

# LEVEL 3 COMMUNICATIONS INC

## FORM 10-K/A (Amended Annual Report)

Filed 05/02/96 for the Period Ending 12/30/95

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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Filed 5/2/1996 For Period Ending 12/30/1995

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# SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 10-K/A

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the fiscal year ended Commission File  
December 30, 1995 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)

**Securities registered pursuant to Section 12(b) of the Act:**

None.

**Securities registered pursuant to Section 12(g) of the Act:**

Class B Construction & Mining Group Nonvoting Restricted Redeemable Convertible Exchangeable Common Stock, par value \$.0625  
Class C Construction & Mining Group Restricted Redeemable Convertible Exchangeable Common Stock, par value \$.0625  
Class D Diversified Group Convertible Exchangeable Common Stock, par value \$.0625

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

The registrant's stock is not publicly traded, and therefore there is no ascertainable aggregate market value of voting stock held by nonaffiliates.

As of March 15, 1996, the number of outstanding shares of each class of the Company's common stock was:

Class B -263,468 Class C -9,957,413 Class D -23,222,259

Portions of the Company's definitive Proxy Statement for the 1996 Annual Meeting of Stockholders are incorporated by reference into

Part III of this Form 10-K.

The following amendment is filed for the purpose of correcting the date on the Report of Independent Accountants.

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

Peter Kiewit Sons', Inc.

Dated: May 2, 1996

/s/ Richard R. Jaros  
Richard R. Jaros  
Executive Vice  
President Chief  
Financial Officer

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

### Index to Financial Statements

and Financial Statement Schedule

#### **Report of Independent Accountants**

Consolidated Financial Statements as  
of December 30, 1995 and December 31, 1994 and for the three years ended December 30, 1995:

Consolidated Statements of Earnings  
Consolidated Balance Sheets  
Consolidated Statements of Cash Flows  
Consolidated Statements of Changes in Stockholders' Equity

Notes to Consolidated Financial Statements

Consolidated Financial Statement Schedule for the three years ended December 30, 1995:

#### **II--Valuation and Qualifying Accounts and Reserves**

Schedules not indicated above have been omitted because of the absence of the conditions under which they are required or because the information called for is shown in the consolidated financial statements or in the notes thereto.

### **REPORT OF INDEPENDENT ACCOUNTANTS**

The Board of Directors and Stockholders  
Peter Kiewit Sons', Inc.

We have audited the consolidated financial statements and the financial statement schedule of Peter Kiewit Sons', Inc. and Subsidiaries as listed in the index on the preceding page of this Form 10-K. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peter Kiewit Sons', Inc. and Subsidiaries as of December 30, 1995 and December 31, 1994, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 30, 1995 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

### **COOPERS & LYBRAND L.L.P.**

Omaha, Nebraska  
March 19, 1996, except as for Note 19, as to which the date is March 27, 1996

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

### Consolidated Statements of Earnings

For the three years ended December 30, 1995

(dollars in millions, except per share data)	1995	1994	1993
Revenue	\$ 2,902	\$ 2,704	\$ 2,050
Cost of Revenue	(2,474)	(2,314)	(1,742)
	-----	-----	-----
	428	390	308
General and Administrative Expenses	(266)	(225)	(154)
	-----	-----	-----
Operating Earnings	162	165	154
Other Income (Expense):			
Gain on Subsidiary's Stock Transactions, net	3	54	211
Investment Income, net	79	43	17
Interest Expense, net	(25)	(38)	(14)
Other, net	157	16	24
	-----	-----	-----
	214	75	238
Equity Loss in MFS	(131)	(102)	(13)
	-----	-----	-----
Earnings Before Income Taxes and Minority Interest	245	138	379
Income Tax Benefit (Provision)	11	(29)	(118)
Minority Interest in Net (Income) Loss of Subsidiaries	(12)	1	-
	-----	-----	-----
Net Earnings	\$ 244	\$ 110	\$ 261
	=====	=====	=====
Net Earnings Attributable to Class B&C Stock	\$ 104	\$ 77	\$ 80
	=====	=====	=====
Net Earnings Attributable to Class D Stock	\$ 140	\$ 33	\$ 181
	=====	=====	=====
Net Earnings Per Common and Common Equivalent Share:			
Class B&C	\$ 7.78	\$4.92	\$4.63
	=====	=====	=====
Class D	\$ 6.45	\$1.63	\$9.08
	=====	=====	=====

See accompanying notes to consolidated financial statements.

## PETER KIEWIT SONS', INC. AND SUBSIDIARIES

### Consolidated Balance Sheets

December 30, 1995 and December 31, 1994

(dollars in millions, except per share data)	1995	1994
Assets		
Current Assets:		
Cash and cash equivalents	\$ 457	\$ 400
Marketable securities	604	910
Receivables, less allowance of \$12 and \$9	329	414
Note receivable from sale of discontinued operations	-	29
Costs and earnings in excess of billings on uncompleted contracts	78	126
Investment in construction joint ventures	73	69
Deferred income taxes	66	74
Other	59	81
	-----	-----
Total Current Assets	1,666	2,103
Property, Plant and Equipment, at cost:		
Land	33	30
Buildings	98	206
Equipment	1,246	1,739

	-----	-----
	1,377	1,975
Less accumulated depreciation and amortization	(710)	(731)
	-----	-----
Net Property, Plant and Equipment	667	1,244
Investments	538	313
Intangible Assets, net	515	749
Other Assets	77	83
	-----	-----
	\$ 3,463	\$ 4,492
	=====	=====

See accompanying notes to consolidated financial statements.

## PETER KIEWIT SONS', INC. AND SUBSIDIARIES

### Consolidated Balance Sheets

December 30, 1995 and December 31, 1994

(dollars in millions, except per share data)	1995	1994
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 240	\$ 344
Short-term borrowings	45	-
Current portion of long-term debt:		
Telecommunications	36	26
Other	6	7
Accrued costs and billings in excess of revenue on uncompleted contracts	121	143
Accrued insurance costs	79	75
Other	139	206
	-----	-----
Total Current Liabilities	666	801
Long-Term Debt, less current portion:		
Telecommunications	264	827
Other	106	81
Deferred Income Taxes	236	302
Retirement Benefits	54	67
Accrued Reclamation Costs	100	103
Other Liabilities	216	127
Minority Interest	214	448
Stockholders' Equity:		
Preferred stock, no par value, authorized 250,000 shares:		
no shares outstanding in 1995 and 1994	-	-
Common stock, \$.0625 par value, \$1.5 billion aggregate redemption value:		
Class B, authorized 8,000,000 shares: 263,468 outstanding in 1995 and 1,000,400 outstanding in 1994	-	-
Class C, authorized 125,000,000 shares: 10,616,901 outstanding in 1995 and 15,087,028 outstanding in 1994	1	1
Class D, authorized 50,000,000 shares: 23,024,974 outstanding in 1995 and 20,391,568 outstanding in 1994	1	1
Additional paid-in capital	210	182
Foreign currency adjustment	(6)	(7)
Net unrealized holding gain (loss)	17	(8)
Retained earnings	1,384	1,567
	-----	-----
Total Stockholders' Equity	1,607	1,736
	-----	-----
	\$ 3,463	\$ 4,492
	=====	=====

