

CAPTION SHEET

CASE MANAGEMENT SYSTEM

1. REPORT DATE: 00/00/00 :
2. BUREAU: OSA :
3. SECTION(S): : 4. PUBLIC MEETING DATE:
5. APPROVED BY: : 00/00/00
DIRECTOR: :
SUPERVISOR: :
6. PERSON IN CHARGE: : 7. DATE FILED: 10/09/93
8. DOCKET NO: A-310800 F0006 : 9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: COMMONWEALTH TELEPHONE CO.

COMP/APP COUNTY:

UTILITY CODE: 310800

ALLEGATION OR SUBJECT

JOINT APPLICATION OF RCN CORPORATION, TRANSFEREE, AND THE C-TEC CONTROL GROUP TRANSFEROR, FOR APPROVAL TO TRANSFER TO THE FORMER BY THE LATTER MAJORITY VOTING CONTROL OF C-TEC CORPORATION STOCK.

DOCUMENT
FOLDER

OCT 9 1993

★ Amended

CAPTION SHEET

CASE MANAGEMENT SYSTEM

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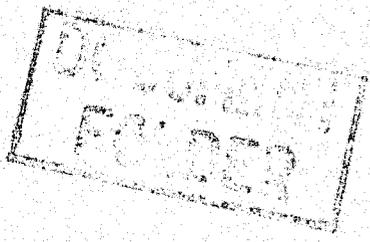
PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: COMMONWEALTH TELEPHONE CO.

COMP/APP COUNTY: UTILITY CODE: 310800

ALLEGATION OR SUBJECT

JOINT APPLICATION OF COMMONWEALTH TELEPHONE COMPANY, COMMONWEALTH LONG DISTANCE COMPANY AND PAGING PLUS, INC., FOR APPROVAL OF THE TRANSFER OF A MAJORITY INTEREST IN THE STOCK OF THE UTILITIES' DIRECT OR INDIRECT PARENT, C-TEC CORPORATION, TO RCN CORPORATION.



OCT 9 1993

NVL

COMMONWEALTH OF PENNSYLVANIA
OFFICE OF SPECIAL ASSISTANTS

DATE: October 12, 1993

SUBJECT: **Application of Commonwealth Telephone Company**

TO: Janet Patrick
Document Filing

FROM: Doug Beebe *DTB*
Securities Section

I suggest the caption be amended as shown below to more accurately reflect the nature of the proposed transaction.

Joint Application of Commonwealth Telephone Company, Commonwealth Long Distance Company and Paging Plus, Inc., for approval of the transfer of a majority interest in the stock of the utilities' direct or indirect parent, C-TEC Corporation, to RCN Corporation.

cc: Alan Kohler
Law Bureau

**Corrected*

CAPTION SHEET

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PARTY/COMPLAINANT:

RESPONDENT/APPLICANT: COMMONWEALTH TELEPHONE CO.

COMP/APP COUNTY:

UTILITY CODE: 310800

ALLEGATION OR SUBJECT

JOINT APPLICATION OF COMMONWEALTH TELEPHONE COMPANY, COMMONWEALTH LONG DISTANCE COMPANY AND PAGING PLUS, INC., FOR APPROVAL OF THE TRANSFER OF A MAJORITY VOTING INTEREST IN THE STOCK OF THE UTILITIES' DIRECT OR INDIRECT PARENT, C-TEC CORPORATION, TO RCN CORPORATION.

**DOCUMENT
FOLDER**

**DOCKETED
OCT 14 1993**

FILE

COMMONWEALTH OF PENNSYLVANIA
OFFICE OF SPECIAL ASSISTANTS

DATE: October 12, 1993

SUBJECT: Application of Commonwealth Telephone Company

TO: Janet Patrick
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voting
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cc: Alan Kohler
Law Bureau

Janet -

*There are 2 classes of stock being
traded, having different voting rights.
resulting in RCN getting 24%
equity interest but 57% voting
interest.*

D.

JEAN L. KIDDOO
ATTORNEY-AT-LAW

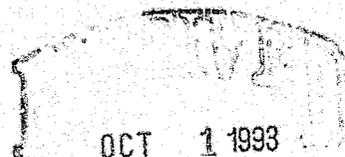
SWIDLER
&
BERLIN
CHARTERED

ORIGINAL

DIRECT DIAL
(202)424-7834

DOCUMENT
FOLDER

October 1, 1993



VIA FEDERAL EXPRESS

SECRETARY'S OFFICE
PUBLIC UTILITY COMMISSION

Mr. John Alford, Secretary
Pennsylvania Public Utility Commission
North Office Building, B-20
Corner of North Street & Commonwealth Avenue
Harrisburg, PA 17120

Re: Application for Approval of Acquisition by RCN
Corporation of Voting Control of C-TEC Corporation from
the C-TEC Control Group (Docket No. A-310800F0006)

Dear Mr. Alford:

On behalf of RCN Corporation (RCN), Commonwealth Telephone Company (CTCo), Commonwealth Long Distance Company (CLD), and Paging Plus, Inc. (PPI), please find an original and three (3) copies of a Joint Application for Authority to Transfer Control of C-TEC Corporation (C-TEC) to RCN. Also enclosed please find a check in the amount of \$50.00 to cover the filing fee. Please date-stamp the extra copy and return it to me in the enclosed self-addressed, stamped envelope.

This transaction will involve the purchase by RCN of the C-TEC stock currently held by the C-TEC Control Group. C-TEC is a holding company whose multiple subsidiaries include the three regulated Pennsylvania telephone utilities listed above.^{1/} As we have discussed with Commission Staff both before and after the signing of the Stock Purchase Agreement on June 17, 1993, the parties to the transaction believe that, pursuant to 66 Pa.C.S.A. § 1102(a)(3) and at least two Commission cases interpreting that section, this transfer does not require prior Commission

^{1/} C-TEC holds 100% of the stock of CTCo, and holds 100% of the stock of C-TEC Properties, Inc., the immediate parent of CLD, and 100% of the stock of Cellular Plus, Inc., the immediate parent of PPI.

OCT 6 1993

Mr. John Alford
October 1, 1993
Page 2

approval.^{2/} The MCI Airsignal case, for example, held that a transaction involving the sale and purchase of stock of the parent company of a Pennsylvania public utility was not subject to the Commission's regulatory authority.^{3/} In the directly parallel instant transaction, a controlling equity interest in C-TEC, the parent company of CTCo, and the "grandparent" company of CLD and PPI, is being sold by a group of shareholders (the C-TEC Control Group) to RCN. Under the two Airsignal decisions, the Commission clearly lacks jurisdiction over this transaction. In addition, until September 23, 1993, the Commission had never to our knowledge indicated any intent to reconsider its prior case law.

Based on discussions with Commission Staff, we understand that, in a non-public administrative session on September 23, 1993 the Commission determined that it believes that the instant transaction is subject to its jurisdiction, and instructed its Staff to request that RCN and the three C-TEC utility subsidiaries submit a Joint Application requesting approval to transfer C-TEC control to RCN. Based on its understanding that the transaction is scheduled to close during the month of October, 1993, the Commission has also committed, to the extent permitted by statute, to rule upon the Joint Application at or before its meeting on October 28.

Pursuant to informal consultations with the Staff, and based upon the Commission's commitment to processing the application as expeditiously as possible to permit the scheduled October closing, we are herewith submitting a Joint Application requesting Commission approval of the transfer of control. The

^{2/} Application of MCI Airsignal of Pennsylvania, Inc., Initial Decision, Docket No. A-330035 (Apr. 15, 1986) ("MCI Airsignal"), affirmed in pertinent part, Ruling on Exceptions, May 29, 1993; Application of Airsignal International of Pittsburgh, PA, Inc. and Airsignal International of Philadelphia, PA, Inc., Initial Decision, Docket No. A-00101365 (Nov. 26, 1979) ("Airsignal International").

^{3/} See MCI Airsignal at 6 (non-jurisdictional transfer of non-utility parent company holding 100% of the stock of a Pennsylvania utility); Airsignal International at 18-19 (non-jurisdictional transfer of non-utility company holding 100% of the stock of the immediate non-utility parent of a Pennsylvania utility).

Mr. John Alford
October 1, 1993
Page 2

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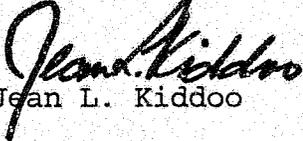
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Mr. John Alford
October 1, 1993
Page 3

parties are doing so as a courtesy to the Commission in response to its informal request, and by so doing do not waive their position that the two Airsignal cases control the instant transaction and that Commission approval is not required to close the stock purchase. Moreover, given the parties intent to close the transaction during October, and the substantial penalties which will accrue to RCN should closing be delayed, the parties hereby reserve their right under the Airsignal cases to close the transaction without prior Commission approval if the Commission has not granted approval of the transaction by the time closing is planned.

Should you have any questions concerning this filing, please do not hesitate to contact me at the above referenced number, or counsel for the C-TEC companies, Norman J. Kennard, at (717) 238-2900.

Very truly yours,


Jean L. Kiddoo

Enclosures

cc: Alan Kohler, Esq. (PUC)
Mr. Douglas Beebe (PUC)
Debra M Kriete, Esq. (PUC)
Mr. David C. McCourt (RCN)
Kenneth E. Gaskins, Esq. (RCN/Kiewit)
Raymond B. Ostroski, Esq. (C-TEC)
Norman J. Kennard, Esq. (Tucker)
Andrew D. Lipman, Esq. (Swidler)

ORIGINAL

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

DOCUMENT
FOLDER

Joint Application for Authority
For RCN Corporation to Acquire
Control of C-TEC Corporation

) Application
) Docket No. A-310800F0006
)
)

To: The Pennsylvania Public Utility Commission

RECEIVED
OCT 1 1993

JOINT APPLICATION

SECRETARY'S OFFICE
Public Utility Commission

RCN Corporation ("RCN"), Commonwealth Telephone Company (A-310800) ("CTCo"), Commonwealth Long Distance Company (A-310071) ("CLD"), and Paging Plus, Inc. (A-00330007) ("PPI") pursuant to 66 Pa. C.S.A. § 1102(a)(3) and 66 Pa. C.S.A. § 1901, by their undersigned counsel, hereby jointly request approval from the Pennsylvania Public Utility Commission of a transaction whereby RCN will acquire voting control from the C-TEC Control Group of C-TEC Corporation ("C-TEC") through the purchase of C-TEC common stock.^{1/}

RECEIVED
OCT 3 1993

^{1/} Information requested pursuant to 66 Pa. C.S.A. § 1102(a)(3), as reflected by Form 52 § 3.551 (A(12)), is set forth herein. For the Commission's reference, the parties have included a cross reference to Form 52 in Exhibit A hereto.

