

LEVEL 3 COMMUNICATIONS INC

FORM 10-Q (Quarterly Report)

Filed 05/15/95 for the Period Ending 03/31/95

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

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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, 1995

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

The number of shares outstanding of each class of the issuer's common stock, as of May 1, 1995:

Class B Common Stock.....	884,400 shares
Class C Common Stock.....	12,992,755 shares
Class D Common Stock.....	21,251,448 shares

PETER KIEWIT SONS', INC.

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PETER KIEWIT SONS', INC.

Consolidated Condensed Statements of Operations
(unaudited)

(dollars in millions, except per share data)	Three months ended	
	March 31	
	1995	1994
Revenue	\$ 681	\$ 573
Cost of Revenue	(636)	(506)
	45	67
General and Administrative Expenses	(81)	(69)
Operating Loss	(36)	(2)
Other Income (Expense):		
Gain on Subsidiary's Stock Transactions, net	3	25
Investment Income, net	18	21
Interest Expense, net	(27)	(17)
Other, net	7	3
	1	32
Earnings (Loss) Before Income Taxes and Minority Interest	(35)	30
Provision for Income Taxes	(3)	(14)
Minority Interest in Net Losses of Subsidiaries	19	7
Net Earnings (Loss)	\$ (19)	\$ 23
Loss Attributable to Class B&C Stock:		
Net Loss	\$ (2)	\$ (2)
Loss per Common and Common Equivalent Share	\$ (.16)	\$ (.14)
Earnings (Loss) Attributable to Class D Stock:		
Net Earnings (Loss)	\$ (17)	\$ 25
Earnings (Loss) per Common and Common Equivalent Share	\$ (.80)	\$1.21
Cash Dividends per Common Share:		
B&C Stock	\$ -	\$ -
D Stock	\$ -	\$ -

See accompanying notes to consolidated condensed financial statements.

PETER KIEWIT SONS', INC.

Consolidated Condensed Balance Sheets

(dollars in millions)	March 31, 1995 (unaudited)	December 31, 1994
Assets		
Current Assets:		
Cash and cash equivalents	\$ 392	\$ 400
Marketable securities	706	910
Receivables, less allowance of \$9 and \$9	372	414
Note receivable from sale of discontinued operations	-	29
Costs and earnings in excess of billings on uncompleted contracts	143	126
Investment in construction joint ventures	50	69
Deferred income taxes	68	74
Other	102	93
Total Current Assets	1,833	2,115
Property, Plant and Equipment, less accumulated depreciation and amortization of \$767 and \$731	1,350	1,244
Investments	425	314
Intangible Assets, net	755	749
Other Assets	86	82
	\$ 4,449	\$ 4,504

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, 1995 (unaudited)	December 31, 1994
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 338	\$ 344
Current portion of long-term debt:		
Telecommunications	28	26
Other	5	7
Accrued costs and billings in excess of revenue on uncompleted contracts	150	143
Accrued insurance costs	71	75
Other	185	218
Total Current Liabilities	777	813
Long-Term Debt, less current portion:		
Telecommunications	845	827
Other	84	81
Deferred Income Taxes	290	302
Retirement Benefits	48	67
Accrued Reclamation Costs	105	103
Other Liabilities	137	127
Minority Interest	436	448
Stockholders' Equity:		
Preferred stock, no par value, Authorized 250,000 shares: no shares outstanding	-	-
Common stock, \$.0625 par value, \$1.6 billion aggregate redemption value:		
Class B, authorized 8,000,000 shares: 884,400 outstanding in 1995 and 1,000,400 in 1994	-	-
Class C, authorized 125,000,000 shares: 13,006,455 outstanding in 1995 and 15,087,028 in 1994	1	1
Class D, authorized 50,000,000 shares: 21,251,591 outstanding in 1995 and 20,391,568 in 1994	1	1
Additional paid-in capital	180	182
Foreign currency adjustment	(5)	(7)
Net unrealized holding gains (losses)	4	(8)
Retained earnings	1,546	1,567
Total Stockholders' Equity	1,727	1,736
	\$4,449	\$4,504

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	
	1995	1994
Cash flows from operations:		
Net cash provided by continuing operations	\$ 12	\$ 3
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities and investments	347	992
Purchases of marketable securities	(114)	(1,355)
Proceeds from sales of property, plant and equipment, and other investments	3	4
Capital expenditures	(141)	(74)
Acquisitions and investments in affiliates	(130)	(49)
Deferred development costs and other	(12)	(8)
Net cash used in investing activities	(47)	(490)
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	21	639
Payments on long-term debt, including current portion	(12)	(159)
Net change in short-term borrowings	-	1
Repurchases of common stock	(5)	(22)
Dividends paid	(7)	(6)
Other	1	(3)
Net cash provided by (used in) financing activities	(2)	450
Cash flows from discontinued packaging operations:		
Proceeds from sales of discontinued packaging operations	29	-
Other cash provided by discontinued packaging operations	-	2
Net cash provided by discontinued packaging operations	29	2
Effect of exchange rates on cash	-	(2)
Net change in cash and cash equivalents	(8)	(37)
Cash and cash equivalents at beginning of period	400	296
Cash and cash equivalents at end of period	\$ 392	\$ 259
Noncash investing activities:		
Issuance of MFS stock for purchase of telecommunications companies	\$ 6	\$ 19
MFS stock transactions to settle contingent purchase price liability	-	25

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 31, 1994 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 31, 1994.

Marketable securities at March 31, 1995 and December 31, 1994 include approximately \$59 million and \$61 million, respectively, of investments which are being held by the owners of various construction projects in lieu of retainage. Receivables at March 31, 1995 and December 31, 1994 include approximately \$60 million and \$48 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	
	1995	1994
Class B&C	13,909,422	15,376,585
Class D	21,265,769	20,546,044

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 construction operations and certain mining services. The Diversified Group contains coal mining properties, telecommunications subsidiaries, data management services, a minority interest in California Energy Company, Inc. ("CECI") and miscellaneous investments. 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 31, 1994 was derived from the audited financial statements of the respective groups which were exhibits to the 1994 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.

Construction & Mining Group:		
	Three months ended March 31	
	1995	1994
Results of Operations:		
Revenue	\$ 426	\$ 411
Net loss	\$ (2)	\$ (2)
Loss per share	\$ (.16)	\$ (.14)
Financial Position:		
Working capital	\$ 262	\$ 333
Total assets	896	967
Long-term debt, less current portion	7	9
Stockholders' equity	448	505

Included within loss before income taxes is mine management income from the Diversified Group of \$8 million in 1995 and \$7 million in 1994.

Diversified Group:		
	Three months ended March 31	
	1995	1994
Results of Operations:		
Revenue	\$ 257	\$ 162
Net earnings (loss)	\$ (17)	\$ 25
Earnings (loss) per share	\$ (.80)	\$ 1.21
	March 31, 1995	December 31, 1994
Financial Position:		
Working capital	\$ 794	\$ 969
Total assets	3,575	3,549
Long-term debt, less current portion	922	899
Stockholders' equity	1,279	1,231

Included within earnings (loss) before income taxes are mine management fees paid to the Construction & Mining Group of \$8 million in 1995 and \$7 million 1994.

4. Acquisitions:

In February 1995, CECI, an equity method investee, completed the purchase of Magma Power Company. The cash transaction, valued at \$950 million was partially financed by the sale of 17 million shares of common stock at \$17 per share. As part of this offering, the Company purchased 1.5 million shares. The net transaction reduced the Company's ownership percentage of common stock in CECI to 22%. Following the transaction, the Company's cumulative investment in common stock totals \$140 million, \$37 million in excess of the Company's proportionate share of CECI's equity.

C-TEC has entered into a merger agreement with Twin County Trans Video, Inc. ("Twin County") and its shareholders. Twin County provides cable television service to 74,000 subscribers in eastern Pennsylvania. The transaction, subject to regulatory approval and other conditions, is expected to close in the second quarter of 1995. In consideration for all the capital stock of Twin County, C-TEC has deposited \$5 million and will pay \$43 million in cash, issue a \$4 million note and issue \$52 million in exchangeable preferred stock of its subsidiary, C-TEC Cable Systems, Inc. The preferred stock will be exchangeable for C-TEC common stock under certain conditions.