See accompanying notes to consolidated financial statements

**PETER KIEWIT SONS', INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

For the three years ended December 30, 1995

(dollars in millions)	1995	1994	1993
Cash flows from continuing operations:			
Net Earnings	\$ 244	\$ 110	\$ 261
Adjustments to reconcile net earnings to net cash provided by continuing operations:			
Depreciation, depletion and amortization	152	217	99
(Gain) loss on sale of property, plant and equipment, and other investments	(40)	5	23
Gain on subsidiary's stock transactions, net	(3)	(54)	(211)
Equity (earnings) loss	116	(10)	(10)
Noncash interest expense	-	40	-
Minority interest in subsidiaries	12	(50)	(3)
Decline in market value of investments	-	-	21
Retirement benefits paid	(2)	(6)	(17)
Deferred income taxes	(147)	(40)	57
Change in working capital items:			
Receivables	3	(49)	9
Other current assets	19	(67)	(48)
Payables	-	42	47
Other liabilities	80	19	13
Other	-	8	45
	-----	-----	-----
Net cash provided by continuing operations	434	165	286
Cash flows from investing activities:			
Proceeds from sales and maturities of marketable securities	605	1,876	4,927
Purchases of marketable securities	(613)	(1,718)	(5,231)
Acquisitions, excluding cash acquired	(231)	(254)	(146)
Proceeds from sale of cellular properties	-	182	-
Proceeds from sale of property, plant and equipment, and other investments	29	20	38
Capital expenditures	(161)	(513)	(192)
Investments in affiliates	(29)	(34)	(14)
Acquisition of minority interest	-	(6)	(2)
Deferred development costs and other	(38)	(49)	(35)
	-----	-----	-----
Net cash used in investing activities	\$ (438)	\$ (496)	\$ (655)

See accompanying notes to consolidated financial statements.

**PETER KIEWIT SONS', INC. AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

For the three years ended December 30, 1995

(continued)

(dollars in millions)	1995	1994	1993
Cash flows from financing activities:			
Long-term debt borrowings	\$ 52	\$ 693	\$ 21
Payments on long-term debt, including current portion	(52)	(309)	(8)
Net change in short-term borrowings	45	-	(80)
Issuances of common stock	25	21	24
Issuances of subsidiaries' stock	-	70	458
Repurchases of common stock	(6)	(31)	(54)
Dividends paid	(13)	(13)	(27)

Net cash provided by financing activities	51	431	334
Cash flows from discontinued packaging operations:			
Proceeds from sales of discontinued packaging operations	29	5	110
Other cash provided by discontinued packaging operations	-	-	20
Net cash provided by discontinued packaging operations	29	5	130
Cash and cash equivalents of MFS at beginning of year	(22)	-	-
Effect of exchange rates on cash	3	(1)	(2)
Net increase in cash and cash equivalents	57	104	93
Cash and cash equivalents at beginning of year	400	296	203
Cash and cash equivalents at end of year	\$ 457	\$ 400	\$ 296
Supplemental disclosure of cash flow information:			
Taxes	\$ 201	\$ 115	\$ 83
Interest	35	41	7
Noncash investing and financing activities:			
Dividend of investment in MFS	\$399	\$ -	\$ -
Issuance of C-TEC redeemable preferred stock for acquisition	39	-	-
Disposition of gold operations in exchange of Kinross common stock	21	-	-
Issuance of MFS stock for acquisitions	-	71	-
MFS stock transactions to settle contingent purchase price adjustment	-	25	-

See accompanying notes to consolidated financial statements.

## PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity For the three years ended December 30, 1995

Class Class Net B & C D Additional Foreign Unrealized Common Common Paid-in Currency Holding Retained

	Stock	Stock	Capital	Adjustment	Gain (Loss)	Earnings	Total
(dollars in millions)							
Balance at December 26, 1992	\$ 1	\$ 1	\$ 145	\$ 3	\$ -	\$ 1,308	\$1,458
Issuances of stock	-	-	24	-	-	-	24
Repurchases of stock	-	-	(5)	-	-	(49)	(54)
Foreign currency adjustment	-	-	-	(6)	-	-	(6)
Net unrealized holding gain	-	-	-	-	9	-	9
Net earnings	-	-	-	-	-	261	261
Dividends: (a) Class B&C (\$ .70 per common share)	-	-	-	-	-	(11)	(11)
Class D (\$.50 per common							



share)	-	-	-	-	-	(10)	(10)
	-----	-----	-----	-----	-----	-----	-----
Balance at December 25, 1993	1	1	164	(3)	9	1,499	1,671
Issuances of stock	-	-	21	-	-	-	21
Repurchases of stock	-	-	(3)	-	-	(28)	(31)
Foreign currency adjustment	-	-	-	(4)	-	-	(4)
Net unrealized holding (loss)	-	-	-	-	(17)	-	(17)
Net earnings	-	-	-	-	-	110	110
Dividends: (b) Class B&C (\$ .90 per common share)	-	-	-	-	-	(14)	(14)
	-----	-----	-----	-----	-----	-----	-----
Balance at December							

31, 1994 \$ 1 \$ 1 \$ 182 \$ (7) \$ (8) \$ 1,567 \$ 1,736

See accompanying notes to consolidated financial statements

### PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity For the three years ended December 30, 1995

(continued)

Class Class Net B & C D Additional Foreign Unrealized Common Common Paid-in Currency Holding Retained Stock Stock Capital  
Adjustment Gain (Loss) Earnings Total

Balance at December 31, 1994	\$ 1	\$ 1	\$ 182	\$ (7)	\$ (8)	\$ 1,567	\$1,736
Issuances of stock	-	-	29	-	-	-	29
Repurchases of stock	-	-	(1)	-	-	(5)	(6)
Foreign currency adjustment	-	-	-	1	-	-	1
Net unrealized holding gain	-	-	-	-	25	-	25
Net earnings	-	-	-	-	-	244	244
Dividends: (c) Class B&C (\$1.05 per common share)	-	-	-	-	-	(12)	(12)
Class D (\$ .50 per common							

share)	-	-	-	-	-	(11)	(11)
MFS							
Dividend	-	-	-	-	-	(399)	(399)
Balance							
at							
December							

30, 1995 \$ 1 \$ 1 \$ 210 \$ (6) \$ 17 \$1,384 \$ 1,607

(a)Includes \$.40 per share for dividends on Class B&C Stock declared in 1993 but paid in January 1994.

(b)Includes \$.45 per share for dividends on Class B&C Stock declared in 1994 but paid in January 1995.

(c)Includes \$.60 and \$.50 per share for dividends on Class B&C Stock and Class D Stock, respectively, declared in 1995 but paid in January 1996.

See accompanying notes to consolidated financial statements.

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

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

#### **(1) Summary of Significant Accounting Policies**

##### **Principles of Consolidation**

The consolidated financial statements include the accounts of Peter Kiewit Sons', Inc. and subsidiaries in which it owns more than 50% of the voting stock ("PKS" or "the Company"), which are engaged in enterprises primarily related to construction, mining and telecommunications. Fifty-percent-owned mining joint ventures are consolidated on a pro rata basis. Investments in other companies in which the Company exercises significant influence over operating and financial policies and construction joint ventures are accounted for by the equity method. In addition, the Company accounts for its investments in international energy projects using the equity method. The Company accounts for its share of the operations of the construction joint ventures on a pro rata basis in the consolidated statements of earnings. All significant intercompany accounts and transactions have been eliminated.