CTCo, CLD and PPI are regulated Pennsylvania subsidiaries of C-TEC.^{2/}

The parties respectfully request expedited treatment of this application to permit them to consummate the transaction transferring control of C-TEC by October 22, 1993. As fully described herein, RCN, and its parent companies, Kiewit Diversified Group, Inc. ("KDG") and Peter Kiewit Sons', Inc. ("PKS"), are well qualified to hold a controlling interest in C-TEC and its three regulated Pennsylvania operating companies, and the parties therefore submit that approval of the proposed transfer is in the public interest.

^{2/} As stated in the letter transmitting this Joint Application for filing at the Commission, the parties hereto believe that, pursuant to 66 Pa.C.S.A. § 1102(a)(3) and at least two earlier Commission cases interpreting that provision, this transfer does not require prior Commission approval. Application of MCI Airsignal of Pennsylvania, Inc., Initial Decision, Docket No. A-330035 (April 15, 1986), affirmed in pertinent part, Ruling on Exceptions, May 29, 1993; Application of Airsignal International of Pittsburgh, PA, Inc. and Airsignal International of Philadelphia, PA, Inc., Initial Decision, Docket No. A-00101365 (Nov. 26, 1979). Pursuant to the informal request of the Commission, and based upon the Commission's commitment to processing the Joint Application as expeditiously as possible to permit the scheduled October closing, however, the parties are submitting this Joint Application requesting Commission approval of the transfer of control. The parties are doing so as a courtesy to the Commission in response to its informal request, and by so doing do not waive their position that the two Airsignal cases control the instant transaction and that Commission approval is not required to close the stock purchase. Moreover, given the parties intent to close the transaction during October, and the substantial penalties which will accrue to RCN should closing be delayed, the parties hereby reserve their right under the Airsignal cases to close the transaction without prior Commission approval if the Commission has not granted approval of the transaction by the time closing is planned.

I. THE PARTIES

A. The C-TEC Control Group

1. The transferor, the C-TEC Control Group, includes individuals Andrew J. Sordoni, III, William B. Sordoni, Stephen Sordoni, Charles E. Parente, certain related parties, and various entities owned or controlled by them. The C-TEC Control Group owns or controls a majority voting interest in C-TEC stock. The members of the Control Group exercise control over C-TEC pursuant to a Joint Voting Agreement in which they have agreed to vote their respective C-TEC stock interests in unison.^{3/} C-TEC is a publicly traded company organized under the laws of Pennsylvania, whose principal offices are located at 46 Public Square, P.O. Box 3000, Wilkes-Barre, Pennsylvania 18703-3000. C-TEC, through CTCo, CLD and PPI, is engaged in Pennsylvania in a variety of communications services including local telephone service, long distance telephone service, and paging service.

2. Commonwealth Telephone Company. CTCo provides local exchange telephone services throughout Wyoming County, Pennsylvania, and in portions of Berks, Bradford, Bucks, Carbon, Chester, Columbia, Dauphin, Lackawanna, Lancaster, Lehigh, Luzerne, Lycoming, Monroe, Northampton, Schuylkill, Sullivan, Susquehanna, Tioga, and York Counties. CTCO provides dial-tone, intraLATA toll and network access services to 23,136 business customers and

^{3/} As an unincorporated group of individuals and their legal interests, the C-TEC Control Group does not maintain balance sheets or income accounts.

168,448 residential customers pursuant to tariffs filed at the Commission.

3. Commonwealth Long Distance Company. CLD provides long distance telephone services in Northeastern and Southeastern Pennsylvania, in the counties of Tioga, Bradford, Susquehanna, Wayne, Pike, Monroe, Northampton, Carbon, Schuylkill, Northumberland, Mountour, Lycoming, Sullivan, Wyoming, Lackawanna, Luzerne, Columbia, Lehigh, Bucks, Montgomery, Philadelphia, Delaware and Chester. CLD is currently in the process of expanding its services to areas throughout Pennsylvania, and ultimately plans to provide service throughout all Pennsylvania counties. CLD provides a variety of long distance services to customers with varying volume discounts and usage minimums which allow customers to tailor long distance services to their own particular calling needs to achieve significant cost savings. CLD also offers certain adjunct calling services, such as calling card, travel service, and 800 service. CLD currently serves 83,000 residential and 9,200 business customers.

4. Paging Plus, Inc. PPI offers a variety of one-way and two-way paging services to customers throughout boroughs, townships and cities listed in its Radio Paging Tariff PA P.U.C. No. 3, Supplement 2, Sheets 5-10. Paging service options include Tone and Visual Alert Pagers, Digital Numeric Paging Service, Tone and Voice Paging Service, and Alpha Numeric Paging. As of September 7, 1993, PPI served 1537 residential, 1751 Commercial, and 273 Service Industry customers. In addition, it provides service to four

resellers: Ring Medical (35 units), Metromedia (103 units), Rent America (66 units) and Schuylkill Mobilfone (3 units).

B. RCN Corporation

5. The Transferee, RCN Corporation, is a Delaware corporation whose principal offices are located at 75 Federal Street, Boston, Massachusetts 02110. RCN was formed in 1992 to participate in the provision of high quality communications services in various segments of the residential marketplace. RCN is a wholly-owned subsidiary of Kiewit Diversified Group, Inc. ("KDG"), a holding company organized under the laws of Delaware which, in turn, is wholly-owned by Peter Kiewit Sons', Inc. ("PKS"), a Delaware corporation. PKS and KDG are headquartered at 1000 Kiewit Plaza, Omaha, Nebraska 68131. PKS, one of the Nation's largest employee-owned companies, is a diversified corporation with businesses in construction, mining, communications and energy. Neither RCN, PKS, nor KDG are affiliated with the transferor C-TEC Control Group in any way.

6. Financial Qualifications. PKS and KDG are financially well qualified to control, through RCN, the various operations of the C-TEC companies. To demonstrate their financial qualifications, PKS's 1992 Form 10-K is included as Exhibit B hereto, and PKS's Form 10-Q is included as Exhibit C hereto.^{4/} The

^{4/} As a newly-formed company whose business activities to date have centered around the instant transaction, separate financial information for RCN is not currently available. Similarly, RCN does not include a pro forma balance sheet giving effect to the

\$196,477,191 purchase price in this stock transaction will be paid by RCN with available cash funds provided by KDG.^{5/} It will therefore not result in any debt or any other financial burden to C-TEC, its other shareholders, or its subsidiaries. Moreover, the PKS and KDG balance sheets contained in Exhibits B and C clearly demonstrate the financial viability of the Transferee family of companies.

7. Technical and Managerial Qualifications. PKS and KDG are also technically and managerially well qualified to control, through RCN, the various telecommunications operations of the regulated C-TEC subsidiaries. The Board of Directors of RCN exemplifies the qualifications of the Transferee to assume voting control of C-TEC.^{6/} Moreover, PKS, through KDG, controls the majority ownership of MFS Communications Company, Inc. ("MFSCC"). MFSCC was organized in 1987 to develop and provide

transfer of control, or a consolidated income account statement because RCN as a new corporation does not at this time separately maintain its own balance sheets. As an unincorporated entity, Transferor C-TEC Control Group does not maintain a consolidated income account statement, and does not have a board of directors and therefore has no board minutes approving the transfer. Moreover, as holding companies, RCN and C-TEC do not have their own direct operations and therefore have no direct customers. (Customer information for the three C-TEC Pennsylvania regulated subsidiaries is being provided in Paragraph 1, supra.)

^{5/} Immediately prior to closing, KDG will contribute funds to cover the stock purchase price from its retained earnings accounts to RCN for the purpose of completing the transaction. See Exhibit C, page D-4 (showing that KDG holds \$211 million in cash and cash equivalents and \$745 million in temporary investments).

^{6/} A list of the Directors, and a summary of their background during the last five years, is attached hereto as Exhibit D.

telecommunications services throughout the United States. MFSCC, through its various subsidiaries, provides a wide range of high quality voice, data and other enhanced services and systems specifically designed to meet the requirements of communications-intensive business and government end users.

Two MFSCC subsidiaries, Metropolitan Fiber Systems of Philadelphia, Inc. ("MFS-Philadelphia") and Metropolitan Fiber Systems of Pittsburgh, Inc. ("MFS-Pittsburgh"), have received Certificates of Public Convenience and Necessity from the Commission to provide telecommunications services in Pennsylvania.^{2/} In effect, by granting those two Certificates, the Commission has already acknowledged the fitness of PKS and KDG to control Pennsylvania regulated telephone companies.

^{2/} MFS-Philadelphia, A-310004 (March 6, 1991); MFS-Pittsburgh, A-310005 (March 6, 1991). At the time those Certificates were issued, PKS, through KDG and MFSCC, owned a 100% interest in the two Pennsylvania operating companies. In 1993, approximately 29% of the ownership has been placed on the public market through an initial public offering.