In January 1995, C-TEC entered into an agreement to purchase Buffalo Valley Telephone Company. The aggregate consideration for the purchase (\$55 million) will be a combination of cash and convertible preferred stock in the Telephone Group of C-TEC. The transaction is expected to close in the third quarter of 1995. Buffalo Valley Telephone Company provides local telephone service to 17,300 access lines in central Pennsylvania.

Also in January 1995, C-TEC purchased, for \$84 million in cash, a forty percent equity position in Megacable, S.A. De C.V., Mexico's second largest cable television operator with 174,000 subscribers in twelve cities. The purchase price is subject to adjustments based on fourth quarter 1995 exchange rates.

5. Other Matters:

PKS' management has asked the Internal Revenue Service to issue a ruling (the "Ruling") that would permit PKS to make a tax-free distribution of its entire ownership interest in MFS to the Class D stockholders (the "Spin-off"). PKS' management proposed a plan (the "Plan") to implement the Spin-off to PKS' Board of Directors during the second quarter of 1995. If the Board of Directors approves the Plan, and the Internal Revenue Service issues the Ruling, PKS could complete the Spin-off as early as the third quarter of 1995.

The Spin-off might not occur. For example, PKS might not receive the Ruling or the Board might not adopt the Plan. In addition, the issuance of the MFS Preferred Stock necessary to obtain the Ruling (as described below), would require a favorable vote from a majority of the minority common stockholders of MFS, other than the Company, present and voting in person or by proxy at a special MFS stockholders meeting. If the favorable vote is not received, MFS would not be able to issue the MFS Preferred Stock and PKS would not be able to complete the Spin-off. Also, the Spin-off is

subject to receipt of certain other approvals, some of which might not be received. Finally, if PKS' Board of Directors adopts the Plan, it would reserve the right to abandon, defer or modify the Spin-off at any time.

MFS has agreed in principle to issue the Company a special class of high-vote convertible preferred stock (the "MFS Preferred Stock") designed to permit PKS to satisfy certain requirements for receiving the Ruling. MFS would issue the Preferred Stock to the Company in exchange for the transfer by the Company to MFS of approximately 3.0 million of the shares of MFS common stock currently held by the Company. PKS anticipates that the MFS Preferred Stock (i) would have a face value of approximately \$15-25 million, (ii) would be convertible into MFS common stock at any time after the first anniversary of the date the MFS Preferred Stock is issued, (iii) would have dividend rate and a conversion premium determined by market conditions at the time that the MFS Preferred Stock is issued, (iv) would be redeemable at par six years after the date of issuance, and (v) would be non transferable for six years after the date of issuance except under certain limited circumstances. At the option of MFS, dividends on the MFS Preferred Stock could be paid either in cash or in shares of MFS Common Stock. Each share of MFS Preferred Stock would have approximately five votes per share in any election of MFS directors. If the Spin-off occurs, PKS would distribute to Class D stockholders both the MFS Preferred Stock and all of the common stock of MFS then held by the Company. If the Spin-off does not occur, MFS would not issue the MFS Preferred Stock to the Company.

The Plan would provide for an exchange offer (the "Exchange Offer") by PKS for Class C Stock, to be completed before the Spin-off. Under an Exchange Offer, PKS would offer to exchange Class D Stock for some or all of its outstanding Class C Stock on terms similar to those upon which Class C Stock can be converted into Class D Stock during the annual conversion period provided in the Company's Certificate of Incorporation. As a result, Class C Stockholders wanting to convert Class C Stock to Class D Stock would not be disadvantaged if the Spin-off were to be completed before the next conversion permitted by the Certificate of Incorporation. If an Exchange Offer could not be completed prior to the next conversion under the Certificate of Incorporation, PKS probably would defer any Spin-off until the first quarter of 1996.

In 1994, several former stockholders 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 intend to vigorously contest this lawsuit. Defendants expect that a trial will be held in the summer of 1995. 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' liabilities pursuant to the indemnity agreement. Any judgment or settlement payments would be treated as an adjustment of the original purchase price and

recorded as additional goodwill. If the Spin-off is approved by the Company's Board of Directors and is consummated, KDG would remain obligated to satisfy these liabilities.

In 1974, a subsidiary of the Company (Kiewit), entered into a lease with Whitney Benefits, Inc., a Wyoming charitable corporation (Whitney). Whitney is the owner, and Kiewit is the lessee, of a coal deposit underlying a 1,300 acre tract in Sheridan County, Wyoming. The coal was rendered unmineable by the Surface Mining Control and Reclamation Act of 1977 (SMCRA), which prohibited surface mining of coal in certain alluvial valley floors significant to farming. In 1983, Kiewit and Whitney filed an action, now titled Whitney Benefits, Inc. and Peter Kiewit Sons' Co. v. The United States, in the U.S. Court of Federal Claims (Claims Court), alleging that the enactment of SMCRA constituted a taking of their coal without just compensation. In 1989, the Claims Court ruled that a taking had occurred and awarded plaintiffs the 1977 fair market value of the property (\$60 million) plus interest. In 1991, the U.S. Supreme Court denied certiorari. The government filed two post-trial motions in the Claims Court during 1992. The government requested a new trial to redetermine the 1977 value of the property. The government also filed a motion to reopen and set aside the 1989 judgment as void and to dismiss plaintiffs' complaint for lack of jurisdiction. In May 1994, the Claims Court entered an order denying both motions. In February 1994, the Claims Court issued an opinion which provided that the \$60 million judgment would bear interest compounded annually from 1977 until payment. The government appealed the February 1994 and May 1994 orders. A hearing on the appeals was held in February 1995.

On May 5, 1995, the government and the plaintiffs entered into a settlement agreement. In settlement of all claims, the government will pay plaintiffs \$200 million and plaintiffs will deed the coal underlying the real property to the government. Kiewit and Whitney agreed in 1992 that Kiewit would receive 67.5 percent of any award and Whitney would receive the remainder. Peter Kiewit Sons' Co., a subsidiary of Kiewit Diversified Group Inc., will receive approximately \$135 million. Payment is expected in June 1995.

The Company 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 Company's financial position.

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):

	1995	1994
Construction	\$ 419	\$ 405
Mining	65	57
Telecommunications	191	107
Other	6	4
	\$ 681	\$ 573

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

Construction

Construction revenue increased by \$14 million or 4% during the first quarter of 1995. The increase relates to the inclusion of an additional two months of materials revenue generated by the APAC-Arizona companies acquired on February 28, 1994. Contract backlog at March 31, 1995 was \$2.4 billion, of which 14% is attributable to foreign operations, principally, Canada and the Philippines. Projects on the west coast account for 39% of the total backlog of which the San Joaquin Toll Road represents \$311 million. The San Joaquin project is scheduled for completion in 1997.

Direct costs associated with construction contracts increased \$17 million or 4% in 1995. Construction margins were 4% in both periods. The results of the quarter are not indicative of the expected results for the year.

Mining

Mining revenue, primarily coal sales, increased by 14% in 1995. Coal margins declined slightly in 1995 from 49% to 48% as a large customer purchased more coal in 1995 than in 1994 at contract prices less than those of other primary customers. Coal spot sales and their margins remained at approximately the same levels during the 1995 and 1994 periods.

Telecommunications

In 1995, telecommunications revenue increased nearly 79% from the first quarter of 1994. MFS revenue increased by 237% and C-TEC revenue remained constant. C-TEC's 1994 revenue reflected \$7 million from its cellular business which was sold during the third quarter of 1994.

The telecommunications services revenue of MFS increased from \$22 million in 1994 to \$104 million in 1995. The increase reflects the acquisition of Centex, RealCom and Cylix in 1994, and increased market penetration of all other telecommunications services.