##### **Construction Contracts**

The Company operates generally within North America as a general contractor and engages in various types of construction projects for both public and private owners. Credit risk is minimal with public (government) owners since the Company ascertains that funds have been appropriated by the governmental project owner prior to commencing work on public projects. Most public contracts are subject to termination at the election of the government. In the event of termination, the Company is entitled to receive the contract price on completed work and reimbursement of termination related costs. Credit risk with private owners is minimized because of statutory mechanics liens, which give the Company high priority in the event of lien foreclosures following financial difficulties of private owners.

The construction industry is highly competitive and lacks firms with dominant market power. A substantial portion of the Company's business involves construction contracts obtained through competitive bidding. The volume and profitability of the Company's construction work depends to a significant extent upon the general state of the economies in which it operates and the volume of work available to contractors. The Company's construction operations could be adversely affected by labor stoppages or shortages, adverse weather conditions, shortages of supplies, or other governmental action.

The Company recognizes revenue on long-term construction contracts and joint ventures on the percentage-of-completion method based upon engineering estimates of the work performed on individual contracts. Provisions for losses are recognized on uncompleted contracts when they become known. Claims for additional revenue are recognized in the period when allowed. It is at least reasonably possible that engineering estimates of the work performed on individual contracts will be revised in the near term.

Assets and liabilities arising from construction activities, the operating cycle of which extends over several years, are classified as current in the financial statements. A one-year time period is used as the basis for classification of all other current assets and liabilities.

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

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

##### **Coal Sales Contracts**

The Company's coal is sold primarily under long-term contracts with electric utilities, which burn coal in order to generate steam to produce electricity. A substantial portion of the Company's coal sales were made under long-term contracts during 1995, 1994 and 1993. The remainder of the Company's sales are made on the spot market where prices are substantially lower than those in the long-term contracts. As the long-term contracts expire, a higher proportion of the Company's sales will occur on the spot market.

The coal industry is highly competitive. The Company competes not only with other domestic and foreign coal suppliers, some of whom are larger and have greater capital resources than the Company, but also with alternative methods of generating electricity and alternative energy sources. Many of the Company's competitors are served by two railroads and, due to the competition, often benefit from lower transportation costs than the Company which is served by a single railroad. Additionally, many competitors have lower stripping ratios than the Company, often resulting in lower comparative costs of production.

The Company is also required to comply with various federal, state and local laws concerning protection of the environment. The Company believes its compliance with environmental protection and land restoration laws will not affect its competitive position since its competitors are similarly affected by such laws.

The Company and its mining ventures have entered into various agreements with its customers which stipulate delivery and payment terms for the sale of coal. Prior to 1993, one of the primary customers deferred receipt of certain commitments by purchasing undivided fractional interests in coal reserves of the Company and the mining ventures. Under the arrangements, revenue was recognized when cash was received. The agreements with this customer were renegotiated in 1992. In accordance with the renegotiated agreements, there were no sales of interests in coal reserves subsequent to January 1, 1993. The Company has the obligation to deliver the coal reserves to the customer in the future if the customer exercises its option. If the option is exercised, the Company presently intends to deliver coal from unaffiliated mines and a mine in which the Company has a 50% interest. In the opinion of management, the Company has sufficient coal reserves to cover the above sales commitments.

The Company's coal sales contracts are with several electric utility and industrial companies. In the event that these customers do not fulfill contractual responsibilities, the Company would pursue the available legal remedies.

### **Telecommunications Revenues**

C-TEC Corporation's ("C-TEC"), most significant operating groups are its local telephone service and cable system operations. C-TEC's telephone network access revenues are derived from net access charges, toll rates and settlement arrangements for traffic that originates or terminates within C-TEC's local telephone company. Revenues from telephone services and basic and premium cable programming services are recorded in the month the service is provided.

The telecommunications industry is subject to local, state and federal regulation. Consequently, the ability of the telephone and cable groups to generate increased volume and profits is largely

**PETER KIEWIT SONS', INC.**

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

dependent upon regulatory approval to expand customer bases, increase prices and limit expenses.

Competition for the cable group's services traditionally has come from broadcast television, video rentals and direct broadcast satellite received on home dishes. Future competition is expected from telephone companies.

Concentration of credit risk with respect to accounts receivable are limited due to the dispersion of customer base among geographic areas and remedies provided by terms of contracts and statutes.

### **Depreciation and Amortization**

Property, plant and equipment are recorded at cost. Depreciation and amortization for the majority of the Company's property, plant and equipment are computed on accelerated and straight-line methods. Depletion of mineral properties is provided primarily on an units-of-extraction basis determined in relation to estimated reserves.

In accordance with industry practice, certain telephone plant owned by C-TEC valued at \$233 million is depreciated based on the estimated remaining lives of the various classes of depreciable property and straight-line composite rates. When property is retired, the original cost, plus cost of removal, less salvage, is charged to accumulated depreciation.

### **Intangible Assets**

Intangible assets primarily include amounts allocated upon purchase of existing operations, franchise and subscriber lists and development costs. These assets are amortized on a straight-line basis over the expected period of benefit, which does not exceed 40 years.

The Company reviews the carrying amount of intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Measurement of any impairment would include a comparison of estimated future operating cash flows anticipated to be generated during the remaining life of the asset to the net carrying value of the asset.

**Pension Plans**

The Company maintains defined benefit plans primarily for packaging employees who retired prior to the disposition of the packaging operations. Benefits paid under the plans are based on years of service for hourly employees and years of service and rates of pay for salaried employees.

Substantially all of C-TEC's employees are included in a trustee noncontributory defined benefit plan. Upon retirement, employees are provided a monthly pension based on length of service and compensation.

The plans are funded in accordance with the requirements of the Employee Retirement Income Security Act of 1974.

**PETER KIEWIT SONS', INC.**

**Notes to Consolidated Financial Statements**

**Reserves for Reclamation**

The Company follows the policy of providing an accrual for reclamation of mined properties, based on the estimated cost of restoration of such properties, in compliance with laws governing strip mining. It is at least reasonably possible that the estimated cost of restoration will be revised in the near-term.

**Foreign Currencies**

The local currencies of foreign subsidiaries are the functional currencies for financial reporting purposes. Assets and liabilities are translated into U.S. dollars at year-end exchange rates. Revenue and expenses are translated using average exchange rates prevailing during the year. Gains or losses resulting from currency translation are recorded as adjustments to stockholders' equity.

**Subsidiary Stock Sales and Issuances**

The Company recognizes gains and losses from the sales and issuances of stock by its subsidiaries.

**Earnings Per Share**

Primary earnings per share of common stock have been computed using the weighted average number of shares outstanding during each year. Fully diluted earnings per share have not been presented because it is not materially different from primary earnings per share. The number of shares used in computing earnings per share were as follows:

	1995	1994	1993
Class B & C	13,384,434	15,697,724	17,290,971
Class D	21,718,792	20,438,806	19,941,885

**Income Taxes**

Deferred income taxes are provided for the differences between the financial reporting and tax basis of the Company's assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PETER KIEWIT SONS', INC.**

**Notes to Consolidated Financial Statements**

**Reclassifications**

Where appropriate, items within the consolidated financial statements and notes thereto have been reclassified from previous years to conform to current year presentation.

### **Fiscal Year**

The Company's fiscal year ends on the last Saturday in December. There were 52 weeks in fiscal years 1995 and 1993 and 53 weeks in the fiscal year 1994.

C-TEC has a calendar fiscal year.

### **(2) MFS Spin-off**

The PKS Board of Directors approved a plan to make a tax- free distribution of its entire ownership interest in MFS Communications Company, Inc. ("MFS"), effective September 30, 1995, to the Class D stockholders (the "Spin-off") at a special meeting on September 25, 1995.