C. Designated Contacts

8. The designated contacts for questions concerning this application are, for the Transferee RCN:

Jean L. Kiddoo
Charles H.N. Kallenbach
Swidler & Berlin, Chartered
3000 K Street, N.W.
Suite 300
Washington, D.C. 20007

(202) 424-7834 (Tel)
(202) 424-7645 (Fax)

For CTCo, CLD and PPI:

Norman J. Kennard
Tucker Arensberg P.C.
116 Pine Street
Suite 403
Harrisburg, Pennsylvania 17101

(717) 238-2900 (Tel)
(717) 238-2647 (Fax)

II. REQUEST FOR PERMISSION FOR RCN CORPORATION TO ACQUIRE VOTING CONTROL OF C-TEC CORPORATION FROM THE C-TEC CONTROL GROUP

9. RCN and the C-TEC Control Group have entered into a Stock Purchase Agreement ("Agreement") to transfer to RCN the Control Group's aggregate stock interest in C-TEC of 5.7 million shares of C-TEC Common Stock and Class B Common Stock representing in the aggregate approximately 57 percent of the voting interest and 34 percent of the equity interest of C-TEC.^{8/} In exchange for these

^{8/} RCN, KDG and PKS Boards of Directors approved the acquisition of voting control of C-TEC from the C-TEC Control Group at their meetings on July 30, 1993. Certified minutes of the meetings are attached as Exhibit E hereto. Because the C-TEC Control Group is not a corporation, no Board of Directors minutes from the Control Group are attached.

shares, RCN will pay to the C-TEC Control Group \$196,477,191, subject to certain adjustments as set forth in the Agreement.^{2/}

10. After the stock purchase contemplated in the Agreement is consummated, RCN will own an aggregate voting interest in C-TEC of greater than fifty percent, thus transferring de jure control of C-TEC from the C-TEC Control Group to RCN. Accordingly, this Application seeks Commission consent to transfer control of C-TEC and its Commission-regulated subsidiaries.

11. The stock transaction will accomplish a change in the underlying ownership of C-TEC. C-TEC, through its Pennsylvania operating companies, will continue to provide the same telecommunications services, with the added benefit of RCN, KDG and PKS' combined financial, managerial and technical expertise. The transfer of control of C-TEC will not affect C-TEC's authorized operations or cause customer inconvenience or confusion, and will, in fact, be virtually invisible to CTCo, CLD and PPI customers. In

^{2/} Because Transferor C-TEC Control Group, as stated previously, is not a corporation and is not regulated by the Commission, and because Transferee RCN is a newly formed, privately held corporation which is similarly not regulated by the Commission, the Transferor and the Transferee do not have annual reports, tariffs, certificates of notification, applications for certificates of valuation, applications for approval of the issuance of securities, and securities certificates filed with the Commission. As affiliated interests of C-TEC, however, the annual reports, tariffs, certificates of notification, applications for certificates of valuation, applications for approval of the issuance of securities and securities certificates of CTCo, CLD and PPI, filed with the Commission, are herein incorporated by reference.

addition, the rates of CTCo, CLD and PPI, customers will not change as a result of the transaction.

12. After the consummation of the transaction, the parties expect that C-TEC will be led by a team of well-qualified managers comprised of C-TEC and RCN personnel.^{10/} C-TEC will therefore be able to draw upon both the experience of existing personnel, as well as the substantial technical and managerial expertise that RCN, KDG and PKS will bring to the C-TEC companies, which enhanced management combination will redound to the benefit of C-TEC and C-TEC's subsidiaries' customers. The parties expect that the ample managerial, technical and financial expertise of this management team will improve C-TEC's and C-TEC's subsidiaries' operations and services.

III. CONCLUSION

WHEREFORE, for the reasons stated herein, Applicants respectfully request that the Commission authorize RCN Corporation to acquire a majority voting interest in C-TEC Corporation,

^{10/} Pursuant to the Stock Purchase Agreement, C-TEC Control Group members Andrew J. Sordoni III and William B. Sordoni will resign as Directors of C-TEC at the time of closing.

including its Commission-regulated subsidiaries, from the C-TEC Control Group.

Respectfully submitted,

RCN Corporation

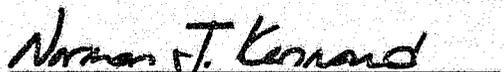


Jean L. Kiddoo
Charles H.N. Kallenbach

SWIDLER & BERLIN, CHARTERED
3000 K Street, N.W.
Suite 300
Washington, D.C. 20007
(202) 424-7834

Its Counsel

Commonwealth Telephone Company,
Commonwealth Long Distance
Company, and Paging Plus, Inc.


Norman J. Kennard (JK)

TUCKER ARENSBERG P.C.
116 Pine Street
Suite 403
Harrisburg, Pennsylvania 17101
(717) 238-2900

Their Counsel

Dated: October 1, 1993

EXHIBITS

Cross Reference to Form 52 Section 3.551 (A(12)).....A

Peter Kiewit Sons', Inc.
SEC 1992 Form 10-K.....B

Peter Kiewit Sons', Inc.
SEC Form 10-Q Quarterly Report.....C

RCN Board of Directors.....D

Peter Kiewit Sons', Inc.
Board of Directors Minutes Approving Transaction.....E

Verifications of Applicants.....F

EXHIBIT A

CROSS REFERENCE TO FORM 52 SECTION 3.551 (A(12))

CROSS REFERENCE TO FORM 52 SECTION 3.551 (A(12))

<u>Form 52</u> <u>Paragraph</u>	<u>Subject</u>	<u>Application</u> <u>Paragraph</u>
1	Applicant Name and Address	1-5
2	Attorney Name and Address	8
3	Information on Transferor/Applicant	1-4
4	Information on Transferee	5-7
5	Affiliation of Transferor/Transferee	5
6	Applicant Customer Information	2-4, 6 n.4
7	Transferor/Transferee Balance Sheets	1 n.3, 6, Exhs B & C
8	Transferor/Transferee Income Accounts	1 n.3, 6, Exhs B & C
9	Incorporation by Reference	9 n.9
10	Description of Property Transferred	9
11	Consideration for Transferred Property	9
12	Statements of Transferred Fixed Capital or Plant	9 n.9
13	Transferee <u>Pro Forma</u> Balance Sheet	6 n.4
14	Transferor/Transferee Consolidated Income Account	6 n.4
15	Certified Meeting Minutes Approving Transfer	9 n.8, Exh E
16	Effect of Transfer on Customers	11-12
17	Effect of Transfer on Rates	11
18	Reasons for Transfer	5
19	Other Pertinent Matters	9-12

EXHIBIT B

PETER KIEWIT SONS', INC.
1992 SEC FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended
December 26, 1992

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)

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 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 [X] 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. [X]

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 10, 1993, the number of shares outstanding of each class of the Company's common stock was:

Class B - 1,180,400 shares
Class C - 15,728,719 shares
Class D - 19,929,755 shares

Portions of the Company's definitive Proxy Statement for the 1993 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS.

Peter Kiewit Sons', Inc. (the "Company") was incorporated in Delaware in 1941 to continue a construction business founded in Omaha, Nebraska in 1884. The Company entered the surface coal mining business in Wyoming in 1943. Since 1988 the Company has been developing telecommunication businesses through its subsidiary, MFS Communications Company, Inc. The Company now has three industry segments: construction, mining, and telecommunications. Financial information about these industry segments, as well as geographical information, is contained in Note 13 to the Company's consolidated financial statements. Each of the business segments is described below.

In connection with a reclassification of the Company's securities in January 1992, the business units of the Company were realigned into a Construction & Mining Group and a Diversified Group. The Construction & Mining Group contains the Company's traditional construction operations and Kiewit Mining Group Inc., which performs mining management services for the Company's coal mines. The Diversified Group contains coal mining properties, telecommunications companies, a minority interest in California Energy Company, Inc., and miscellaneous investments.

CONSTRUCTION

The construction business is conducted by operating subsidiaries of Kiewit Construction Group Inc., a wholly-owned subsidiary of the Company (collectively, "KCG"). KCG and its joint ventures perform construction services for a wide range of public and private customers primarily in the United States and Canada. New contract awards during 1992 were distributed among the following construction markets: transportation, including highways, bridges, airports and railroads (53%), power (11%), buildings (11%), sewer and waste disposal (9%), residential (6%), water supply systems (3%), military facilities (3%), and government facilities (3%), with smaller awards in the dams and reservoirs, marine, and oil and gas markets.

As general contractors, KCG's operating subsidiaries are responsible for the overall direction and management of its construction projects and for completion of each contract in accordance with its terms and specifications. KCG plans and schedules the projects, procures materials, hires workers as needed, and awards subcontracts. KCG generally requires performance and payment bonds or other assurances of operational capability and financial capacity from its subcontractors.

KCG's construction contracts generally provide for the payment of a fixed price for the work performed. Profit is realized by the difference between the contract price and the actual cost of construction, and the contractor bears the risk that it may not be able to perform all the work for the specified amount. The contracts generally provide for progress payments as work is completed, with a retainage to be paid when performance is substantially complete. Construction

contracts frequently contain penalties or liquidated damages for late completion and infrequently provide bonuses for early completion.

Government Contracts. Public contracts accounted for 74% of the combined prices of contracts awarded to KCG during 1992. Most of these contracts were awarded by government agencies after competitive bidding. Most public contracts are subject to termination at the election of the government. In the event of termination, the contractor is entitled to receive the contract price on completed work and reimbursement of termination related costs, plus a reasonable profit on such amounts. The volume of available government work is affected by budgetary and political considerations. A significant decrease in the amount of new government contracts, for whatever reasons, would have a material adverse effect on KCG.

Demand. The volume and profitability of KCG's construction work depends to a significant extent upon the general state of the economies of the United States and Canada, and the volume of work available to contractors. Fluctuating demand cycles are typical of the industry, and such cycles determine to a large extent the degree of competition for available projects. KCG's construction operations could be adversely affected by labor stoppages or shortages, adverse weather conditions, shortages of supplies, or governmental action. KCG enters into joint ventures to efficiently allocate expertise and resources among the venturers and to spread risks associated with particular projects. In most joint ventures, if one venturer is financially unable to bear its share of costs and expenses, the other venturers may be required to pay those costs and expenses. KCG prefers to act as the sponsor of joint ventures. KCG's share of joint venture revenue accounted for 16% of its 1992 total revenue.