MFS' telecommunications services operating expenses increased \$109 million in 1995. The primary reasons for the increase is the acquisition of Centex, RealCom and Cylix in 1994, the expansion activities of MFS Intelenet, MFS Datanet and MFS International and costs associated with new and expanded networks. MFS expects to incur additional significant expense expanding integrated, single-

source telecommunications services, high-speed data communications and international services throughout 1995.

C-TEC's Telephone Group and Cable Group revenues were flat between 1994 and 1995 at \$31 million and \$24 million for each period. The Long Distance Group's sales increased by approximately \$5 million due primarily to the resale of tariff services to another long distance reseller. The Long Distance Group's arrangement for sales of this product are expected to terminate during the second quarter of 1995. Operating expenses for each of C-TEC's operating segments were relatively stable between 1994 and 1995.

General and Administrative Expenses

General and administrative expenses increased 17% in 1995 due to the acquisitions of the Centex, Realcom and Cylix operations in 1994 and the higher costs associated with the expansion of MFS' Intelenet, Datanet and International businesses.

Gain on Subsidiary's Stock Transactions, net

The issuance of MFS stock for acquisitions by MFS and the exercise of MFS employee stock options resulted in a \$3 million net gain to the Company in 1995. In 1994 the Company settled a contingent purchase price adjustment resulting from MFS' 1990 purchase of Chicago Fiber Optics Corporation (CFO). The former shareholders of CFO accepted MFS stock valued at market prices, previously held by the Company, as payment of the obligation. This transaction along with the issuances of stock for acquisitions and employee stock options, resulted in a \$25 million net gain before taxes.

Investment Income, net

Investment income is principally comprised of interest and dividend income of \$20 million and \$17 million in 1995 and 1994, and gains and (losses) on the sale of securities of (\$2) million in 1995 and \$2 million in 1994. The increase in interest and dividend income is attributable to the proceeds C-TEC received from the sale of its cellular operations and from the stock rights offering which C-TEC concluded in December 1994.

Interest Expense, net

Interest expense increased 59% in 1995. The increase is primarily attributable to \$11 million in tax deficiency interest paid in 1995 and a \$2 million increase in MFS' interest expense. Partially offsetting the increases was a \$3 million decline in interest for C-TEC. This decline resulted from the repayment of debt in the fourth quarter of 1994.

Income Taxes

The effective income tax rates in the first quarter of 1994 and 1995 differ from the expected statutory rate of 35% due primarily to net operating loss limitations on losses generated by MFS.

Financial Condition - March 31, 1995 vs. December 31, 1994

Due to the significant investing activities described below, the Company's working capital decreased \$246 million or 19% during the

first quarter of 1995.

Investing activities include \$141 million of capital expenditures, 72% pertaining to MFS, and \$130 million of investments in affiliates. The investments in affiliates include C-TEC's \$84 million outlay for 40% of Megacable, KDG's \$26 million participation in CECI's stock offering, \$5 million acquisitions by both MFS and C-TEC, and an additional \$4 million investment in a Philippine power project. In addition, C-TEC deposited \$5 million for the Twin Valley acquisition which is expected to be completed in the second quarter of 1995.

Financing sources for the quarter include \$8 million of borrowings for the construction financing of a privately owned toll road and \$8 million of C-TEC borrowings on the Cable Group's revolving credit agreement. Financing uses consisted of \$6 million of payments on stockholders' notes, \$5 million for stock repurchases, and \$7 million of C Stock dividends.

In 1995, the Company received the final payment (\$29 million) for the sale of discontinued packaging operations.

In addition to the C-TEC and MFS activities described below, the Company anticipates investing between \$45 and \$85 million annually in its construction and mining businesses, making significant (over \$50 million in 1995) investments in its energy businesses - including its joint venture agreement with CECI covering international power project development activities - and searching for opportunities to acquire capital intensive businesses which provide for long-term growth. Other long-term liquidity uses include payment of income taxes and repurchases of stock. The Company's current financial condition and borrowing capacity should be sufficient for future operating and investing activities, however, in the event of an MFS spin, the Construction and Mining Group may incur debt in order to fund stock conversions.

C-TEC intends to utilize its available cash and revolving credit balances to fund operating activities, finance the pending acquisitions of Twin County and Buffalo Valley, and to develop full service networks.

In late 1993, MFS announced its intention to accelerate the expansion of its customer base, service offerings and existing networks as well as the deployment of new networks. MFS estimated that this expansion would require the expenditure of approximately \$1 billion over 3 to 5 years. During 1994, MFS continued to add networks in new cities and increasingly focused on the development of networks in business markets near its existing networks in major metropolitan areas. MFS considers the development of these business markets to be an efficient and cost-effective utilization of capital and management resources.

Under the expansion plan referred to above, MFS estimates capital expenditures of \$350-400 million in 1995. During the three months ended March 31, 1995, MFS invested \$102 million, primarily for the construction of networks and purchase of related equipment. As of March 1995, MFS provides services on its networks, or through the resale of services, or has network operations under development in 46 major metropolitan areas in the United States and Europe.

To continue the funding of the expansion announced in late 1993, MFS finalized arrangements for \$250 million of revolving credit facilities with a syndicate of commercial banks in April 1995 (the Credit Facilities). The Credit Facilities mature at various times through April 30, 2000 and bear interest at a floating rate. MFS anticipates that the Credit Facilities, together with cash on hand and internally generated funds, will be sufficient to fund its anticipated operating losses, working capital needs and the remaining capital spending requirements necessary to complete its expansion. MFS may, however, obtain vendor financing as an alternative to utilization of all or a portion of the Credit Facilities.

As a result of the recent rapid pace of various regulatory, legislative and competitive changes in the United States and abroad, MFS has the opportunity to offer cost-effective telecommunications services sooner and in more business markets than had previously been expected. MFS believes that these opportunities include the further acceleration of network development in the United States, deployment of additional switches resulting in the provision of switched services in approximately 50 metropolitan areas in the United States and the expansion of its international operations. The international expansions contemplate a total of approximately 25 business markets with an increasing focus on facilities-based operations primarily in the European Community.

In April 1995, MFS filed a Registration Statement on Form S-3 with the Securities and Exchange Commission for a public offering of 7,400,000 Depositary Shares (the "Offering"), each representing an interest in a share of convertible preferred stock. Each Depositary Share will be mandatorily convertible into one share of common stock on June 15, 1999. The exact timing and size of the offering will be subject to prevailing market conditions. In addition to the Offering, MFS will continue to consider other opportunities to sell equity or debt securities in the public or private markets to implement its financing strategy of maintaining financial flexibility to react to opportunities in the rapidly evolving telecommunications marketplace while cost-effectively funding the capital investments required to implement its business development plan. The net proceeds of the Offering are expected to provide the capital necessary to fund certain of these new business opportunities. In addition MFS may obtain vendor financing and utilize the Credit Facilities, to the extent available, to fund certain aspects of its business development plan. MFS will continue to consider other opportunities to sell equity or debt securities in the public or private markets to implement the financing strategy described above.

MFS from time to time evaluates acquisitions in pursuit of its business strategy, either as an alternative to constructing networks, adding customers, or to the introduction of services that complement existing and/or planned services. Such acquisitions may be significant in size and could use a substantial portion of MFS's available cash.

From time to time, MFS has had discussions with other communications entities concerning the establishment of possible strategic relationships, including transactions involving

substantial acquisitions, combinations and equity investments in MFS or one of its subsidiaries. In addition, certain acquisitions, may provide MFS with the opportunity to acquire an established customer base. MFS intends to consider appropriate opportunities to establish strategic relationships.

PKS' management has asked the Internal Revenue Service to issue a ruling (the "Ruling") that would permit PKS to make a tax-free distribution of its entire ownership interest in MFS to the Class D stockholders (the "Spin-off"). PKS' management proposed a plan (the "Plan") to implement the Spin-off to PKS' Board of Directors during the second quarter of 1995. If the Board of Directors approves the Plan, and the Internal Revenue Service issues the Ruling, PKS could complete the Spin-off as early as the third quarter of 1995.

