long-term growth. The Group may also exercise 3.3 million CE options at \$12 per share if CE's common stock continues to trade at or above \$24 per share for 180 consecutive days. Other long-term liquidity uses include payment of income taxes and repurchasing the Group's stock. The Group's current financial condition and borrowing capacity should be sufficient for immediate operating and investing activities.

## **KIEWIT DIVERSIFIED GROUP**

### **Management's Discussion and Analysis of Financial Condition and Results of Operations**

#### **Financial Condition - March 31, 1996 vs. December 30, 1995**

On November 8, 1995, C-TEC announced that it is evaluating strategic options for its various business units with a view toward enhancing shareholder value. Specifically, C-TEC is evaluating the advisability and feasibility of separating or restructuring its local telephone business, its cable television business, and its various other communications businesses. C-TEC engaged the investment banking firm Merrill Lynch & Co. to assist with the process. No assurances can be given that any transactions will be consummated.

In March 1996, under the terms of an agreement, RCN agreed to pay C-TEC approximately \$123 million for certain of C-TEC's assets, including the long distance group, C-TEC International, which holds the 40% interest in Megacable, S.A. de C.V., and a \$13 million note payable by Mazon Corporativo, S.A. de C.V. and Residential Communications Network. RCN purchased Residential Communications Network for cash in a transaction that closed on April 1, 1996. RCN's purchase of the other businesses for cash or C-TEC stock, at RCN's option, is expected to close in the second half of 1996. The transactions are subject to certain conditions including the receipt of all necessary regulatory approvals. The agreement with RCN contains a repurchase option under which C-TEC can reacquire the businesses if a restructuring of C-TEC's main businesses does not occur. Additionally, C-TEC retains a warrant to reacquire a 6% stake in Residential Communications Network. The agreement with RCN was approved by a special committee of the board of directors of C-TEC, composed of directors unaffiliated with either C-TEC or PKS.

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**End of Filing**

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