Locations. KCG structures its construction operations around 23 principal operating offices located throughout the U.S. and Canada, with headquarters in Omaha, Nebraska. Through its decentralized system of management, KCG has been able to quickly respond to changes in the local markets. Although the Company seldom does international construction work, a subsidiary is currently participating in the construction of railroad tunnel under Denmark's Great Belt Channel. In addition, the Company is currently managing construction work in Mexico and Taiwan.

Backlog. At the end of 1992, KCG had a backlog (work contracted for but not yet completed) of \$2.2 billion. Of this amount, \$950 million is not expected to be completed during 1993. Backlog was \$1.9 billion at the end of 1991.

Competition. The construction industry is highly competitive and lacks firms with dominant market power. A substantial portion of KCG's business involves construction contracts obtained through competitive bidding. A contractor's competitive position is based primarily on its prices for construction services and its reputation for quality, reliability and timeliness. For 1991, Engineering News Record ranked KCG as the 21st largest contractor in the United States. It ranked KCG 5th in the transportation market and 5th in the domestic heavy construction market. These rankings were based on the combined prices of contracts awarded in 1991. The U.S. Department of Commerce reports that the total value of construction put in place in 1992 was \$429 billion. KCG's U.S. revenues for the same period were \$1.7 billion, or 0.4% of the total

market. In 1992 KCG had 267 contract awards, three of which had a contract price exceeding \$50 million, and the average contract price was \$5 million.

Properties. KCG has 23 district offices, of which 13 are in owned facilities and 10 are leased. KCG owns or leases numerous shops, equipment yards, storage facilities, warehouses, and construction material quarries. Since construction projects are inherently temporary and location-specific, KCG owns approximately 1,000 portable offices and shops, and 500 transport trailers. KCG has a large equipment fleet, including approximately 3,000 trucks, pickups, and automobiles, and 1,500 heavy construction vehicles, such as graders, scrapers, backhoes, and cranes.

MINING

The Company is engaged in coal mining through its subsidiaries, Kiewit Mining Group Inc. ("KMG") and Kiewit Coal Properties Inc. ("KCP"). KCP has a 50% interest in three mines, which are operated by KMG. Decker Coal Company ("Decker") is a joint venture with Western Minerals, Inc., a subsidiary of NERCO, Inc. Black Butte Coal Company ("Black Butte") is a joint venture with Bitter Creek Coal Company, a subsidiary of Union Pacific Corporation. Walnut Creek Mining Company ("Walnut Creek") is a general partnership with Phillips Coal Company, a subsidiary of Phillips Petroleum Company. The Decker Mine is located in southeastern Montana, the Black Butte Mine is in southwestern Wyoming, and the Walnut Creek Mine is in east-central Texas. Kiewit also has interests in two smaller coal mines, a gold mine, and construction aggregate quarries.

Leases. The coal reserves and deposits of the mines are held pursuant to leases with the federal government through the Bureau of Land Management, with two state governments (Montana and Wyoming), and with numerous private parties.

Production and Distribution. The coal mines use the surface mining method. During surface mining operations, topsoil is removed and stored for later use in land reclamation. After removal of topsoil, overburden in varying thicknesses is stripped from above coal seams. Stripping operations are usually conducted by means of large, earth-moving machines called draglines, or by fleets of trucks, scrapers and power shovels. The exposed coal is fractured by blasting and is loaded into haul trucks or onto overland conveyors for transportation to processing and loading facilities. Coal delivered by rail from Decker originates on the Burlington Northern Railroad. Coal delivered by rail from Black Butte originates on the Union Pacific Railroad. Coal is also hauled by trucks from Black Butte to the nearby Jim Bridger Power Plant. Coal is delivered by trucks from Walnut Creek to the adjacent facilities of the Texas-New Mexico Power Company.

Customers. The coal is sold primarily to electric utilities, which burn coal in order to generate steam to produce electricity. Approximately 90% of sales are made under long-term contracts, and the remainder are made on the spot market. Approximately 55, 58, and 60 percent of KCP's revenues in 1992, 1991 and 1990, respectively, were derived from long-term contracts with Commonwealth Edison Company (with Decker and Black Butte) and The Detroit Edison Company (with

Decker). The dominant customer of Walnut Creek is the Texas-New Mexico Power Company.

Contracts. Customers enter into long-term contracts for coal primarily to secure a reliable source of supply at a predictable price. KCP's major long-term contracts have remaining terms ranging from 7 to 36 years. A majority of KCP's long-term contracts provide for periodic price adjustments. The price is typically adjusted through the use of various indices for items such as materials, supplies, and labor. Other portions of the price are adjusted for changes in production taxes, royalties, and changes in cost due to new legislation or regulation, and in most cases, such cost items are passed through directly to the customer as incurred. In most cases the price is also adjusted based on the heating content of the coal.

Coal Production. Coal production commenced at Decker, Black Butte, and Walnut Creek in 1972, 1979, and 1989, respectively. Total production in 1992 at Decker, Black Butte, and Walnut Creek was 11.8, 6.3, and 1.8 million tons, respectively.

Revenue. KCP's total revenue in 1992 was \$234 million. Revenue attributable to Decker, Black Butte, Walnut Creek, and other mining operations was \$94 million, \$110 million, \$18 million, and \$12 million, respectively.

Backlog. At the end of 1992, the backlog of coal sold under KCP's long-term contracts approximated \$2.3 billion, based on December 1992 market prices. Of this amount, approximately \$198 million is to be sold in 1993.

Reserves. At the end of 1992, KCP's share of assigned coal reserves at Decker, Black Butte, and Walnut Creek was 190, 61, and 91 million tons, respectively. Of these amounts, KCP's share of the committed reserves of Decker, Black Butte, and Walnut Creek was 83, 8, and 23 million tons, respectively. Assigned reserves represent coal which can be mined using KCP's current mining practices. Committed reserves represent KCP's maximum contractual amounts. These coal reserve estimates represent total proved and probable reserves.

Competition. The coal industry is highly competitive. KCP competes not only with other domestic and foreign coal suppliers, some of whom are larger and have greater capital resources than KCP, but also with alternative methods of generating electricity and alternative energy sources. In 1991, KCP's production represented 1.7% of total U.S. coal production.

Demand for KCP's coal is affected by economic, political and regulatory factors. For example, recent "clean air" laws may stimulate demand for low sulphur coal, while proposals to enact a federal "BTU" tax may place coal at a competitive disadvantage to alternate fuels, such as natural gas.

KCP's western coal reserves generally have a low sulfur content (less than one percent) and are currently useful principally as fuel for coal-fired steam-electric generating units. KCP's sales of its western coal, like sales by other western coal producers, typically provide for delivery to customers at the mine. A significant portion of the customer's delivered cost of coal is attributable to transportation costs. Most of the coal sold from KCP's western mines is

currently shipped by rail to utilities outside Montana and Wyoming. The Decker and Black Butte mines are each served by a single railroad. Many of their western coal competitors are served by two railroads and such competitors' customers often benefit from lower transportation costs because of competition between railroads for coal hauling business.

Other western coal producers, particularly those in the Powder River Basin of Wyoming, have lower stripping ratios (i.e. the amount of overburden that must be removed in proportion to the amount of minable coal) than the Black Butte and Decker mines, often resulting in lower comparative costs of production.

Environmental Regulation. Kiewit is required to comply with various federal, state and local laws and regulations concerning protection of the environment. KCP's share of land reclamation expenses in 1992 was \$6 million. KCP's share of accrued estimated reclamation costs was \$94 million at the end of 1992. Kiewit does not expect to make significant capital expenditures for environmental compliance in 1993. Kiewit believes its compliance with environmental protection and land restoration laws will not affect its competitive position since its competitors in the industry are similarly affected by such laws.

TELECOMMUNICATIONS

The Company's subsidiary, MFS Communication Company, Inc., ("MFS") is the largest provider of local competitive access services in the United States. As an integrated telecommunications company, MFS provides a wide range of services to communications-intensive business and government users. Although MFS currently is wholly-owned by the Company, options to purchase shares have been granted to MFS' employees and on March 11, 1993, MFS filed a registration statement with the U.S. Securities and Exchange Commission seeking permission to conduct a public offering of shares.

MFS operates in two business segments: telecommunications services and network systems integration and facilities management services. Telecommunications services are provided by three subsidiaries: MFS Telecom, Inc., MFS Intelenet, Inc., and MFS Datanet, Inc. Network systems integration services are provided by MFS Network Technologies, Inc.

MFS Telecom. MFS Telecom currently operates telecommunication networks in 14 metropolitan areas: New York City, Los Angeles, Chicago, San Francisco, Philadelphia, Boston, Washington, D.C., Dallas, Houston, Minneapolis, Baltimore, Pittsburgh, Atlanta and northern New Jersey. At the end of 1992, MFS Telecom provided service to over 600 businesses, including many of the nation's largest corporations and government agencies. MFS Telecom networks cover approximately 850 route miles, including approximately 38,500 miles of optical fiber. MFS Telecom networks connect approximately 1100 office buildings.

MFS Telecom initially constructs networks in the central business districts of major cities where the highest concentration of voice and data traffic is

found. MFS first constructs a backbone, consisting of one or more physical rings of fiber optic cable, which originate and terminate at a central node owned by MFS Telecom. Office buildings are connected by fiber extensions to the backbone. Most buildings contain a remote hub, where MFS Telecom electronic equipment is located. Within each building, MFS Telecom-owned internal wiring connects the remote hub to the customer premises. Customer equipment is then connected to MFS Telecom-provided electronic equipment. Also connected to the network are the facilities of long distance carriers.

The network backbones are generally installed in underground conduits owned by MFS Telecom or leased from third parties, such as utilities, local governments and transit authorities. MFS Telecom locates its remote hub electronic equipment either in a room leased from the building owner or on a customer's premises.