The Spin-off might not occur. For example, PKS might not receive the Ruling or the Board might not adopt the Plan. In addition, the issuance of the MFS Preferred Stock necessary to obtain the Ruling (as described below), would require a favorable vote from a majority of the minority common stockholders of MFS, other than the Company, present and voting in person or by proxy at a special MFS stockholders meeting. If the favorable vote is not received, MFS would not be able to issue the MFS Preferred Stock and PKS would not be able to complete the Spin-off. Also, the Spin-off is subject to receipt of certain other approvals, some of which might not be received. Finally, if PKS' Board of Directors adopts the Plan, it would reserve the right to abandon, defer or modify the Spin-off at any time.

MFS has agreed in principle to issue the Company a special class of high-vote convertible preferred stock (the "MFS Preferred Stock") designed to permit PKS to satisfy certain requirements for receiving the Ruling. MFS would issue the Preferred Stock to the Company in exchange for the transfer by the Company to MFS of approximately 3.0 million of the shares of MFS common stock currently held by the Company. The Company anticipates that the MFS Preferred Stock (i) would have a face value of approximately \$15-25 million, (ii) would be convertible into MFS common stock at any time after the first anniversary of the date the MFS Preferred Stock is issued, (iii) would have dividend rate and a conversion premium determined by market conditions at the time that the MFS Preferred Stock is issued, (iv) would be redeemable at par six years after the date of issuance, and (v) would be non transferable for six years after the date of issuance except under certain limited circumstances. At the option of MFS, dividends on the MFS Preferred Stock could be paid either in cash or in shares of MFS Common Stock. Each share of MFS Preferred Stock would have approximately five votes per share in any election of MFS directors. If the Spin-off occurs, PKS would distribute to Class D stockholders both the MFS Preferred Stock and all of the common stock of MFS then held by the Company. If the Spin-off does not occur, MFS would not issue the MFS Preferred Stock to the Company.

The Plan would provide for an exchange offer (the "Exchange Offer") by PKS for Class C Stock, to be completed before the Spin-off. Under an Exchange Offer, PKS would offer to exchange Class D Stock for some or all of its outstanding Class C Stock on terms similar to those upon which Class C Stock can be converted into Class D Stock during the annual conversion period provided in the Company's

Certificate of Incorporation. As a result, Class C Stockholders wanting to convert Class C Stock to Class D Stock would not be disadvantaged if the Spin-off were to be completed before the next conversion permitted by the Certificate of Incorporation. If an Exchange Offer could not be completed prior to the next conversion under the Certificate of Incorporation, PKS probably would defer any Spin-off until the first quarter of 1996.

See Legal Proceedings with respect to the Whitney Benefits case.

PETER KIEWIT SONS', INC.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Whitney Litigation. In 1974, a subsidiary of the Company (Kiewit), entered into a lease with Whitney Benefits, Inc., a Wyoming charitable corporation (Whitney). Whitney is the owner, and Kiewit is the lessee, of a coal deposit underlying a 1,300 acre tract in Sheridan County, Wyoming. The coal was rendered unmineable by the Surface Mining Control and Reclamation Act of 1977 (SMCRA), which prohibited surface mining of coal in certain alluvial valley floors significant to farming. In 1983, Kiewit and Whitney filed an action, now titled Whitney Benefits, Inc. and Peter Kiewit Sons' Co. v. The United States, in the U.S. Court of Federal Claims (Claims Court), alleging that the enactment of SMCRA constituted a taking of their coal without just compensation. In 1989, the Claims Court ruled that a taking had occurred and awarded plaintiffs the 1977 fair market value of the property (\$60 million) plus interest. In 1991, the U.S. Supreme Court denied certiorari. The government filed two post-trial motions in the Claims Court during 1992. The government requested a new trial to redetermine the 1977 value of the property. The government also filed a motion to reopen and set aside the 1989 judgment as void and to dismiss plaintiffs' complaint for lack of jurisdiction. In May 1994, the Claims Court entered an order denying both motions. In February 1994, the Claims Court issued an opinion which provided that the \$60 million judgment would bear interest compounded annually from 1977 until payment. The government appealed the February 1994 and May 1994 orders. A hearing on the appeals was held in February 1995.

On May 5, 1995, the government and the plaintiffs entered into a settlement agreement. In settlement of all claims, the government will pay plaintiffs \$200 million and plaintiffs will deed the coal underlying the real property to the government. Kiewit and Whitney agreed in 1992 that Kiewit would receive 67.5 percent of any award and Whitney would receive the remainder. Peter Kiewit Sons' Co., a subsidiary of Kiewit Diversified Group Inc., will receive approximately \$135 million. Payment is expected in June 1995.

Item 6. Exhibits & Reports on Form 8-K

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

Exhibit
Number

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.

(b) No reports on Form 8-K were filed by the Company during the first quarter of 1995.

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, 1995

*/s/ R. E. Julian
Robert E. Julian
Executive Vice President
Chief Financial Officer*

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

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.

WARNING: THE EDGAR SYSTEM ENCOUNTERED ERROR(S) WHILE PROCESSING THIS SCHEDULE.

ARTICLE 5

This schedule contains summary financial information extracted from the Form 10-Q for the period ending March 31, 1995 and is qualified in its entirety by reference to such financial statements.

MULTIPLIER: 1,000,000

PERIOD TYPE	QTR 1
FISCAL YEAR END	DEC 30 1995
PERIOD END	MAR 31 1995
CASH	392
SECURITIES	706
RECEIVABLES	381
ALLOWANCES	9
INVENTORY	0
CURRENT ASSETS	1,833
PP&E	2,117
DEPRECIATION	767
TOTAL ASSETS	4,449
CURRENT LIABILITIES	777
BONDS	929
COMMON	2
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	1,725
TOTAL LIABILITY AND EQUITY	4,449
SALES	484
TOTAL REVENUES	681
CGS	438
TOTAL COSTS	636
OTHER EXPENSES	81
LOSS PROVISION	0
INTEREST EXPENSE	27
INCOME PRETAX	(35)
INCOME TAX	3
INCOME CONTINUING	(19)
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	(19)
EPS PRIMARY	\$(.16) ¹
EPS DILUTED	\$(.16) ¹

¹ \$(.16) represents Class C Stock loss per share, Class D Stock loss per share; \$(.80).

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

Index to Financial Statements and

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

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Condensed Statements of Operations for the three months ended March 31, 1995 and 1994

Condensed Balance Sheets as of March 31, 1995 and December 31, 1994

Condensed Statements of Cash Flows for the three months ended March 31, 1995 and 1994

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)

	Three months ended March 31	
(dollars in millions, except per share data)	1995	1994
Revenue	\$ 426	\$ 411
Cost of Revenue	(409)	(393)
	17	18
General and Administrative Expenses	(32)	(33)
Operating Loss	(15)	(15)
Other Income (Expense):		
Investment Income, net	3	2
Interest Expense	(1)	-
Other, net	11	10
	13	12
Loss Before Income Taxes	(2)	(3)
Benefit for Income Taxes	-	1
Net Loss	\$ (2)	\$ (2)
Loss Per Common & Common Equivalent Share	\$ (.16)	\$ (.14)

See accompanying notes to condensed financial statements.