The Spin-off was completed after PKS and Kiewit Diversified Group, Inc., a wholly owned first tier subsidiary of PKS ("KDG"), agreed with MFS to effect a recapitalization of MFS pursuant to which KDG exchanged a portion of the MFS Common Stock held by KDG for certain high-vote convertible preferred stock. In addition, prior to completing the Spin- off, PKS purchased additional shares of MFS Common Stock which were subsequently distributed to the Class D stockholders.

PKS completed an exchange offer prior to the Spin-off whereby 4,000,000 shares of Class B Stock and Class C Stock (Class B&C") were exchanged for 1,666,384 shares of Class D Stock on terms similar to those under which Class B&C Stock can be converted into Class D Stock during the annual conversion period provided for in the Company's Certificate of Incorporation. The conversion ratio used in the exchange was calculated using final 1994 stock prices adjusted for 1995 dividends.

After the recapitalization of MFS and the exchange offer discussed above, shares were distributed on the basis of approximately 1.741 shares of MFS Common Stock and approximately .651 shares of MFS Preferred Stock for each share of outstanding Class D Stock.

The net investment in MFS distributed on September 30, 1995 was approximately \$399 million.

The results of operations of MFS have been classified as a single line item on the statements of earnings for the three years ended December 30, 1995. MFS is consolidated in the 1994 balance sheet and the 1994 and 1993 statements of cash flows.

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

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

Operating results of MFS through September 30, 1995 and for fiscal years 1994 and 1993 are summarized as follows:

(dollars in millions)	1995	1994	1993
Revenue	\$ 412	\$ 287	\$ 141
Loss from operations	(176)	(136)	(31)
Net loss	(196)	(151)	(16)
PKS' share of loss in MFS	(131)	(102)	(13)

Included in the income tax benefit on the consolidated statement of earnings for the year ended December 30, 1995, is \$93 million of tax benefits from the reversal of certain deferred tax liabilities, recognized on gains from previous MFS stock transactions, that will not be taxed due to the Spin-off.

### **(3) Acquisitions**

During 1995, the Company and its subsidiaries acquired the entities described below. The Company has accounted for the transactions as purchases and consolidated the operating results since the acquisition dates. Purchase prices in excess of the fair market values of net assets acquired have been recorded as goodwill, in intangible assets.

C-TEC completed the first step of an acquisition of Twin County Trans Video, Inc. ("Twin County") in May 1995. Twin County provides cable television service to 74,000 subscribers in eastern Pennsylvania. In consideration for 40% of the capital stock of Twin County, C-TEC paid \$26 million in cash and issued a \$4 million note of its subsidiary, C-TEC Cable Systems, Inc. In addition, C-TEC paid \$11 million in consideration of a noncompete agreement. The remaining outstanding common stock of Twin County was acquired in September 1995 in exchange for \$52 million stated value redeemable preferred stock of C-TEC. The preferred stock has a stated dividend rate of 5%, beginning January 1, 1996. The fair value of the preferred stock, as determined by an independent appraiser, is \$39 million and is recorded in other liabilities. Goodwill of

\$18 million is being amortized over 10 years.

Pursuant to a stock rights offering in August 1995, C-TEC acquired majority voting control of Mercom, Inc. ("Mercom") through the exercise of stock rights and over subscription privileges. Immediately prior to the rights offering, C-TEC owned 43% of the outstanding common stock of Mercom and accounted for it under the equity method. For the aggregate consideration of approximately \$7 million, C-TEC increased its ownership interest to 62% and accordingly consolidated Mercom in its financial statements. C-TEC's total investment exceeded the underlying equity of Mercom by \$11 million which is amortized over 15 years.

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

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

The following unaudited pro forma information shows the results of the Company as though the C-TEC acquisitions occurred at the beginning of 1995 and 1994. These results include certain adjustments, primarily increased amortization, and do not necessarily indicate future results, nor the results of historical operations had the acquisitions actually occurred on the assumed dates.

(in millions, except per share data)	1995	1994
Revenue	\$ 2,920	\$ 2,741
Net Earnings	239	102
Earnings Per Share of Class D Stock	6.23	1.26

#### **(4) Gain on Subsidiary's Stock Transactions, net**

In May 1993, MFS sold 12.7 million shares of common stock to the public at an initial offering price of \$20 per share for \$233 million, net of certain transaction costs. An additional 4.6 million shares were sold to the public in September 1993, at a price of \$50 per share for \$218 million, net of certain transaction costs. Substantially all of the net proceeds from the offerings funded MFS' growth.

In 1994, the Company settled a contingent purchase price adjustment resulting from MFS' 1990 purchase of Chicago Fiber Optic Corporation ("CFO"). The former shareholders of CFO accepted MFS stock previously held by the Company, valued at current market prices, as payment of the obligation.

The above transactions, along with the stock issuances by MFS for acquisitions and employee stock options, reduced the Company's ownership in MFS to 71%, 67% and 66% at the end of 1993, 1994 and at September 30, 1995. As a result, the Company recognized gains of \$211 million, \$54 million and \$3 million in 1993, 1994 and 1995 representing the increase in its proportionate share of MFS equity. Deferred income taxes had been established on these gains prior to the Spin-off.

#### **(5) Disclosures about Fair Value of Financial Instruments**

The following methods and assumptions were used to determine classification and fair values of financial instruments:

### **Cash and Cash Equivalents**

Cash equivalents generally consist of highly liquid instruments purchased with an original maturity of three months or less. The securities are stated at cost, which approximates fair value.

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

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

#### **Marketable Securities and Non-current Investments**

The Company has classified all marketable securities and non-current investments not accounted for under the equity method as available-for-sale. The amortized cost of the securities used in computing unrealized and realized gains and losses is determined by specific identification. Fair values are estimated based on quoted market prices for the securities on hand or for similar investments. Fair values of certificates of deposit approximate cost. Net unrealized holding gains and losses are reported as a separate component of stockholders' equity, net of tax.

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

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

The following summarizes the cost, unrealized holding gains and losses, and estimated fair values of marketable securities and non-current investments at December 30, 1995 and December 31, 1994.

(dollars in millions)	Amortized Cost	Unrealized Holding Gains	Unrealized Holding Losses	Fair Value
1995				
Kiewit Mutual Fund:				
Short-term government	\$ 121	\$ 2	\$ -	\$ 123
Intermediate term bond	90	5	-	95
Tax exempt	138	4	-	142
Equity	10	2	-	12
Equity securities	8	3	-	11
U.S. debt securities	58	-	-	58
Federal agency securities	8	-	-	8
Municipal debt securities	14	-	-	14
Corporate debt securities	134	-	-	134
Collateralized mortgage obligations	-	2	-	2
Certificates of deposit	5	-	-	5
	----	----	----	----
	\$ 586	\$ 18	\$ -	\$ 604
	=====	=====	=====	=====
Non-current Investments:				
Equity securities	\$ 68	\$ 10	\$ -	\$ 78
	=====	=====	=====	=====

1994

Kiewit Mutual Fund:				
Short-term government	\$ 69	\$ -	\$ 1	\$ 68
Intermediate term bond	232	-	5	227
Tax exempt	39	-	1	38
Equity securities	4	-	1	3
U.S. Debt securities	322	-	3	319
Federal agency securities	77	-	-	77
Municipal debt securities	15	-	-	15
Corporate debt securities	145	-	2	143
Collateralized mortgage obligations	12	1	3	10
Certificates of deposit	10	-	-	10
	----	----	----	----
	\$ 925	\$ 1	\$ 16	\$ 910
	=====	=====	=====	=====
Non-current Investments:				
Equity securities	\$ 59	\$ 5	\$ 2	\$ 62
	=====	=====	=====	=====

## PETER KIEWIT SONS', INC.

### Notes to Consolidated Financial Statements

For debt securities, amortized costs do not vary significantly from principal amounts. Realized gains and losses on sales of marketable securities were \$1 million and \$3 million in 1995, \$2 million and \$18 million in 1994 and \$31 million and \$64 million in 1993.