Significant features of the networks include:

- Backbones which are 100 percent fiber optic and digitally based, allowing for high-speed, quality transmission of voice, data and video telecommunications;
- Route diversity for disaster protection by generally using two separate simultaneous paths for telecommunications traffic between any points on the network backbone;
- Redundant electronics for high-speed circuits which become operational in the event of failure of the primary components;
- Network reliability with availability exceeding 99.99%; and
- Twenty four-hour monitoring by an advanced network operations control center located in Oakbrook Terrace, Illinois.

Generally, MFS Telecom offers three varieties of special access and private line services:

- Long distance carrier-to-long distance carrier circuits (special access), which use high capacity lines to transmit traffic between long distance carrier facilities;
- End user-to-long distance carrier circuits (special access), which generally use medium to high capacity lines to connect business and government end users to long distance carriers; and
- End user-to-end user circuits (private line), which generally use low to medium capacity lines to connect end user facilities.

MFS Telecom customers typically contract for special access and private line services at a one of three standardized transmission speeds over dedicated circuits. Transmissions over these unswitched circuits do not pass through the

facilities of the local telephone company and therefore are not subject to certain access charges.

In response to customer demand and as regulatory developments permit, MFS intends to continue to add buildings to existing networks, extend existing networks to suburban areas, develop or acquire networks in other metropolitan areas, and offer new services.

MFS Datanet. In 1992, MFS developed two new service offerings which utilize its existing fiber optic networks. Through MFS Datanet, MFS offers high-speed data communications services, including an innovative service designed to connect geographically separate local area networks at the same native speed and protocol at which each local area network operates. Beginning in the third quarter of 1993, MFS intends to offer high-speed data communications services among all cities in which MFS Telecom currently has networks.

MFS Intelenet. MFS recently formed MFS Intelenet to provide a single source for comprehensive telecommunications services to small and medium sized businesses with quality and pricing levels comparable to those achieved by larger communications users. Since the divestiture by American Telephone and Telegraph Company of its local telephone system in 1984, organizations have been faced with an increasing variety of choices in telecommunications products, services and providers. While large organizations have generally responded by developing in-house staffs to manage these choices, MFS believes small and medium sized businesses may lack the resources to devote full time staff to this task. MFS intends to begin providing this comprehensive telephone service over its New York City network in the third quarter of 1993. MFS believes that currently there is no provider of such comprehensive services utilizing its own local networks.

MFS Network Technologies ("MFS-NT"). MFS-NT provides network systems integration services. MFS-NT designs, engineers, develops and manages the installation of MFS' fiber optic networks and network expansions. MFS-NT also offers to third parties its network systems integration services and, in certain cases, turn-key facilities management services, providing independent single source solutions to complex multi-discipline communications needs. MFS-NT network systems integration projects include remote interactive learning facilities for the State of Iowa, combined cable television-telephone networks in the United Kingdom, and security systems throughout the United States. MFS-NT is also actively developing communications components for intelligent vehicle highway systems in a venture with Texas Instruments, Incorporated. MFS-NT had third party backlog of \$74 million at the end of 1992. A substantial portion of the backlog is related to federal, state or local government contracts. Although some of these contracts are subject to cancellation and/or to a revision of funding, MFS-NT believes that it is adequately protected for all incurred costs and the costs of termination.

Customers. MFS Telecom's customers are primarily long distance carriers, business end users, and government end users. During 1992, MFS Telecom's top ten customers accounted for approximately 55% of its total recurring revenue. MFS-NT's third party customers include major local and long distance carriers, cable

television operators, government units, and large corporations. During 1992, MFS-NT's contract with the State of Iowa accounted for 42% of MFS' consolidated revenues.

Competition. In each of its markets, MFS Telecom faces significant competition for the special access and private line telecommunications services from local telephone companies, which currently dominate their local telecommunications markets. Existing competition for private line and special access services is based primarily on the quality and reliability of the network facilities, customer service, response to customer needs, service features and price, and is not based on any proprietary technology. As a result of the comparatively recent installation of its fiber optic networks, its dual path architectures and the state-of-the-art technology used in its networks, MFS Telecom may, in some cases, have cost and service quality advantages over some currently available local telephone company networks. MFS-NT's primary network systems integration and facilities management competitors are the regional Bell operating companies, long distance carriers, equipment manufacturers and major independent telephone companies.

Regulation. MFS is subject to varying degrees of federal, state and local regulation. MFS is not subject to price cap or rate of return regulation, nor is it currently required to obtain Federal Communication Commission ("FCC") authorization for installation or operation of its network facilities. MFS had not been required to file tariffs at the FCC for domestic service, but as a result of a recent court decision, MFS is now required to file interstate tariffs on an ongoing basis. MFS subsidiaries that provide intrastate service are generally subject to certification and tariff filing requirements by state regulators.

OTHER OPERATIONS

ENERGY

Kiewit Energy Company ("KEC"), a Company subsidiary, owns approximately 7.4 million common shares (approximately 21 percent of the outstanding shares) of California Energy Company, Inc. ("CE"), which is traded on the American Stock Exchange. KEC also owns 1,086 shares of CE voting convertible preferred stock; in 1991 KEC purchased for \$50 million, 1,000 preferred shares on which dividends at an 8.125% rate have been paid in the form of 86 additional preferred shares. KEC also has options to purchase 5.5 million common shares. In 1991, KEC and affiliates agreed not to acquire more than 49% of CE voting stock before March 1996. Under the same stockholder agreement, KEC was entitled to nominate three of the 12 members of the CE board of directors. KEC's nominees, Walter Scott, Jr., Richard R. Jaros, and James Q. Crowe, were elected and continue to serve as directors. CE develops geothermal and other environmentally responsible power generating facilities. CE currently operates five geothermal facilities in the western states, producing in excess of 250 megawatts of electricity.

INFORMATION SERVICES

PKS Information Services, Inc. ("PKSIS") is a subsidiary owned by the Company (96 percent) and PKSIS employees (4 percent). In addition to providing information services to the Company and its subsidiaries, PKSIS provides remote computing services, or "computer outsourcing", to users of IBM and DEC systems. The primary focus of PKSIS is on the systems operations segment of the computer outsourcing market. Voice and data telecommunications services and professional services practices are in place to support existing and prospective customers. PKSIS provides these services to firms who choose to avoid the capital and personnel costs of operating their own computer centers. In 1992, 44 percent of PKSIS' revenue was from external customers. PKSIS operations and computing equipment are located in a specially designed 50,000 square foot computer center in Omaha, Nebraska.

GENERAL INFORMATION

Environmental Protection. Compliance with federal, state, and local provisions regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has not and is not expected to have a material effect upon the capital expenditures, earnings, or competitive position of the Company and its subsidiaries.

Employees. At the end of 1992, the Company employed approximately 7,600 people -- 5,600 in construction, 1,000 in mining, 500 in telecommunications, 100 in information services, and 400 in corporate positions.

ITEM 2. PROPERTIES.

The properties used in the construction segment are described under a separate heading in Item 1 above. Properties relating to the Company's mining and telecommunications segments are described as part of the general business descriptions of those segments in Item 1 above. The Company considers its properties to be adequate for its present and foreseeable requirements.

ITEM 3. LEGAL PROCEEDINGS.

General. The Company and its subsidiaries are parties to many pending legal proceedings. Management believes that any resulting liabilities for legal proceedings, beyond amounts reserved, will not materially affect the Company's financial condition.

Environmental Proceedings. In a large number of proceedings, the Company or its predecessors is one of numerous defendants who may be "potentially responsible parties" liable for the cleanup of hazardous substances deposited in landfills or other sites. Management believes that any resulting liabilities for environmental legal proceedings, beyond amounts reserved, will not materially affect the Company's financial condition.

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 approximately 1,300 surface acres 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 alluvial valley floors significant to farming and located west of the hundredth meridian. The Whitney-Kiewit coal deposit is located within the Tongue River alluvial valley floor. 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. Claims Court. Plaintiffs alleged that their coal had been "taken" within the meaning of the Fifth Amendment upon the enactment of SMCRA in August 1977. They sought just compensation for that taking. In October 1989, the Claims Court ruled that a taking had occurred and awarded plaintiffs the 1977 fair market value of the property (calculated to be \$60 million) plus interest. In February 1991, the U.S. Court of Appeals for the Federal Circuit affirmed the decision of the Claims Court. In November 1991, the U.S. Supreme Court denied certiorari. The effect of the denial was to leave intact the Claims Court decision.

The Claims Court litigation continues with respect to whether the plaintiffs are entitled to simple interest or compound interest on the \$60 million judgment. Simple interest for the period August 1977 through December 1992 would be approximately \$96 million. Compound interest for the same period would be more than twice that amount.

The government has filed two post-trial motions in the Claims Court. In March 1992, the government requested a new trial to redetermine the value of the property. In June 1992, the government filed a motion based upon 28 U.S.C. §1500 to reopen and set aside the 1989 judgment as void and to dismiss plaintiffs' complaint for lack of jurisdiction. In August 1992, the Claims Court indicated that both motions would be denied. A written order has not yet been entered. The government may appeal from the order.

Kiewit and Whitney have agreed that Kiewit will receive 67.5 percent and Whitney will receive 32.5 percent of any award. It is not presently known when these proceedings will be concluded, what amount will be awarded to Kiewit, nor when payment of that amount will occur.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of 1992.

EXECUTIVE OFFICERS OF THE REGISTRANT.

The table below shows information as of March 19, 1993 about each executive officer of the Company, including his business experience during the past five years (1988-1993). The Company considers its executive officers to be its directors who are employed by the Company or one of its subsidiaries. The Company's directors and officers are elected annually and each was elected on June 6, 1992 to serve until his successor is elected and qualified or until his death, resignation or removal.