KIEWIT CONSTRUCTION & MINING GROUP

Condensed Balance Sheets

	March 31, 1995	December 31, 1994
(dollars in millions)	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 84	\$ 70
Marketable securities	98	156
Receivables, less allowance of \$7 and \$7	235	260
Costs and earnings in excess of billings on uncompleted construction contracts	118	101
Investment in construction joint ventures	50	69
Deferred income taxes	54	59
Other	18	23
Total Current Assets	657	738

Property, Plant and Equipment, less accumulated depreciation and amortization of \$400 and \$395	150	140
Deferred Income Taxes	4	4
Other Assets	85	85
	\$ 896	\$ 967
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable, including retainage of \$43 and \$41	\$ 166	\$ 179
Current portion of long-term debt	2	3
Accrued construction costs and billings in excess of revenue on uncompleted contracts	113	106
Accrued insurance costs	71	73
Other	43	44
Total Current Liabilities	395	405
Long-Term Debt, less current portion	7	9
Other Liabilities	46	48
Stockholders' Equity,		
(\$332 million aggregate redemption value)		
Common equity	454	513
Net unrealized holding losses	-	(1)
Foreign currency adjustment	(6)	(7)
Total Stockholders' Equity	448	505
	\$ 896	\$ 967

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)	1995	1994
Cash flows from operations:		
Net cash provided by operations	\$ 41	\$ 18
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities	102	109
Purchases of marketable securities	(42)	(78)
Proceeds from sales of property, plant and equipment	3	2
Capital expenditures	(22)	(12)
Acquisition of APAC-Arizona, Inc.	-	(49)
Other	(1)	(2)
Net cash provided by (used in) investing activities	40	(30)
Cash flows from financing activities:		
Payments on long-term debt, including current portion	(3)	(4)
Repurchases of common stock	(3)	(8)
Dividends paid	(7)	(6)
Exchange of Class B&C Stock for Class D Stock, net	(54)	(44)
Net cash used in financing activities	(67)	(62)
Effect of exchange rates on cash	-	(2)
Net change in cash and cash equivalents	14	(76)
Cash and cash equivalents at beginning		

of period	70	99
Cash and cash equivalents at end of period	\$ 84	\$ 23

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 31, 1994 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 31, 1994.

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, 1995 and December 31, 1994 include approximately \$59 million and \$61 million, respectively, of investments which are being held by the owners of various construction projects in lieu of retainage. Receivables at March 31, 1995 and December 31, 1994 include approximately \$60 million and \$48 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. Loss Per Share:

Primary loss per share of common stock have been computed using the weighted average number of shares outstanding during each period. The number of shares used in computing loss per share was 13,909,422 for the three months ended March 31, 1995 and 15,376,585 for the three months ended March 31, 1994.

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, is as follows (in millions):

	March 31, 1995	Group December 31, 1994
Cash and cash equivalents	\$ -	\$ 25
Marketable securities	2	15
Property, plant and equipment, net	5	5
Other assets	2	16
Total Assets	\$ 9	\$ 61
Accounts payable	\$ 22	\$ 30
Convertible debentures	1	1
Notes to former stockholders	3	6
Other liabilities	1	2
Total Liabilities	\$ 27	\$ 39

Group

Three months ended March 31, 1995 1994

Other income (expense), net (1) 1

Corporate general and administrative costs have been allocated to the Group based upon certain measures of business activities, such as employment, investments, and sales, which management believes to be reasonable. These allocations were less than \$1 million for the three months ended March 31, 1995 and \$6 million for the three months ended March 31, 1994. Due to a corporate realignment, significantly all of the administrative functions and personnel previously provided to the Group are now located at the Group.

Mine management income from the Diversified Group was \$8 million in 1995 and \$7 million in 1994.

4. Other Matters:

PKS' management has asked the Internal Revenue Service to issue a ruling (the "Ruling") that would permit PKS to make a tax-free distribution of its entire ownership interest in MFS to the Class D stockholders (the "Spin-off"). PKS' management proposed a plan (the "Plan") to implement the Spin-off to PKS' Board of Directors during the second quarter of 1995. If the Board of Directors approves the Plan, and the Internal Revenue Service issues the Ruling, PKS could complete the Spin-off as early as the third quarter of 1995.

The Spin-off might not occur. For example, PKS might not receive the Ruling or the Board might not adopt the Plan. In addition, the issuance of the MFS Preferred Stock necessary to obtain the Ruling (as described below), would require a favorable vote from a majority of the minority common stockholders of MFS, other than PKS, present and voting in person or by proxy at a special MFS stockholders meeting. If the favorable vote is not received, MFS would not be able to issue the MFS Preferred Stock and PKS would not be able to complete the Spin-off. Also, the Spin-off is subject to receipt of certain other approvals, some of which might not be received. Finally, if PKS's Board of Directors adopts the Plan, it would reserve the right to abandon, defer or modify the Spin-off at any time.

MFS has agreed in principle to issue PKS a special class of high- vote convertible preferred stock (the "MFS Preferred Stock") designed to permit PKS to satisfy certain requirements for receiving the Ruling. MFS would issue the Preferred Stock to PKS in exchange for the transfer by PKS to MFS of approximately 3.0 million of the shares of MFS common stock currently held by PKS. PKS anticipates that the MFS Preferred Stock (i) would have a face value of approximately \$15-25 million, (ii) would be convertible into MFS common stock at any time after the first anniversary of the date the MFS Preferred Stock is issued, (iii) would have dividend rate and a conversion premium determined by market conditions at the time that the MFS Preferred Stock is issued, (iv) would be redeemable at par six years after the date of issuance, and (v) would be non transferable for six years after the date of issuance except under certain limited circumstances. At the option of MFS, dividends on the MFS Preferred Stock could be paid either in cash or in shares of MFS Common Stock. Each share of MFS Preferred Stock would have approximately five votes per share in any election of MFS directors. If the Spin-off occurs, PKS would distribute to Class D stockholders both the MFS Preferred Stock and all of the common stock of MFS then held by PKS. If the Spin-off does not occur, MFS would not issue the MFS Preferred Stock to PKS.

The Plan would provide for an exchange offer (the "Exchange Offer") by PKS for Class C Stock, to be completed before the Spin-off. Under an Exchange Offer, PKS would offer to exchange Class D Stock for some or all of its outstanding Class C Stock on terms similar to those upon which Class C Stock can be converted into Class D Stock during the annual conversion period provided in the Company's Certificate of Incorporation. As a result, Class C Stockholders wanting to convert Class C Stock to Class D Stock would not be disadvantaged if the Spin-off were to be completed before the next conversion permitted by the Certificate of Incorporation. If an Exchange Offer could not be completed prior to the next conversion under the Certificate of Incorporation, PKS probably would defer any Spin-off until the first quarter of 1996.

The Group is involved in 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 or results of operations.

KIEWIT CONSTRUCTION & MINING GROUP

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

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

Construction

Construction revenue increased by \$14 million or 4% during the first quarter of 1995. The increase relates to the inclusion of an additional two months of materials revenue generated by the APAC- Arizona companies acquired on February 28, 1994. Contract backlog at March 31, 1995 was \$2.4 billion, of which 14% is attributable to foreign operations, principally, Canada and the Philippines. Projects on the west coast account for 39% of the total backlog of which the San Joaquin Toll Road represents \$311 million. The San Joaquin project is scheduled for completion in 1997.

Direct costs associated with construction contracts increased \$17 million or 4% in 1995. Construction margins were 4% in both periods. The results of the quarter are not indicative of the expected results for the year.

Investment Income, net

Investment income is principally comprised of interest and dividend income of \$4 million and \$2 million in 1995 and 1994, and gains and

(losses) on the sale of securities of (\$1) million in 1995 and \$1 million in 1994.

Other, net

Other income consists of mine management fees of \$8 and \$7 million in 1995 and 1994, gains and losses from asset dispositions and other miscellaneous activities.

Financial Condition - March 31, 1995 vs. December 31, 1994

The Group's working capital decreased \$71 million or 21% during the first quarter of 1995. A significant portion of the decline was due to the conversion and repurchase of 2.1 million shares of Class B&C stock totaling \$57 million and dividend payments of \$7 million. Cash flows from operations, of \$41 million, and cash flows from investing activities, primarily the net proceeds from sale of marketable securities, of \$60 million, and capital expenditures of \$22 million, resulted in a net \$14 million increase in cash for the period.

The Group anticipates investing between \$40 and \$75 million annually in its construction business, and purchasing additional shares of an electrical contractor - the Group is committed to 80% ownership by 1997. Other long-term liquidity uses include payment of income taxes and repurchases and conversions of common stock.

The Group's working capital position at March 31, 1995, together with anticipated cash flows from operations and existing borrowing capacity, should be sufficient for immediate cash requirements and future investing activities, however in the event of a MFS Spin, the Group may incur additional debt to fund the stock conversions.