At December 30, 1995 the contractual maturities of the debt securities are as follows:

(dollars in millions)	Amortized Cost	Fair Value
U.S. debt securities:		
Less than 1 year	\$ 42	\$ 42
1-5 years	16	16
	-----	-----
	\$ 58	\$ 58
	=====	=====
Federal agency securities:		
Less than 1 year	\$ 8	\$ 8
	=====	=====
Municipal debt securities:		
1-5 years	\$ 11	\$ 11
5-10 years	-	-
Over 10 years	3	3
	-----	-----
	\$ 14	\$ 14
	=====	=====

Corporate debt securities:		
Less than 1 year	\$ 33	\$ 33
1-5 years	81	81
5-10 years	20	20
	-----	-----
	\$ 134	\$ 134
	=====	=====
Certificates of deposit:		
Less than 1 year	\$ 4	\$ 4
1-5 years	1	1
	-----	-----
	\$ 5	\$ 5
	=====	=====

Maturities for the mutual fund, equity securities and collateralized mortgage obligations have not been presented as they do not have a single maturity date.

### Short-term Borrowings.

Short-term borrowings approximate fair value due to the short period of time to maturity.

## PETER KIEWIT SONS', INC.

### Notes to Consolidated Financial Statements

#### Long-term Debt

The fair value of debt was estimated using the incremental borrowing rates of the Company for debt of the same remaining maturities. With the exception of C-TEC, the fair value of debt approximates the carrying amount. C-TEC's Senior Secured Notes and the Credit Agreement with National Bank for Cooperatives have an aggregate fair value of \$253 million.

#### (6) Retainage on Construction Contracts

Marketable securities at December 30, 1995 and December 31, 1994 include approximately \$62 million and \$61 million of investments which are being held by the owners of various construction projects in lieu of retainage.

Receivables at December 30, 1995 and December 31, 1994 include approximately \$50 million and \$48 million of retainage on uncompleted projects, the majority of which is expected to be collected within one year.

#### (7) Investment in Construction Joint Ventures

The Company has entered into a number of construction joint venture arrangements. Under these arrangements, if one venturer is financially unable to bear its share of the costs, the other venturers will be required to pay those costs.

Summary joint venture financial information follows:

Financial Position (dollars in millions)	1995	1994
Total Joint Ventures		
Current assets	\$ 655	\$ 563
Other assets (principally construction equipment)	52	50
	-----	-----
	707	613
Current liabilities	(584)	(503)
	-----	-----
Net assets	\$ 123	\$ 110
	=====	=====
Company's Share		
Equity in net assets	\$ 67	\$ 67
Receivable from joint ventures	6	2
	-----	-----
Investment in construction joint ventures	\$ 73	\$ 69
	=====	=====



# PETER KIEWIT SONS', INC.

## Notes to Consolidated Financial Statements

Operations (dollars in millions)	1995	1994	1993
Total Joint Ventures			
Revenue	\$ 1,211	\$ 1,034	\$ 906
Costs	1,108	937	841
	-----	-----	-----
Operating income	\$ 103	\$ 97	\$ 65
	=====	=====	=====
Company's Share			
Revenue	\$ 691	\$ 523	\$ 430
Costs	622	473	372
	-----	-----	-----
Operating income	\$ 69	\$ 50	\$ 58
	=====	=====	=====

Management of the nonsponsored Denmark tunnel project completed a cost estimate in 1993 which indicated a favorable variance in the estimated costs of the project. As a result of this cost estimate and negotiations with the owner, the Company's management reduced reserves by \$20 million which had been maintained to provide for the Company's share of estimated losses on the project. Based on 1995 estimates, management believes that the resolution of the uncertainties in completing the tunnel should not materially affect the Company's financial position, future results of operations or future cash flows.

### (8) Investments

In February 1995, CalEnergy Company, Inc. ("CE"), formerly named California Energy Company Inc., 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 CE common stock at \$17 per share. As part of this offering, the Company purchased 1.5 million shares. In addition, during the second quarter of 1995, the Company purchased an additional 200,000 common shares of CE. At December 30, 1995, the Company owns 21% of CE's outstanding common stock and has a cumulative investment in CE common stock of \$153 million, \$37 million in excess of the Company's proportionate share of CE's equity. The excess investment is being amortized over 20 years. Equity earnings, net of goodwill amortization, were \$10 million, \$5 million and \$7 million in 1995, 1994 and 1993. CE common stock is traded on the New York Stock Exchange. On December 30, 1995, the market value of the Company's investment in CE common stock was \$211 million.

# PETER KIEWIT SONS', INC.

## Notes to Consolidated Financial Statements

In 1995, 1994 and 1993, the Company also recorded dividends in kind of \$1 million, \$5 million and \$5 million declared by CE consisting of voting convertible preferred stock. The stock dividends brought the Company's total investment in convertible preferred stock to \$65 million. In March 1995, CE exchanged the preferred stock for 9.5% Convertible Subordinated Debentures (the "Debentures") that pay interest semi-annually. The Debentures mature in December 2003 and are convertible into CE common stock at a conversion price of \$18.375 per share any time prior to maturity. CE may prepay the Debentures if the share price of CE stock is at least 150% of the conversion price for any 20 trading days out of any 30 consecutive trading days.

On February 20, 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 - \$12 per share

The following is summarized financial information of CalEnergy Company Inc.:

Financial Position (dollars in millions)	1995	1994
Current assets	\$ 418	\$ 518
Other assets	2,236	613
	-----	-----
Total assets	2,654	1,131
Current liabilities	564	309
Other liabilities	1,546	578
Redeemable preferred stock	-	64
	-----	-----
Total liabilities	2,110	951

	-----	-----	
Net assets	\$ 544	\$ 180	
	=====	=====	
Operations (dollars in millions)	1995	1994	1993
Revenue	\$ 399	\$ 186	\$ 132
	=====	=====	=====
Net income available to common stockholders	\$ 62	\$ 32	\$ 43
	=====	=====	=====

In 1995, a \$3 million purchase increased the Company's interest in an electrical contracting business to 49%. The cumulative investment in common stock, accounted for on the equity method, totals \$26 million, \$3 million in excess of the Company's share of equity. The excess investment is being amortized over 15 years. The contracting business is not publicly traded and does not have a readily determinable market value. The Company is committed to acquire 80% ownership by 1997.

## PETER KIEWIT SONS', INC.

### Notes to Consolidated Financial Statements

In January 1995, C-TEC purchased, for \$84 million in cash, a 40% equity position in Megacable, S.A. De C.V. ("Megacable"), Mexico's second largest cable television operator with 174,000 subscribers in twelve cities. C-TEC accounts for its investment using the equity method. The excess cost over the underlying net assets of Megacable, approximately \$94 million, is being amortized on a straight line basis over 15 years. C-TEC's share of Megacable's earnings, net of goodwill amortization was a \$3 million loss in 1995.