<u>Name</u>	<u>Business Experience</u>	<u>Age</u>
Walter Scott, Jr.	Chairman of Board and President	61
William L. Grewcock	Vice Chairman	67
Charles H. Campbell	Vice Chairman (since 1992) Executive Vice President (1988-1992)	61
Robert E. Julian	Executive Vice President-Chief Financial Officer (since 1991); Vice President-Chief Financial Officer (1988-1991); Treasurer (since 1990)	53
Kenneth E. Stinson	Executive Vice President (since 1991) Vice President (1988 - 1991)	50
John Bahen	Division Manager; Mr. Bahen is employed as the President of Peter Kiewit Sons Co. Ltd. (a subsidiary)	65
Richard Geary	Division Manager; Mr. Geary is employed as the President of Kiewit Pacific Co. (a subsidiary)	58
Leonard W. Kearney	Division Manager	52

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

Market Information. There is no established public trading market for any class of the Company's common stock. Under the Company's Restated Certificate of Incorporation, new 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 the Class D shares are predominantly owned by employees and former employees, such shares are not subject to ownership or transfer restrictions. In connection with a reclassification, effective January 8, 1992, each old Class B or Class C share was exchanged for one new Class B or Class C share and one new Class D share.

The formula prices of the Company's common stock (after subtracting dividends) were:

1991	-	\$43.55 per old Class B or Class C share
1992	-	\$14.00 per new Class B or Class C share
		\$46.25 per new Class D share

Dividends. During 1991 and 1992 the Company paid the following dividends on its common stock:

January 5, 1991	\$0.50 per old Class B or Class C share
May 1, 1991	0.50 per old Class B or Class C share
January 4, 1992	0.50 per old Class B or Class C share
May 1, 1992	0.15 per new Class B or Class C share
May 1, 1992	0.35 per new Class D share
June 1, 1992	1.00 per new Class D share

Holdings. On March 10, 1993, the Company had the following number of stockholders for each class of its common stock:

Class B	-	4 holders
Class C	-	1,166 holders
Class D	-	1,223 holders

ITEM 6. SELECTED FINANCIAL DATA.

**PETER KIEWIT SONS', INC.
SELECTED CONSOLIDATED FINANCIAL DATA**

The Selected Financial Data of Peter Kiewit Sons', Inc. ("PKS") and the Kiewit Construction & Mining Group ("B&C Stock") and the Kiewit Diversified Group ("D Stock") appear below and on the next three pages. The consolidated data of PKS are presented below with the exception of per common share data which is presented in the Selected Financial Data of the respective groups.

(dollars in millions, except per share amounts)	Fiscal Year Ended				
	1992	1991	1990	1989	1988 (1)
Results of Operations:					
Revenue	\$ 2,020	\$ 2,086	\$ 1,917	\$ 1,701	\$ 1,598
Earnings from continuing operations before cumulative effect of change in accounting principle	150	49	108	92	202
Net earnings	181	441	80	140	240
Financial Position:					
Total assets	2,599	2,632	2,966	3,762	3,558
Current portion of long-term debt	3	15	31	178	76
Long-term debt, less current portion	30	110	269	302	431
Stockholders' equity (2)	1,458	1,396	1,185	1,141	1,148

- (1) In 1988, the Company resolved certain claims and litigation with several customers relating to coal sales agreements. The disputes related primarily to the pricing, payment and delivery provisions of the agreements. The Company received approximately \$100 million in settlement of the disputes which is reflected in revenue.
- (2) The aggregate redemption value of common stock at December 26, 1992 was \$1.4 billion.

**KIEWIT CONSTRUCTION & MINING GROUP
SELECTED FINANCIAL DATA**

The following selected financial data for each of the years in the period 1988 to 1992 have been derived from audited financial statements. The historical financial information for the Kiewit Construction & Mining and Kiewit Diversified Groups supplements the consolidated financial information of PKS and, taken together, includes all accounts which comprise the corresponding consolidated financial information of PKS.

(dollars in millions, except per share amounts)	Fiscal Year Ended				
	1992	1991	1990	1989	1988
Results of Operations:					
Revenue	\$ 1,671	\$ 1,834	\$ 1,671	\$ 1,481	\$ 1,205
Earnings before cumulative effect of change in accounting principle	69	23	57	52	33
Net earnings	82	23	57	52	33
Per Common Share (1):					
Earnings before cumulative effect of change in accounting principle	3.79	1.12	2.47	2.13	1.20
Net earnings	4.48	1.12	2.47	2.13	1.20
Dividends (2)	0.70	0.30	0.25	0.30	0.25
Stock price (3)	18.70	14.40	10.35	8.40	7.35
Book value	23.31	19.25	14.99	12.65	10.75
Financial Position:					
Total assets	862	849	762	678	574
Current portion of long-term debt	2	7	15	26	27
Long-term debt, less current portion	12	13	14	11	14
Stockholders' equity (4)	437	400	350	313	300
Formula value (3)	351	299	249	215	213

- (1) In connection with the January 8, 1992 reorganization, each share of previous B and C Stock was exchanged for one share of new B&C Stock and one share of new D Stock. Therefore, for purposes of computing B&C Stock per share data, the number of shares for years 1988 to 1991 are assumed to be the same as the corresponding number of shares of previous B and C Stock. Fully diluted earnings per share have not been presented because it is not materially different from primary earnings per share.
- (2) The 1992 dividends include \$.30 for dividends declared in 1992 but paid January 5, 1993. Years 1988 to 1991 reflect dividends paid by PKS on its previous B and C Stock that have been attributed to Kiewit Construction & Mining Group and Kiewit Diversified Group based upon the relative formula values of each group which were determined at the end of each preceding year. Accordingly, the dividends may bear no relationship to the dividends that would have been declared by the Board in such years had the new B&C Stock and the new D Stock been outstanding.
- (3) Pursuant to the Restated Certificate of Incorporation, the stock price and formula value calculations are computed annually at the end of the fiscal year.
- (4) Ownership of the B&C Stock is restricted to certain employees conditioned upon the execution of repurchase agreements which restrict the employees from transferring the stock. PKS is committed to purchase all B&C Stock at the amount computed, when put to PKS by a stockholder, in accordance with provisions of the repurchase agreements. The aggregate redemption value of the B&C Stock at December 26, 1992 was \$351 million.

**KIEWIT DIVERSIFIED GROUP
SELECTED FINANCIAL DATA**

The following selected financial data for each of the years in the period 1988 to 1992 have been derived from audited financial statements. The historical financial information for the Kiewit Diversified and Kiewit Construction & Mining Groups supplements the consolidated financial information of PKS and, taken together, includes all accounts which comprise the corresponding consolidated financial information of PKS.

(dollars in millions except per share amounts)	Fiscal Year Ended				
	1992	1991	1990	1989	1988(1)
Results of Operations:					
Revenue	\$ 349	\$ 252	\$ 246	\$ 220	\$ 393
Earnings from continuing operations before cumulative effect of change in accounting principle	81	26	51	40	169
Net earnings	99	418	23	88	207
Per Common Share (2):					
Earnings from continuing operations before cumulative effect of change in accounting principle	4.00	1.26	2.20	1.63	6.12
Net earnings	4.92	20.30	1.03	3.59	7.50
Dividends (3)	1.95	0.70	0.70	0.90	0.55
Stock price (4)	50.65	47.85	35.00	32.65	29.45
Book value	50.75	47.93	35.75	33.47	30.19
Financial Position:					
Total assets	1,759	1,801	2,204	3,084	2,984
Current portion of long-term debt	1	8	16	152	49
Long-term debt, less current portion	18	97	255	291	417
Stockholders' equity (5)	1,021	996	835	828	848
Formula value (4)	1,021	996	835	828	848

KIEWIT DIVERSIFIED GROUP
SELECTED FINANCIAL DATA
(Continued)

- (1) In 1988, the Group resolved certain claims and litigation with several customers relating to coal sales agreements. The disputes related primarily to the pricing, payment and delivery provisions of the agreements. The Group received approximately \$100 million in settlement of the disputes which is reflected in revenue.
- (2) In connection with the January 8, 1992 reorganization, each share of previous B and C Stock was exchanged for one share of new B&C Stock and one share of new D Stock. Therefore, for purposes of computing D Stock per share data, the number of shares for years 1988 to 1991 are assumed to be the same as the corresponding number of shares of previous B and C Stock. Fully diluted earnings per share have not been presented because it is not materially different from primary earnings per share.
- (3) The 1992 dividends include \$.35 for dividends declared in 1992 but paid January 5, 1993. Years 1988 to 1991 reflect dividends paid by PKS on its previous B and C Stock that have been attributed to Kiewit Diversified Group and Kiewit Construction & Mining Group based upon the relative formula values of each group which were determined at the end of each preceding year. Accordingly, the dividends may bear no relationship to the dividends that would have been declared by the Board in such years had the new D Stock and the new B&C Stock been outstanding.
- (4) Pursuant to the Restated Certificate of Incorporation, the stock price and formula value calculations are computed annually at the end of the fiscal year.
- (5) Until public trading begins, PKS is generally committed to purchase all D Stock at the amount computed, in accordance with the Restated Certificate of Incorporation, when put to PKS by a stockholder. The aggregate redemption value of the D Stock at December 26, 1992 was \$1.0 billion.

ITEM 7. 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 Exhibits 28.1 and 28.2 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 was (in millions):

	<u>1992</u>	<u>1991</u>	<u>1990</u>
Construction	\$ 1,659	\$ 1,825	\$ 1,682
Mining	246	219	219
Telecommunications	109	37	11
Other Operations	<u>6</u>	<u>5</u>	<u>5</u>
	<u>\$ 2,020</u>	<u>\$ 2,086</u>	<u>\$ 1,917</u>

Telecommunications and construction revenue for the years ended December 28, 1991 and December 29, 1990 have been restated to conform to current year presentation of network systems integration and facilities management services as telecommunications revenue.

General

Additional financial information about the Company's industry segments, including operating earnings, identifiable assets, capital expenditures and depreciation, depletion and amortization, as well as geographic information, is contained in Note 13 to the Company's consolidated financial statements.