PKS' management has asked the Internal Revenue Service to issue a ruling (the "Ruling") that would permit PKS to make a tax-free distribution of its entire ownership interest in MFS to the Class D stockholders (the "Spin-off"). PKS' management proposed a plan (the "Plan") to implement the Spin-off to PKS' Board of Directors during the second quarter of 1995. If the Board of Directors approves the Plan, and the Internal Revenue Service issues the Ruling, PKS could complete the Spin-off as early as the third quarter of 1995.

The Spin-off might not occur. For example, PKS might not receive the Ruling or the Board might not adopt the Plan. In addition, the issuance of the MFS Preferred Stock necessary to obtain the Ruling (as described below), would require a favorable vote from a majority of the minority common stockholders of MFS, other than PKS, present and voting in person or by proxy at a special MFS stockholders meeting. If the favorable vote is not received, MFS would not be able to issue the MFS Preferred Stock and PKS would not be able to complete the Spin-off. Also, the Spin-off is subject to receipt of certain other approvals, some of which might not be received. Finally, if PKS' Board of Directors adopts the Plan, it would reserve the right to abandon, defer or modify the Spin-off at any time.

MFS has agreed in principle to issue PKS a special class of high- vote convertible preferred stock (the "MFS Preferred Stock") designed to permit PKS to satisfy certain requirements for receiving the Ruling. MFS would issue the Preferred Stock to PKS in exchange for the transfer by PKS to MFS of approximately 3.0 million of the shares of MFS common stock currently held by PKS. PKS anticipates that the MFS Preferred Stock (i) would have a face value of approximately \$15-25 million, (ii) would be convertible into MFS common stock at any time after the first anniversary of the date the MFS Preferred Stock is issued, (iii) would have dividend rate and a conversion premium determined by market conditions at the time that the MFS Preferred Stock is issued, (iv) would be redeemable at par six years after the date of issuance, and (v) would be non transferable for six years after the date of issuance except under certain limited circumstances. At the option of MFS, dividends on the MFS Preferred Stock could be paid either in cash or in shares of MFS Common Stock. Each share of MFS Preferred Stock would have approximately five votes per share in any election of MFS directors. If the Spin-off occurs, PKS would distribute to Class D stockholders both the MFS Preferred Stock and all of the common stock of MFS then held by PKS. If the Spin-off does not occur, MFS would not issue the MFS Preferred Stock to PKS.

The Plan would provide for an exchange offer (the "Exchange Offer") by PKS for Class C Stock, to be completed before the Spin-off. Under an Exchange Offer, PKS would offer to exchange Class D Stock for some or all of its outstanding Class C Stock on terms similar to those upon which Class C Stock can be converted into Class D Stock during the annual conversion period provided in the Company's Certificate of Incorporation. As a result, Class C Stockholders wanting to convert Class C Stock to Class D Stock would not be disadvantaged if the Spin-off were to be completed before the next conversion permitted by the Certificate of Incorporation. If an Exchange Offer could not be completed prior to the next conversion under the Certificate of Incorporation, PKS probably would defer any Spin-off until the first quarter of 1996.

Exhibit 99.B**KIEWIT DIVERSIFIED GROUP**

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Financial Statements

Condensed Statements of Operations for the three months ended March 31, 1995 and 1994 Condensed Balance Sheets as of March 31, 1995 and December 31, 1994

Condensed Statements of Cash Flows for the three months ended March 31, 1995 and 1994 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, 1995	March 31, 1994
Revenue	\$ 257	\$ 162
Cost of Revenue	(229)	(113)
	28	49
General and Administrative Expenses	(57)	(43)
Operating Earnings (Loss)	(29)	6
Other Income (Expense):		
Gain on Subsidiary's Stock Transactions, net	3	25
Investment Income, net	15	19
Interest Expense, net	(26)	(17)
Other, net	4	-
	(4)	27
Earnings (Loss) Before Income Taxes and Minority Interest	(33)	33
Provision for Income Taxes	(3)	(15)
Minority Interest in Net Losses of Subsidiaries	19	7
Net Earnings (Loss)	\$ (17)	\$ 25
Earnings (Loss) Per Common & Common Equivalent Share	\$ (.80)	\$ 1.21

See accompanying notes to condensed financial statements.

KIEWIT DIVERSIFIED GROUP

Condensed Balance Sheets

(dollars in millions)	March 31, 1995	December 31, 1994
	(unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 308	\$ 330
Marketable securities	608	754

Receivables, less allowance of \$2 and \$2	150	157
Note receivable from sale of discontinued operations	-	29
Deferred income taxes	14	15
Other	109	95
Total Current Assets	1,189	1,380
Property, Plant and Equipment, less accumulated depreciation and amortization of \$367 and \$336	1,200	1,104
Investments	370	259
Intangible Assets, net	740	733
Other Assets	76	73
	\$3,575	\$ 3,549
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 172	\$ 165
Current portion of long-term debt:		
Telecommunications	28	26
Other	3	4
Accrued costs and billings in excess of revenue on uncompleted contracts	37	37
Accrued reclamation and other mining costs	17	20
Other	138	159
Total Current Liabilities	395	411
Long-Term Debt, less current portion:		
Telecommunications	845	827
Other	77	72
Deferred Income Taxes	294	306
Retirement Benefits	48	67
Accrued Reclamation Costs	104	102
Other Liabilities	97	85
Minority Interest	436	448
Stockholders' Equity (\$1,280 million aggregate redemption value)		
Common equity	1,274	1,238
Foreign currency adjustment	1	-
Net unrealized holding gains (losses)	4	(7)
Total Stockholders' Equity	1,279	1,231

\$3,575 \$ 3,549

See accompanying notes to condensed financial statements.

KIEWIT DIVERSIFIED GROUP

Condensed Statements of Cash Flows (unaudited)

(dollars in millions)	Three months ended March 31	
	1995	1994
Cash flows from operations:		
Net cash used in continuing operations	\$ (29)	\$ (14)
Cash flows from investing activities:		
Proceeds from sales and maturities of marketable securities and investments	245	882
Purchases of marketable securities	(72)	(1,277)
Capital expenditures	(119)	(62)
Acquisitions and investment in affiliates	(129)	-
Deferred development costs and other	(12)	(4)
Net cash used in investing activities	(87)	(461)
Cash flows from financing activities:		
Proceeds from long-term debt borrowings	21	639
Payments on long-term debt, including current portion	(9)	(155)
Repurchases of common stock	(2)	(14)
Exchange of Class B&C Stock for Class D Stock	54	44
Other	1	(2)

Net cash provided by financing activities	65	512
Cash flows from discontinued packaging operations:		
Proceeds from sales of discontinued packaging operations	29	-
Other cash provided by discontinued packaging operations	-	2
Net cash provided by discontinued packaging operations	29	2
Net change in cash and cash equivalents	(22)	39
Cash and cash equivalents at beginning of period	330	197
Cash and cash equivalents at end of period	\$ 308	\$ 236
Noncash investing activities:		
Issuance of MFS stock for the purchase of telecommunications companies	\$ 6	\$ 19
MFS stock transaction to settle contingent purchase price liability	-	25

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 31, 1994 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 31, 1994.

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 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. The number of shares used in computing earnings (loss) per share was 21,265,769 for the three months ended March 31, 1995 and 20,546,044 for the three months ended March 31, 1994. Fully diluted earnings (loss) per share have not been presented because they are not materially different from primary earnings per share.

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, is as follows (in millions):

	Group	
	March 31, 1995	December 31, 1994
Cash and cash equivalents	\$ -	\$ 25
Marketable securities	2	15
Property, plant and equipment, net	5	5
Other assets	2	16
Total Assets	\$ 9	\$ 61
Accounts payable	\$ 22	\$ 30
Convertible debentures	1	1

Notes to former stockholders	3	6
Other liabilities	1	2
Total Liabilities	\$ 27	\$ 39
Other income (expense), net	\$ (1)	\$ 1

Corporate general and administrative costs have been allocated to the Group. These allocations were \$ 1 million for the three months ended March 31, 1995 and \$3 million for the three months ended March 31, 1994. Due to a corporate realignment, significantly all of the administrative functions and personnel previously provided to the Group are now located at the Group.