Pursuant to a joint venture agreement with CE, the Company is an equity investor in the Mahanagdong geothermal power project and the Casecnan power/irrigation project in the Philippines. Both projects are under construction. To date the Company has invested \$89 million in the Philippine projects. The Company also expects to be an equity investor with CE in additional geothermal projects in Indonesia. To date investments in these projects total \$9 million.

Investments also include equity securities classified as non-current and carried at the fair value of \$78 million.

#### (9) Intangible Assets

Intangible assets consist of the following at December 30, 1995 and December 31, 1994:

(dollars in million)	1995	1994
Goodwill	\$ 216	\$ 483
Franchise and subscriber lists	224	145
Licenses and right-of-way	-	15
Noncompete agreements	86	15
Deferred development costs	47	65
Toll road franchise costs	109	75
Other	4	19
	----	----
	686	817
Less accumulated amortization	(171)	(68)
	-----	-----
	\$ 515	\$ 749
	=====	=====

## PETER KIEWIT SONS', INC.

### Notes to Consolidated Financial Statements

#### (10) Short-Term Borrowings

The Company has established lines of credit with Union Bank of Switzerland for \$35 million, Bank of America for \$50 million and Banque de Nationale de Paris for \$30 million. Under these agreements the Company had \$45 million outstanding at December 30, 1995 at a weighted average interest rate of 5.78%.

#### (11) Long-Term Debt At December 30, 1995 and December 31, 1994, long-term debt was as follows:

(dollars in millions)	1995	1994
-----------------------	------	------

Telecommunications:

C-TEC Long-term Debt (with recourse only to C-TEC):

Credit Agreement - National Bank for Cooperatives (7.51% due 2009)	\$ 119	\$ 128
---	--------	--------

Senior Secured Notes -

( 9.65% due 1999) (includes unamortized premium of \$5 and \$6 based on imputed rate of 6.12%)	150	156
--	-----	-----

Term Credit Agreement - Morgan Guaranty Trust Company (7% due 2002)	19	-
--	----	---

Promissory Note - Twin County Acquisition (5% due 2003)	4	-
--	---	---

Revolving Credit Agreements and Other	8	4
---------------------------------------	---	---

MFS Long-term Debt (with recourse only to MFS):

9.375% Senior Discount Notes, Due 2004, with semi-annual interest payments 1999-2004	-	549
---	---	-----

Notes Payable, Due 1995, (Prime plus 1.5%)	-	16
--	---	----

-----	-----
300	853

Other PKS Long-term Debt:

9.5% to 11.1% Notes to former stockholders due 1996-2001	6	12
6.25% to 8.75% Convertible debentures due 2002-2005	8	8
Construction loans and other	98	68

-----	-----
112	88

-----	-----
412	941

Less current portion	( 42 )	( 33 )
----------------------	--------	--------

-----	-----
\$ 370	\$ 908
=====	=====

# PETER KIEWIT SONS', INC.

## Notes to Consolidated Financial Statements

In March 1994, C-TEC's telephone group entered into a \$135 million Credit Agreement with the National Bank for Cooperatives ("National"). The funds were used to prepay outstanding borrowings with the United States of America. Substantially all the assets of C-TEC's telephone group are subject to liens under this Credit Agreement. In addition, the telephone group is restricted from paying dividends in excess of the prior year net income.

The Senior Secured notes are collateralized by pledges of the stock of C-TEC's cable group. The notes contain restrictive covenants which require, among other things, specific debt to cash flow ratios.

Mercom, a consolidated subsidiary of C-TEC, has pledged the common stock of its operating subsidiaries as collateral for the Term Credit Agreement ("Agreement") with Morgan Guaranty Trust Company ("Morgan"). In addition, a first lien on certain material assets of Mercom and its subsidiaries has been granted to Morgan. The Agreement contains a restrictive covenant which requires Mercom to maintain a specified debt to cash flow ratio.

In connection with the acquisition of Twin County Trans Video, Inc., C-TEC Cable Systems, Inc., a wholly owned subsidiary of C-TEC, issued a \$4 million 5% promissory note. The note is unsecured.

C-TEC's cable group has Revolving Credit agreements which are collateralized by a pledge of the stock of the cable group subsidiaries. At December 30, 1995 the borrowings available under the agreement total \$12 million. The commitments are reduced on a quarterly basis through maturity in September 1996. The cable group had borrowings of \$7 million (6.7% weighted average interest rate) as of December 1995.

The convertible debentures are convertible during October of the fifth year preceding their maturity date. Each annual series may be redeemed in its entirety prior to the due date except during the conversion period. Debentures were converted into 59,935, 12,594 and 14,322 shares of Class C common stock and 69,022, 12,594 and 14,322 shares of Class D common stock in 1995, 1994 and 1993. As part of the exchange offer completed prior to the MFS Spin-off, all holders of 1990 and 1991 debentures and 1993 D debentures converted their debentures into Class C and Class D common stock. At December 30, 1995, 360,453 shares of Class C common stock are reserved for future conversions.

Other PKS debt consists primarily of construction financing of a privately owned toll road which will be converted to term debt upon completion of the project. Variable interest rates on this debt ranged from 7% to 10% at December 30, 1995. The Company capitalized \$7

million of interest in 1995.

Scheduled maturities of long-term debt through 2000 are as follows (in millions): 1996 - \$42; 1997 - \$57; 1998 - \$63; 1999 - \$64 and \$17 in 2000.

**PETER KIEWIT SONS', INC.**

**Notes to Consolidated Financial Statements**

**(12) Income Taxes**

An analysis of the income tax benefit (provision) before minority interest for the three years ended December 30, 1995 follows:

(dollars in millions)	1995	1994	1993
Current:			
U.S. federal	\$ (127)	\$ (54)	\$ (52)
Foreign	-	(10)	(2)
State	(9)	(5)	(7)
	-----	-----	-----
	(136)	(69)	(61)
Deferred:			
U.S. federal	146	27	(59)
Foreign	(4)	5	1
State	5	8	1
	-----	-----	-----
	147	40	(57)
	-----	-----	-----
	\$ 11	\$ (29)	\$ (118)
	=====	=====	=====

The United States and foreign components of earnings, for tax reporting purposes, before equity loss in MFS (recorded net of tax), minority interest and income taxes follow:

(dollars in millions)	1995	1994	1993
United States	\$ 370	\$ 224	\$ 385
Foreign	6	16	7
	-----	-----	-----
	\$ 376	\$ 240	\$ 392
	=====	=====	=====

A reconciliation of the actual income tax benefit (provision) and the tax computed by applying the U.S. federal rate (35%) to the earnings before equity loss in MFS (recorded net of tax), minority interest and income taxes for the three years ended December 30, 1995 follows:

(dollars in millions)	1995	1994	1993
Computed tax at statutory rate	\$ (132)	\$ (84)	\$ (137)
State income taxes	(8)	(3)	(4)
Depletion	3	4	4
Dividend exclusion	-	3	4
Tax exempt interest	3	4	-
Prior year tax adjustments	56	54	13
MFS deferred tax	93	-	-
Goodwill amortization	(4)	(2)	1
Other	-	(5)	1
	-----	-----	-----
	\$ 11	\$ (29)	\$ (118)
	=====	=====	=====

**PETER KIEWIT SONS', INC.**

**Notes to Consolidated Financial Statements**

The Company files a consolidated federal income tax return including its domestic subsidiaries as allowed by the Internal Revenue Code. Possible taxes, beyond those provided on remittances of undistributed earnings of foreign subsidiaries, are not expected to be material.