Results of Operations - 1992 vs. 1991

Construction

Revenue from construction activity in 1992 decreased 9.1% compared to 1991. Although the number of new contracts awarded in 1992 increased approximately 15%, the average size of new contracts, excluding the \$520 million contract awarded from the San Joaquin Hills Transportation Corridor Agency ("San Joaquin"), decreased by approximately 20%. Contract backlog at the end of 1992 was \$2.2 billion, a \$300 million increase from backlog at the end of 1991. Of the 1992 backlog, 9% relates to foreign projects mainly in Canada and the remainder relates to projects in the United States. Sixty-four percent of the U.S. projects are on the west coast. The decrease in revenue as well as in contract backlog (excluding San Joaquin) is the result of the general state of the economy in Canada and the United States. Fluctuating demand cycles are typical of the industry. The gross margin was 9% in 1992 and 6% in 1991. The 1991 gross margin was unfavorably impacted primarily by losses on the Denmark tunnel project and on several U.S. projects.

Results of Operations - 1992 vs. 1991 (continued)

Construction (continued)

Management of the nonsponsored Denmark tunnel project has completed negotiations with respect to the settlement of claims against the project owner and equipment supplier. The new agreement with the project owner covers the reimbursement of certain costs incurred and time extensions due to differing soil conditions at the site of the tunnels. Costs incurred with respect to the flooding of two of the four tunnels being drilled as part of the project have been covered by insurers. Because of the remaining uncertainties involved in completing the tunnels, due primarily to the adverse soil conditions, no adjustments were made in 1992 for the Company's share of the estimated losses. Management believes that the resolution of the uncertainties should not materially effect of the Company's financial position.

Mining

Mining revenue increased 12% in 1992 as compared to 1991. The increase was due to the mines collectively shipping 20% more tons of coal and lignite in 1992. The increase in tonnage was due principally to new short-term contracts at the Black Butte mine and sales on the spot market. This increase was partially offset by a 4% decrease in the average price per ton, the result of increased lower-priced spot sales from the Decker mine. Revenue recognition on previously consummated sales of undivided interests in coal reserves to be mined in the future represented \$40 million of 1992 revenue and \$39 million of 1991 revenue. The gross margin on mining revenue approximated 30% in 1992, which is higher than the gross margin in 1991. The 1991 gross margin was unfavorably impacted by certain one-time charges for production taxes and reclamation costs, and expenses incurred to repair a dragline.

In 1992, the agreements with Commonwealth Edison Company ("Commonwealth") were renegotiated. Beginning January 1, 1993, the Black Butte mine discontinued coal shipments to Commonwealth. Coal is now purchased from two unaffiliated mines located in the Powder River Basin area of Wyoming and from the Company's Decker mine to satisfy the delivery commitments under the renegotiated Commonwealth agreements. Also in accordance with the renegotiation, there will be no sales of interests in coal reserves subsequent to January 1, 1993. The Company does not expect that the financial impact of the renegotiation will be material to its mining operations, cash flows, or financial position.

See "Legal Proceedings" with respect to the Whitney Benefits case.

Results of Operations - 1992 vs. 1991 (continued)

Telecommunications

Revenue in 1992 was comprised of 56% network systems integration and facilities management and 44% telecommunications services. Revenue in 1991 was comprised of 38% network systems integration and facilities management and 62% telecommunications services. Network systems integration and facilities management backlog at December 26, 1992 was \$74 million, of which \$16 million relates to the United Kingdom joint venture and the remainder relates mainly to the State of Iowa project. Revenue increased from \$37.2 million in 1991 to \$108.7 million in 1992, representing a 192% increase. Of the increase, 66% was from network systems integration and facilities management. This increase resulted primarily from network systems integration projects in Iowa, Minnesota and the United Kingdom. Telecommunications services accounted for the remaining increase in total revenue. This increase in revenue primarily reflects increased services provided on networks in New York City and Dallas which commenced operations in early 1991 and a full year of results for the Washington, D.C. metropolitan area network which was acquired in October 1991. The balance of the increase in telecommunications services revenue resulted from continued market growth of other networks. The Atlanta network became operational during the fourth quarter of 1992, but generated insignificant revenues.

The cost of revenue in 1992 increased 112% compared to 1991. Seventy-three percent of the increase relates to direct costs incurred on network systems integration and facilities management projects for third parties. Another 17% of the increase is due to increased depreciation and amortization expense primarily on the telecommunications networks in Washington, D.C., New York City and Dallas. The balance of the increase relates to an increase in other costs associated directly with network operations; primarily from the Washington, D.C., New York City and Dallas networks. The cost of revenue, as a percentage of total revenue, has decreased from 123% in 1991 to 89% in 1992. This change resulted generally from increased utilization of existing network capacity.

In September 1992, the Federal Communications Commission (the "FCC") acted to require the Bell Operating Companies (the "BOC's") to offer collocation for interstate services. Collocation will expand markets by allowing the Company to interconnect with the BOC's local offices and, as a result, serve customer locations that are not physically on the Company's networks. No assurance can be given that any benefits expected to be realized by the Company as a result of the FCC ruling will, in fact, be realized or as to the timing of such benefits.

Other Income

The Company recognized investment income of \$98 million in 1992 and \$108 million in 1991. The decrease in investment income is generally attributable to the collection of various receivables from the sales of the discontinued packaging operations. In 1992 the Company recognized \$11 million of interest on these receivables compared to \$20 million in 1991. Included in 1992 investment income are \$4 million of dividends in kind received from an investment in California Energy Company, Inc. ("California Energy") preferred stock and \$11

Results of Operations - 1992 vs. 1991 (continued)

Other Income (continued)

million of dividends accrued on an investment in United States Can Company ("U.S. Can") preferred stock which was redeemed in March 1993. Included in 1991 investment income is \$12 million of dividends received from U.S. Can preferred stock. Other Income in 1992 and 1991 also reflects gains on the sales of timberlands of \$5 million and \$3 million, respectively, net equity earnings from an investment in California Energy of \$4 million and \$3 million, respectively, and information services income of \$7 million and \$5 million, respectively. The increase in Other Income in 1992 was partially offset by a decline in market value considered to be other than temporary of \$12 million recorded for two of the Company's temporary investments, one of which was sold in 1993.

Selling and Administrative Expenses

Selling and administrative expenses increased 5% in 1992 compared to 1991 due in part to increases within the telecommunications operations. The Company incurred \$4 million in 1992 developing new telecommunications services. The increase is also attributable to modest increases in several of the Company's administrative departments.

Interest Expense

Interest expense in 1992 reflects the anticipated decrease due to the significant reductions during 1991 in both short-term borrowings and long-term debt. All short-term borrowings were repaid in July 1991 and no new borrowings were incurred until December 1992. The Company also redeemed \$150 million of debt in October 1991 and extinguished \$73 million of debt in 1992 with no new material debt incurred since year-end 1991.

Taxes

The effective income tax rate, with respect to continuing operations before cumulative effect of change in accounting principle, is 32% in 1992 and 46% in 1991. The 1992 rate is lower than the 1991 rate primarily due to 1991 foreign taxes and adjustments to the prior year estimated tax provision. In both 1992 and 1991, dividend exclusions and mineral depletion expenses for tax reporting purposes in excess of amounts used for financial reporting purposes reduce the overall effective rate.

Discontinued Packaging Operations

The gain on disposal of discontinued operations in 1992 resulted from a \$19 million adjustment to prior year tax estimates and an \$8 million payment, net of tax, received from BTR Nylex Limited and a \$1 million accrual, net of tax, relating to additional sales proceeds from the 1990 sale of Continental PET Technologies, Inc. The gain was partially offset by miscellaneous sales adjustments related to the 1991 and 1990 sales of certain discontinued packaging operations. The gain on disposal of discontinued operations in 1991 reflects the

Results of Operations - 1992 vs. 1991 (continued)

Discontinued Packaging Operations (continued)

sales of the European packaging operations, Continental Can International Corporation, Continental White Cap, Inc. and Continental Plastic Containers, Inc. The significant decrease in 1992 in earnings from discontinued operations is due to the sales of the remaining packaging operations in 1991. Earnings in 1992 reflect the equity earnings from the Company's investment in a plastics joint venture, which was sold to Ball Corporation in July 1992. No significant gain or loss was recognized as a result of this transaction.

Results of Operations - 1991 vs. 1990

Construction

Construction revenue increased 10%. Contract backlog decreased to \$1.9 billion at the end of 1991, from \$2.2 billion at the end of 1990. The increase in revenue and decrease in contract backlog is due to the completion of projects and the reduced number of large construction contracts awarded at the end of 1991. In 1991, the Company was awarded six contracts in excess of \$50 million as compared to ten such contracts in 1990. Of the backlog, 11% relates to foreign projects which are mainly in Canada. The remaining 1991 backlog relates to U.S. projects, with the largest increase in activity on the west coast. The gross margin was 6% in 1991, as compared to 9% in 1990. The gross margin was unfavorably impacted primarily by an increase in the estimated loss on the Denmark tunnel project and losses incurred on several U.S. projects.

Mining

Mining revenue remained steady in 1991. Tons of coal shipped increased by 4%, which was offset by a 3% decrease in average sales price per ton. Previously consummated sales of undivided interests in coal reserves to be mined in the future represented \$39 million of 1991 mining revenue compared to \$45 million in 1990.

The increase in coal shipments reflected primarily higher shipments from the Calvert mine. The Calvert mine has reached the delivery levels of coal for its primary customer as required by contract. Continued significant increases in shipments from this mine are not anticipated in the near future. Increased shipments of coal from the Decker and Black Butte mines were offset by decreased shipments from the Company's mines which are in the final stages of production. The increased shipments from the Decker and Black Butte mines is further reflected in the decrease in previously consummated sales of undivided interests in coal reserves to be mined in the future. Under the agreement with one of the Company's primary customers, when actual shipments increase, reserve sales decrease. The average sales price per ton decreased because increased coal shipments came from the Calvert mine which has a lower sales price per ton than the other mines. The gross margin earned on mining revenue in 1991 approximated the gross margin in 1990.

Results of Operations - 1991 vs. 1990 (continued)

Telecommunications

Revenue increased significantly in 1991 reflecting additional telecommunications subsidiaries which commenced full operations. By the end of 1991, the Company was operating in twelve metropolitan areas. Costs of services in excess of revenue in 1991 approximated the 1990 amount. During the fourth quarter of 1991, the Company acquired a majority interest in a telecommunications business which provides service to the Washington, D.C. metropolitan area.