Mine management expense with the Construction & Mining Group was \$8 million in 1995 and \$7 million in 1994.

4. Acquisitions

In February 1995, California Energy Company, Inc., (CECI) an equity method investee, completed the purchase of Magma Power Company. The cash transaction, valued at \$950 million was partially financed by the sale of 17 million shares of common stock at \$17 per share. As part of this offering, the Group purchased 1.5 million shares. The net transaction reduced the Group's ownership percentage of common stock in CECI to 22%. Following the transaction, the Group's cumulative investment in common stock totals \$140 million, \$37 million in excess of the Group's proportionate share of CECI's equity.

C-TEC has entered into a merger agreement with Twin County Trans Video, Inc. ("Twin County") and its shareholders. Twin County provides cable television service to 74,000 subscribers in eastern Pennsylvania. The transaction, subject to regulatory approval and other conditions, is expected to close in the second quarter of 1995. In consideration for all the capital stock of Twin County, C-TEC has deposited \$5 million and will pay \$43 million in cash, issue a \$4 million note and issue \$52 million in exchangeable preferred stock of its subsidiary, C-TEC Cable Systems, Inc. The preferred stock will be exchangeable for C-TEC common stock under certain conditions.

In January 1995, C-TEC entered into an agreement to purchase Buffalo Valley Telephone Company. The aggregate consideration for the purchase (\$55 million) will be a combination of cash and convertible preferred stock in the Telephone Group of C-TEC. The transaction is expected to close in the third quarter of 1995. Buffalo Valley Telephone Company provides local telephone service to 17,300 access lines in central Pennsylvania.

Also in January 1995, C-TEC purchased, for \$84 million in cash, a forty percent equity position in Megacable, S.A. De C.V., Mexico's second largest cable television operator with 174,000 subscribers in twelve cities. The purchase price is subject to adjustments based on fourth quarter 1995 exchange rates.

5. Other Matters:

PKS' management has asked the Internal Revenue Service to issue a ruling (the "Ruling") that would permit PKS to make a tax-free distribution of its entire ownership interest in MFS to the Class D stockholders (the "Spin-off"). PKS' management proposed a plan (the "Plan") to implement the Spin-off to PKS' Board of Directors during the second quarter of 1995. If the Board of Directors approves the Plan, and the Internal Revenue Service issues the Ruling, PKS could complete the Spin-off as early as the third quarter of 1995.

The Spin-off might not occur. For example, PKS might not receive the Ruling or the Board might not adopt the Plan. In addition, the issuance of the MFS Preferred Stock necessary to obtain the Ruling (as described below), would require a favorable vote from a majority of the minority common stockholders of MFS, other than PKS, present and voting in person or by proxy at a special MFS stockholders meeting. If the favorable vote is not received, MFS would not be able to issue the MFS Preferred Stock and PKS would not be able to complete the Spin-off. Also, the Spin-off is subject to receipt of certain other approvals, some of which might not be received. Finally, if PKS' Board of Directors adopts the Plan, it would reserve the right to abandon, defer or modify the Spin-off at any time.

MFS has agreed in principle to issue PKS a special class of high- vote convertible preferred stock (the "MFS Preferred Stock") designed to permit PKS to satisfy certain requirements for receiving the Ruling. MFS would issue the Preferred Stock to PKS in exchange for the transfer by PKS to MFS of approximately 3.0 million of the shares of MFS common stock currently held by PKS. PKS anticipates that the MFS Preferred Stock (i) would have a face value of approximately \$15-25 million, (ii) would be convertible into MFS common stock at any time after the first anniversary of the date the MFS Preferred Stock is issued, (iii) would have dividend rate and a conversion premium determined by market conditions at the time that the MFS Preferred Stock is issued, (iv) would be redeemable at par six years after the date of issuance, and (v) would be non transferable for six years after the date of issuance except under certain limited circumstances. At the option of MFS, dividends on the MFS Preferred Stock could be paid either in cash or in shares of MFS Common Stock. Each share of MFS Preferred Stock would have approximately five votes per share in any election of MFS directors. If the Spin-off occurs, PKS would distribute to Class D stockholders both the MFS Preferred Stock and all of the common stock of MFS then held by PKS. If the Spin-off does not occur, MFS would not issue the MFS Preferred Stock to PKS.

The Plan would provide for an exchange offer (the "Exchange Offer") by PKS for Class C Stock, to be completed before the Spin-off. Under an Exchange Offer, PKS would offer to exchange Class D Stock for some or all of its outstanding Class C Stock on terms similar to those upon which Class C Stock can be converted into Class D Stock during the annual conversion period provided in the Company's Certificate of Incorporation. As a result, Class C Stockholders wanting to convert Class C Stock to Class D Stock would not be disadvantaged if the Spin-off

were to be completed before the next conversion permitted by the Certificate of Incorporation. If an Exchange Offer could not be completed prior to the next conversion under the Certificate of Incorporation, PKS probably would defer any Spin-off until the first quarter of 1996.

In 1994, several former stockholders 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 intend to vigorously contest this lawsuit. Defendants expect that a trial will be held in the summer of 1995. 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' liabilities pursuant to the indemnity agreement. Any judgment or settlement payment would be treated as an adjustment of the original purchase price and recorded as additional goodwill. If the Spin-off is approved by PKS' Board of Directors and is consummated, the Group would remain obligated to satisfy these liabilities.

In 1974, a subsidiary of the Group ("Kiewit"), entered into a lease with Whitney Benefits, Inc., a Wyoming charitable corporation ("Whitney"). Whitney is the owner, and Kiewit is the lessee, of a coal deposit underlying a 1,300 acre tract in Sheridan County, Wyoming. The coal was rendered unmineable by the Surface Mining Control and Reclamation Act of 1977 ("SMCRA"), which prohibited surface mining of coal in certain alluvial valley floors significant to farming. In 1983, Kiewit and Whitney filed an action, now titled Whitney Benefits, Inc. and Peter Kiewit Sons' Co. v. The United States, in the U.S. Court of Federal Claims ("Claims Court"), alleging that the enactment of SMCRA constituted a taking of their coal without just compensation. In 1989, the Claims Court ruled that a taking had occurred and awarded plaintiffs the 1977 fair market value of the property (\$60 million) plus interest. In 1991, the U.S. Supreme Court denied certiorari. The government filed two post-trial motions in the Claims Court during 1992. The government requested a new trial to redetermine the 1977 value of the property. The government also filed a motion to reopen and set aside the 1989 judgment as void and to dismiss plaintiffs' complaint for lack of jurisdiction. In May 1994, the Claims Court entered an order denying both motions. In February 1994, the Claims Court issued an opinion which provided that the \$60 million judgment would bear interest compounded annually from 1977 until payment. The government appealed the February 1994 and May 1994 orders. A hearing on the appeals was held in February 1995.

On May 5, 1995, the government and the plaintiffs entered into a settlement agreement. In settlement of all claims, the government will pay plaintiffs \$200 million and plaintiffs will deed the coal underlying the real property to the government. Kiewit and Whitney agreed in 1992 that Kiewit would receive 67.5 percent of any award and Whitney would receive the remainder. Peter Kiewit Sons' Co., a subsidiary of Kiewit Diversified Group Inc., will receive cash of approximately \$135 million. Payment is expected in June 1995.

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.

KIEWIT DIVERSIFIED GROUP

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

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

Mining

Mining revenue increased by 13% in 1995. Mining margins declined slightly in 1995 from 49% to 48% as a large customer purchased more coal in 1995 than in 1994 at contract prices less than those of other primary customers. Coal spot sales and their margins remained at the same level during the 1995 and 1994 periods.

Telecommunications

In 1995, telecommunications revenue increased nearly 79% from the first quarter of 1994. MFS revenue increased 237% and C-TEC revenue remained constant. C-TEC's 1994 revenue reflected \$7 million of revenue from its cellular business which was sold during the third quarter of 1994.

The telecommunications services revenue of MFS increased from \$22 million in 1994 to \$104 million in 1995. The increase reflects the acquisition of Centex, RealCom and Cylix in 1994, and increased market penetration of all other telecommunications services.