The components of the net deferred tax liabilities for the years ended December 30, 1995 and December 31, 1994 were as follows:

(dollars in millions)	1995	1994
Deferred tax liabilities:		
Investments in securities	\$ 15	\$ (5)
Investments in joint ventures	8	69
Investments in subsidiaries	10	99
Asset bases - accumulated depreciation	194	200
Deferred coal sales	39	11
Other	26	32
	-----	-----
Total deferred tax liabilities	292	406
Deferred tax assets:		
Construction accounts	3	12
Insurance claims	37	39
Compensation - retirement benefits	28	21
Provision for estimated expenses	24	10
Net operating losses of subsidiaries	5	84
Alternative minimum tax credits of subsidiary	5	13
Other	26	51
Valuation allowance	(6)	(52)
	-----	-----
Total deferred tax assets	122	178
	-----	-----
Net deferred tax liabilities	\$ 170	\$ 228
	=====	=====

### (13) Employee Benefit Plans

The Company makes contributions, based on collective bargaining agreements related to its construction operations, to several multi-employer union pension plans. These contributions are included in the cost of revenue. Under federal law, the Company may be liable for a portion of plan deficiencies; however, there are no known deficiencies.

The Company's defined benefit pension plans cover primarily packaging employees who retired prior to the disposition of the packaging operations. The expense related to these plans was approximately \$7 million, \$1 million and \$7 million in 1995, 1994 and 1993.

C-TEC maintains a separate defined benefit plan for substantially all of its employees. The prepaid pension cost and expense related to this plan is not significant at December 30, 1995 and December 31, 1994, and for the three years ended December 30, 1995.

## PETER KIEWIT SONS', INC.

### Notes to Consolidated Financial Statements

The Company also had a long-term incentive plan, consisting of stock appreciation rights, for certain employees. This plan concluded in 1994. The expense related to this plan was \$2 million and \$3 million in 1994 and 1993.

Substantially all employees of the Company, with the exception of C-TEC employees, are covered under the Company's profit sharing plans. The expense related to these plans was \$3 million, \$2 million and \$2 million in 1995, 1994 and 1993.

### (14) Postretirement Benefits

In addition to providing pension and other supplemental benefits, the Company provides certain health care and life insurance benefits primarily for packaging employees who retired prior to the disposition of certain packaging operations and C-TEC employees who retired prior to 1993. Employees become eligible for these benefits if they meet minimum age and service requirements or if they agree to contribute a portion of the cost. These benefits have not been funded.

In March 1995, the Company settled its liability with respect to certain postretirement life insurance benefits. The Company purchased insurance coverage from a third party insurance company for approximately \$14 million to be paid over seven years. The settlement did not have a material impact on the Company's financial position, results of operations or cash flows.

The net periodic costs for health care benefits were less than \$1 million in 1995, \$1 million in 1994 and \$4 million in 1993. In all years, the costs related primarily to interest on accumulated benefits.

The accrued postretirement benefit liability as of December 30, 1995 was as follows:

(dollars in millions)	Health Insurance
-----------------------	------------------

Retirees	\$ 31
Fully eligible active plan participants	-
Other active plan participants	-
	-----
Total accumulated postretirement benefit obligation	31
Unrecognized prior service cost	19
Unrecognized net loss	(7)
	-----
Accrued postretirement benefit liability	\$ 43
	=====

The unrecognized prior service cost resulted from certain modifications to the postretirement benefit plan for packaging employees which reduced the accumulated postretirement benefit obligation. The Company may make additional modifications in the future.

## PETER KIEWIT SONS', INC.

### Notes to Consolidated Financial Statements

A 7.7% increase in the cost of covered health care benefits was assumed for fiscal 1995. This rate is assumed to gradually decline to 6.2% in the year 2020 and remain at that level thereafter. A 1% increase in the health care trend rate would increase the accumulated postretirement benefit obligation ("APBO") by less than \$1 million at year-end 1995. The weighted average discount rate used in determining the APBO was 6.75%.

#### (15) Stockholders' Equity

Class B and Class C shares can be issued only to Company employees and can be resold only to the Company at a formula price based on the book value of the Construction & Mining Group. The Company is generally required to repurchase Class B and Class C shares for cash upon stockholder demand. Class D shares have a formula price based on the book value of the Diversified Group. The Company must generally repurchase Class D shares for cash upon stockholder demand at the formula price, unless the Class D shares become publicly traded. Although almost all the Class D shares are owned by employees and former employees, such shares are not subject to ownership or transfer restrictions.

For the three years ended December 30, 1995, issuances and repurchases of common shares, including conversions, were as follows:

	Class B Common Stock	Class C Common Stock	Class D Common Stock
Shares issued in 1993	-	1,027,657	748,026
Shares repurchased in 1993	76,600	2,217,122	841,808
Shares issued in 1994	-	1,018,144	777,556
Shares repurchased in 1994	180,000	2,247,186	396,684
Shares issued in 1995	-	1,021,875	2,675,553
Shares repurchased in 1995	736,932	5,492,002	42,147

## PETER KIEWIT SONS', INC.

### Notes to Consolidated Financial Statements

#### (16) Industry and Geographic Data

The Company operates primarily in three reportable segments: construction, mining and telecommunications. MFS' results have been classified as a single line item on the statements of earnings and consolidated on the balance sheet in 1994 and 1993.

A summary of the Company's operations by geographic area and industry follows:

Geographic Data (dollars in millions)	1995	1994	1993
Revenue:			
United States	\$ 2,535	\$ 2,425	\$ 1,823
Canada	281	233	175
Other	86	46	52
	-----	-----	-----
	\$ 2,902	\$ 2,704	\$ 2,050
	=====	=====	=====
Operating earnings:			
United States	\$ 145	\$ 151	\$ 129

Canada	7	14	3
Other	10	-	22
	-----	-----	-----
	\$ 162	\$ 165	\$ 154
	=====	=====	=====
Identifiable assets:			
United States	\$ 2,521	\$ 3,832	\$ 2,901
Canada	90	102	82
Other	116	27	29
Corporate (1)	736	531	622
	-----	-----	-----
	\$ 3,463	\$ 4,492	\$ 3,634
	=====	=====	=====

(1) Principally cash, cash equivalents, marketable securities, notes receivable from sales of discontinued operations and investments in all years.

## PETER KIEWIT SONS', INC.

### Notes to Consolidated Financial Statements

Industry Data (dollars in millions)	1995	1994	1993
Revenue:			
Construction	\$ 2,297	\$ 2,143	\$ 1,757
Mining	247	246	230
Telecommunications	325	291	48
Other	33	24	15
	-----	-----	-----
	\$ 2,902	\$ 2,704	\$ 2,050
	=====	=====	=====
Operating earnings:			
Construction	\$ 81	\$ 55	\$ 85
Mining	107	106	98
Telecommunications	37	27	6
Other	(63)	(23)	(35)
	-----	-----	-----
	\$ 162	\$ 165	\$ 154
	=====	=====	=====
Identifiable assets:			
Construction	\$ 910	\$ 896	\$ 816
Mining	415	396	440
Telecommunications	1,141	2,551	1,682
Other	261	118	74
Corporate (1)	736	531	622
	-----	-----	-----
	\$ 3,463	\$ 4,492	\$ 3,634
	=====	=====	=====
Capital expenditures:			
Construction	\$ 79	\$ 61	\$ 48
Mining	4	3	5
Telecommunications	72	426	127
Other	6	12	5
Corporate	-	11	7
	-----	-----	-----
	\$ 161	\$ 513	\$ 192
	=====	=====	=====
Depreciation, depletion and amortization:			
Construction	\$ 56	\$ 49	\$ 43
Mining	7	11	13
Telecommunications	81	149	35
Other	5	6	6
Corporate	3	2	2
	-----	-----	-----
	\$ 152	\$ 217	\$ 99
	=====	=====	=====

(1) Principally cash, cash equivalents, marketable securities, notes receivable from sales of discontinued operations and investments in all years.

## PETER KIEWIT SONS', INC.

## Notes to Consolidated Financial Statements

### (17) 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, a minority interest in CE 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 groups.

A summary of the results of operations and financial position for the Construction & Mining Group and the Diversified Group follows. These summaries were derived from the audited financial statements of the respective groups which are exhibits to this Annual Report.

All significant intercompany accounts and transactions, except those directly between the Construction & Mining Group and the Diversified Group, have been eliminated.

(dollars in millions except per share)	1995	1994	1993
Construction & Mining Group:			
Results of Operations:			
Revenue	\$ 2,330	\$ 2,175	\$ 1,783
	=====	=====	=====
Net Earnings	\$ 104	\$ 77	\$ 80
	=====	=====	=====
Earnings Per Share	\$ 7.78	\$ 4.92	\$ 4.63
	=====	=====	=====
Working capital	\$ 248	\$ 333	\$ 372
Total assets	987	963	889
Long-term debt, less current portion	9	9	10
Stockholders' equity	467	505	480

Included within the results of operations is mine management income from the Diversified Group of \$19 million, after-tax, in 1995, 1994 and 1993.

## PETER KIEWIT SONS', INC.

## Notes to Consolidated Financial Statements

(dollars in millions except share data)	1995	1994	1993
Diversified Group:			
Results of Operations:			
Revenue	\$ 580	\$ 537	\$ 267
	=====	=====	=====
Net Earnings	\$ 140	\$ 33	\$ 181
	=====	=====	=====
Earnings per Share	\$ 6.45	\$1.63	\$9.08
	=====	=====	=====
Financial Position:			
Working capital	\$ 752	\$ 969	\$ 993
Total assets	2,490	3,537	2,759
Long-term debt, less current portion	361	899	452
Stockholders' equity	1,140	1,231	1,191

Included within results of operations is mine management fees paid to the Construction & Mining Group of \$19 million, after-tax, in 1995, 1994 and 1993.

### (18) Other Matters

In June 1995, the Company exchanged its interest in a wholly-owned subsidiary involved in gold mining activities for 4,000,000 common shares of Kinross Gold Corporation ("Kinross"), a publicly traded corporation. The Company recognized a \$21 million pre-tax gain on the exchange based on the difference between the book value of the subsidiary and the fair market value of the Kinross stock on the date of the transaction. This gain is included in other income in the consolidated statements of earnings.



In May 1995, the lawsuit titled Whitney Benefits, Inc. and Peter Kiewit Sons' Co. v. The United States was settled. In 1983, plaintiffs alleged that the enactment of the Surface Mining Control and Reclamation Act of 1977 had prevented the mining of their Wyoming coal deposits and constituted a government taking without just compensation. In settlement of all claims, plaintiffs agreed to deed the coal deposits to the government and the government agreed to pay plaintiffs \$200 million, of which Peter Kiewit Sons' Co., a KDG subsidiary, received approximately \$135 million in June 1995 and recorded it in other income on the consolidated statement of earnings.

In 1994, several former stockholders 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' liabilities pursuant to the indemnity agreement.

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

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

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

In many pending proceedings, the Company is one of numerous defendants who may be "potentially responsible parties" liable for the cleanup of hazardous substances deposited in landfills or other sites. The Company has established reserves to cover its probable liabilities for environmental cases and believes that any additional liabilities will not materially affect the Company's financial condition, future results of operations or future cash flows.

It is customary in the Company's industries to use various financial instruments in the normal course of business. These instruments include items such as letters of credit. Letters of credit are conditional commitments issued on behalf of the Company in accordance with specified terms and conditions. As of December 30, 1995, the Company had outstanding letters of credit of approximately \$140 million.

A subsidiary of the Company, Continental Holdings Inc., remains contingently liable as a guarantor of \$53 million of debt relating to various businesses which have been sold.

The Company leases various buildings and equipment under both operating and capital leases. Minimum rental payments on buildings and equipment subject to noncancelable operating leases during the next 29 years aggregate \$88 million.

In November 1995, C-TEC announced that it had engaged an investment banker to assist with evaluating strategic alternatives for its various business units with a view toward enhancing shareholder value. C-TEC is now planning to distribute to its shareholders in a tax-free spin-off the Telephone Group, the Communications Services Group, and certain other assets. Following the spin-off, C-TEC plans to combine its remaining businesses, which will consist of its domestic Cable Group, with a third party pursuant to a tax-free, stock-for-stock transaction. C-TEC has received a number of inquiries regarding its domestic Cable Group and is holding discussions with interest parties.

#### **(19) Subsequent Events**

In March 1996, RCN Corporation ("RCN") a subsidiary of KDG, entered into an asset purchase agreement, along with other ancillary agreements, with Liberty Cable Company, Inc. ("Liberty") to purchase an 80 percent interest in certain private cable systems in New York City and selected areas of New Jersey. The transaction closed on March 6, 1996. The cable systems provide subscription television services using microwave frequencies. RCN deposited \$27 million in an escrow account which was released on the closing date. In addition, RCN issued a \$15 million promissory note that is expected to be paid during 1996.

In March, under the terms of an agreement, RCN will pay C-TEC approximately \$123 million for certain of C-TEC's assets, including Long Distance Group, C-TEC International, which holds the 40% interest in Megacable, S.A. de C.V., and Residential Communications Network, a start-up joint effort with RCN which plans to provide telecommunications services to the residential market. RCN will purchase Residential Communications Network for cash in a transaction expected to close in April 1996. RCN's purchase of the other business 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 six percent 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 RCN or the Company.

## **SCHEDULE II**

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

## Valuation and Qualifying Accounts and Reserves

(dollars in millions)	Balance, Beginning of Period	Additions Charged to Costs and Expenses	Amounts Charged to Reserves	Other	Balance End of Period
Year ended December 30, 1995					
Allowance for doubtful trade accounts	\$ 9	\$ 5	\$ (2)	\$ -	\$ 12
Reserves:					
Insurance claims	75	18	(14)	-	79

Retirement benefits 67 3 (2) (14) (a) 54

### Year ended December 31, 1994

Allowance for doubtful trade accounts	\$ 7	\$ 5	\$ (3)	\$ -	\$ 9
Reserves:					
Insurance claims	67	19	(11)	-	75
Retirement benefits	71	2	(6)	-	67

### Year ended December 25, 1993

Allowance for doubtful trade accounts	\$ 7	\$ 5	\$ (6)	\$ 1	\$ 7
Reserves:					
Insurance claims	66	14	(13)	-	67
Retirement benefits	74	12	(17)	2	71

(a) The Company settled its liability with respect to certain postretirement life insurance benefits by purchasing insurance coverage from a third party insurance company.

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**End of Filing**

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