MFS' telecommunications services operating expenses increased \$109 million. The primary reasons for the increase were the acquisition of Centex, RealCom and Cylix in 1994, the expansion activities of MFS Intelenet, MFS Datanet and MFS International, and costs associated with new and expanded networks. MFS expects to incur additional significant expense expanding integrated, single-source telecommunications services, high-speed data communications and international services throughout 1995.

C-TEC's Telephone Group and Cable Group revenues were flat between 1994 and 1995 at \$31 million and \$24 million for each period. The Long Distance Group's sales increased by approximately \$5 million due primarily to the resale of tariff services to another long distance reseller. The Long Distance Group's arrangement for sales of this product are expected to terminate during the second quarter of 1995. Operating expenses for each of C-TEC's operating segments were relatively stable between 1994 and 1995.

General and Administrative Expenses

General and administrative expenses increased 17% in 1995. The increase is due to the MFS acquisitions of the Centex, Realcom and Cylix operations in 1994 and the higher costs associated with the expansion of MFS Intelenet, Datanet and International.

Gain on Subsidiary's Stock Transactions, net.

The issuance of MFS stock for acquisitions by MFS and the exercise of MFS employee stock options resulted in a \$3 million net gain to the Group in 1995. In 1994 the Group settled a contingent purchase price adjustment resulting from MFS' 1990 purchase of Chicago Fiber Optics Corporation ("CFO"). The former shareholders of CFO accepted MFS stock previously held by the Group valued at market prices, as payment of the obligation. This transaction along with the issuances of stock for acquisitions and employee stock options, resulted in a \$25 million net gain before taxes.

Investment Income, net

Investment income is principally comprised of interest income of \$15 million and \$13 million in 1995 and 1994, and gains and (losses) on the sale of securities of (\$1) million in 1995 and \$2 million in 1994. The increase in interest income is attributable to the proceeds C-TEC received from the sale of its cellular operations and from the stock rights offering C-TEC concluded in December 1994.

Interest Expense, net

Interest expense increased 53% in 1995. The increase is primarily attributable to \$11 million in tax deficiency interest payments in 1995 and a \$2 million increase in MFS' interest expense. Partially offsetting the increases was a \$3 million decline in interest for C-TEC. This decline resulted from the repayment of debt in the fourth quarter of 1994.

Income Taxes

The effective income tax rates in the first quarter of 1994 and 1995 differ from the expected statutory rate of 35% primarily due to net operating loss limitations on losses generated by MFS.

Financial Condition - March 31, 1995 vs. December 31, 1994

Due to the significant investing activities described below, the Group's working capital decreased \$175 million or 18% during the first quarter of 1995.

Investing activities include \$119 million of capital expenditures, 86% pertaining to MFS, and \$129 million of investments in affiliates. The investments in affiliates include C-TEC's \$84 million outlay for 40% of Megacable, KDG's \$26 million participation in CECI's stock offering, \$5 million acquisitions by both MFS and C-TEC, and an additional \$4 million investment in a Philippine power project. In addition, C-TEC deposited \$5 million for the Twin Valley acquisition which is expected to be completed in the second quarter of 1995.

Financing sources for the quarter include \$54 million of stock conversions, \$8 million of borrowings for the construction financing of a privately owned toll road and \$8 million of C-TEC borrowings on the Cable Group's revolving credit agreement. Financing uses consisted of \$3 million of payments on stockholders' notes and \$2 million for stock repurchases.

In 1995, the Group received the final payment (\$29 million) for the sale of discontinued packaging operations.

In addition to the C-TEC and MFS activities described below, the Group anticipates making significant (over \$50 million in 1995) investments in its energy businesses - including its joint venture agreement with CECI covering international power project development activities - and searching for opportunities to acquire capital intensive businesses which provide for long-term growth. Other long-term liquidity uses include payment of income taxes and repurchases of stock. The Group's current financial condition and borrowing capacity should be sufficient for future operating and investing activities. In the event of an MFS spin, the Group may receive additional funds from stock conversions.

C-TEC intends to utilize its available cash and revolving credit balances to fund operating activities, finance the pending acquisitions of Twin County and Buffalo Valley, and to develop full service networks.

In late 1993, MFS announced its intention to accelerate the expansion of its customer base, service offerings and existing networks as well as the deployment of new networks. MFS estimated that this expansion would require the expenditure of approximately \$1 billion over 3 to 5 years. During 1994, MFS continued to add networks in new cities and increasingly focused on the development of networks in business markets near its existing networks in major metropolitan areas. MFS considers the development of these business markets to be an efficient and cost-effective utilization of capital and management resources.

Under the expansion plan referred to above, MFS estimates capital expenditures of \$350-400 million in 1995. During the three months ended March 31, 1995, MFS invested \$102 million, primarily for the construction of networks and purchase of related equipment. As of March 1995,

MFS provides services on its networks, or through the resale of services, or has network operations under development in 46 major metropolitan areas in the United States and Europe.

To continue the funding of the expansion announced in late 1993, MFS finalized arrangements for \$250 million of revolving credit facilities with a syndicate of commercial banks in April 1995 (the "Credit Facilities"). The Credit Facilities mature at various times through April 30, 2000 and bear interest at a floating rate. MFS anticipates that the Credit Facilities, together with cash on hand and internally generated funds, will be sufficient to fund its anticipated operating losses, working capital needs and the remaining capital spending requirements necessary to complete its expansion. MFS may, however, obtain vendor financing as an alternative to utilization of all or a portion of the Credit Facilities. As a result of the recent rapid pace of various regulatory, legislative and competitive changes in the United States and abroad, MFS has the opportunity to offer cost-effective telecommunications services sooner and in more business markets than had previously been expected. MFS believes that these opportunities include the further acceleration of network development in the United States, deployment of additional switches resulting in the provision of switched services in approximately 50 metropolitan areas in the United States and the expansion of its international operations. The international expansions contemplate a total of approximately 25 business markets with an increasing focus on facilities-based operations primarily in the European Community.

In April 1995, MFS filed a Registration Statement on Form S-3 with the Securities and Exchange Commission for a public offering of 7,400,000 Depositary Shares (the "Offering"), each representing an interest in a share of convertible preferred stock. Each Depositary Share will be mandatorily convertible into one share of common stock on June 15, 1999. The exact timing and size of the offering will be subject to prevailing market conditions. In addition to the Offering, MFS will continue to consider other opportunities to sell equity or debt securities in the public or private markets to implement its financing strategy of maintaining financial flexibility to react to opportunities in the rapidly evolving telecommunications marketplace while cost-effectively funding the capital investments required to implement its business development plan. The net proceeds of the Offering are expected to provide the capital necessary to fund certain of these new business opportunities. In addition MFS may obtain vendor financing and utilize the Credit Facilities, to the extent available, to fund certain aspects of its business development plan. MFS will continue to consider other opportunities to sell equity or debt securities in the public or private markets to implement the financing strategy described above.

MFS from time to time evaluates acquisitions in pursuit of its business strategy, either as an alternative to constructing networks, adding customers, or to the introduction of services that complement existing and/or planned services. Such acquisitions may be significant in size and could use a substantial portion of MFS' available cash.

From time to time, MFS has had discussions with other communications entities concerning the establishment of possible strategic relationships, including transactions involving substantial acquisitions, combinations and equity investments in MFS or one of its subsidiaries. In addition, certain acquisitions, may provide MFS with the opportunity to acquire an established customer base. MFS intends to consider appropriate opportunities to establish strategic relationships.

PKS' management has asked the Internal Revenue Service to issue a ruling (the "Ruling") that would permit PKS to make a tax-free distribution of its entire ownership interest in MFS to the Class D stockholders (the "Spin-off"). PKS' management proposed a plan (the "Plan") to implement the Spin-off to PKS' Board of Directors during the second quarter of 1995. If the Board of Directors approves the Plan, and the Internal Revenue Service issues the Ruling, PKS could complete the Spin-off as early as the third quarter of 1995.

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See Note 5 to the Financial Statements with regard to the Whitney Benefits case.

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