Other Income

The Company recognized investment income of \$108 million in 1991 and \$94 million in 1990. Investment income increased in 1991 due to interest earned on the various receivables from the sales of the discontinued packaging operations and interest and dividend income earned from the investment of cash proceeds from these sales. Included in 1991 and 1990 investment income is \$12 million and \$9 million, respectively, of dividends received from an investment in United States Can Company preferred stock. Other Income in 1990 also reflects \$12 million earned from construction consulting services. The increases in Other Income in 1990 were partially offset by a \$15 million loss from the sale of interests in certain producing oil and gas leases and related equipment. Gains from sales of timberland properties are also included in Other Income. A gain of \$3 million was recognized in 1991 compared to a gain of \$17 million in 1990. Generally, gains from miscellaneous asset dispositions made up the remaining balance of Other Income.

Selling and Administrative Expenses

Selling and administrative costs increased in 1991 as compared to 1990 primarily due to the reversal of certain reserves in 1990, which had been established in prior years, and increased business activity.

Interest Expense

Interest expense, due to short-term borrowing and long-term debt, decreased during 1991 as a result of the repayment of \$100 million of Eurobond notes in September 1990; the repayment of short-term borrowings in July 1991; and the redemption of \$150 million of public debt in 1991, which consisted of \$75 million of 11.5% Eurodollar notes and \$75 million of 12.3% sinking fund debentures. As a result of the repayment of this debt, interest expense was expected to be less in future years than in 1991 and the recent past. Partially offsetting these decreases was interest expense incurred as a result of the settlement of various tax issues with the Federal government in 1991.

Taxes

The effective income tax rate, with respect to continuing operations, was 46% in 1991 and 32% in 1990. The 1991 rate was higher than the 1990 rate and the statutory rate of 34% due primarily to foreign taxes, states taxes and

Results of Operations - 1991 vs. 1990 (continued)

Taxes (continued)

adjustments to the prior year estimated tax provision. In both 1991 and 1990 dividend exclusions and mineral depletion expenses for tax reporting purposes in excess of amounts used for financial reporting purposes reduced the overall effective rate.

Discontinued Packaging Operations

In April 1991, certain subsidiaries of the Company sold their European packaging operations ("Europe") to VIAG Aktiengesellschaft, a German company. The transaction closed in June 1991. Europe was engaged in developing, manufacturing and marketing metal and plastic containers, closures and related packaging products principally in Western Europe. Revenue from these businesses was \$818 million prior to the transaction close in 1991 and \$1,809 million for the year ended 1990. Europe's net earnings for these same periods were \$34 million and \$48 million, respectively. The net proceeds from the transaction were \$853 million in cash. With the net proceeds, the Company repaid in July 1991 short-term borrowings of \$252 million. The short-term borrowings consisted of \$123 million which was borrowed in June 1991 to repay intercompany loans made to the Company by a subsidiary of Europe and \$129 million which was directly related to financing Europe's capital expenditures.

In May 1991, the Company sold Continental Can International Corporation ("CCIC"), a wholly-owned subsidiary that held the Company's interests in metal packaging operations in Latin America, the Far East and the Middle East, to Crown Cork & Seal Company, Inc. Revenue and net earnings were not material during the period prior to closing in 1991 and during the year ended 1990. Proceeds from the transaction consisted of \$35 million paid in cash at closing and a receivable of \$94 million which was collected in November 1991.

In August 1991, the Company sold Continental White Cap, Inc. ("White Cap"), a wholly-owned subsidiary that manufactured metal, plastic and composite closures for food vacuum-packed in both glass and plastic containers to Schmalbach Lubeca A.G., a German company, for \$279 million, after certain adjustments. Revenue from this business was \$119 million prior to the transaction close in 1991 and \$175 million for the year ended 1990. Net earnings for these same periods were \$13 million and \$19 million, respectively. The proceeds consisted of a promissory note, with interest at the LIBOR rate plus .625%, receivable in installments over the next five years with the final installment due on December 31, 1995. The first installment payment of \$50 million was received in October 1991. Additional payments totalling \$25 million were received in December 1991 and January 1992.

In November 1991, the Company sold Continental Plastic Containers, Inc. and Continental Caribbean Containers, Inc. (collectively "PCD"), two wholly-owned subsidiaries that manufactured blow-molded rigid plastic containers for household, automotive, industrial and food products, to Plastic Containers, Inc., a newly formed corporation, for approximately \$150 million, after adjustments.

Results of Operations - 1991 vs. 1990 (continued)

Discontinued Packaging Operations (continued)

The agreement provided that the Company be paid for a percentage of sales in excess of certain levels in 1992 and 1993. Revenue from this business was \$190 million prior to the transaction close in 1991 and \$252 million for 1990. Net earnings for these same periods were \$4 million and \$16 million, respectively. The proceeds consisted of \$50 million in cash at the closing and a \$100 million bridge note receivable. The note receivable was collected in April 1992.

The table below summarizes the gain on disposal for each sale and for the combined sales (in millions) during 1991:

	<u>Europe</u>	<u>CCIC</u>	<u>White Cap</u>	<u>PCD</u>	<u>Total</u>
Net Proceeds	\$ 853	\$ 129	\$ 279	\$ 150	\$ 1,411
Financial Reporting Basis	<u>560</u>	<u>41</u>	<u>109</u>	<u>96</u>	<u>806</u>
Pre-Tax Gain	293	88	170	54	605
Estimated Tax Provision	<u>94</u>	<u>33</u>	<u>78</u>	<u>28</u>	<u>233</u>
Gain on Disposal	<u>\$ 199</u>	<u>\$ 55</u>	<u>\$ 92</u>	<u>\$ 26</u>	<u>\$ 372</u>

The effective income tax rates differ from the expected statutory income tax rates due to state income taxes and the tax bases being different than the financial reporting bases.

The difference between the gain summarized above and the gain per the consolidated statements of earnings is \$1 million, net of tax, consisting of the following (in millions):

Purchase price adjustment for Continental PET Technologies, Inc.	\$ 17
Gain on sale of investment in unconsolidated subsidiary	6
Reserves for various sales of discontinued packaging operations	<u>(22)</u>
	<u>\$ 1</u>

In 1991, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," which required the accrual method of accounting for postretirement benefits. In prior years, expense was recognized when claims were paid. The accumulated postretirement benefit obligation ("APBO") of \$64 million relating to prior service cost for retired Continental employees and spouses was recognized as a cumulative effect of an accounting change within earnings from discontinued operations, net of \$35 million which had previously been recorded in purchase accounting when Continental was acquired, and a \$10 million income tax benefit.

The results of discontinued operations in 1991 were better than 1990 due to the 1990 charge pertaining to the USW ERISA litigation settlement of \$180 million, after giving effect to amounts previously reserved and related income

Results of Operations - 1991 vs. 1990 (continued)

Discontinued Packaging Operations (continued)

tax benefits, which was offset by a full year's net earnings in 1990 of the European and Domestic operations that were sold in 1991. The 1991 net earnings of the European and Domestic operations prior to their sale in 1991 were reduced by the cumulative effect adjustment recognized for the adoption of SFAS No. 106.

Financial Condition - December 26, 1992

During 1992, the Company's significant uses of cash were as follows: repurchasing common stock for \$85 million (assuming the reclassification and exchange occurred in 1991, these shares would represent 1.5 million Class B&C shares and 1.3 million Class D shares), paying dividends of \$40 million, retiring \$16 million of debt due to former stockholders, extinguishing \$98 million of outstanding long-term debt, utilizing \$129 million on capital expenditures (\$37 million for construction, \$8 million for mining, \$80 million for telecommunications and \$4 million for corporate), investing \$23 million for 1,911,112 shares of California Energy Company, Inc. common stock, (bringing the total cost of the Company's investment to \$116 million, including preferred stock, and ownership interest to approximately 21% at December 26, 1992), acquiring the remaining 20% of a telecommunications subsidiary's stock held by minority shareholders for \$27 million and investing \$16 million for a 30% ownership interest in an electrical contractor. In addition to cash flows from operations, the significant cash receipts were as follows: issuing common stock for \$24 million and collecting \$30 million from United States Can Company, \$8 million from BTR Nylex Limited and \$172 million with respect to receivables from the 1991 sales of certain discontinued packaging operations. Offsetting the collection of sales receivables was approximately \$40 million paid for purchase price adjustments on the 1991 and 1990 sales of certain discontinued packaging operations.

During the first quarter of 1993, the Company paid \$12 million of dividends, repurchased .6 million shares of Class B&C common stock for \$8 million and repurchased .7 million shares of Class D common stock for \$30 million. Also in the first quarter of 1993, the Company received \$23 million from United States Can Company (\$11 million for dividends which were accrued in 1992 and \$12 million for the redemption of the preferred stock) and repaid \$80 million of 1992 short-term borrowings.

The Company's working capital position at the end of 1992, together with anticipated cash flows from operations, collection of the receivable from the sale of a packaging operation and existing borrowing capacity, should be sufficient for 1993 working capital and capital expenditure requirements.

The Company has certain options to purchase additional shares of California Energy Company, Inc. common stock. The Company has also agreed to purchase, over the next five years, additional shares of an electrical contractor such that the

Financial Condition - December 26, 1992 (continued)

Company will own 80% of the contractor by early 1997. These additional purchases will be made at prices based upon the adjusted book value of the electrical contractor on those future dates. Additionally, the Company anticipates that it will continue to invest between \$45 million and \$85 million annually in its construction and mining businesses, make significant investments in its energy business and search for opportunities to acquire operating businesses that are capital intensive and provide for long-term growth. The Company has been investigating and will continue to investigate these opportunities and intends to make significant acquisitions. The Company requires financing to fund the future building, expansion or acquisition of telecommunications networks in major metropolitan areas. The Company's telecommunications subsidiary is negotiating a revolving credit facility to serve as a potential source of liquidity to fund future cash requirements and is exploring other sources of obtaining capital, including debt or equity instruments. The Company's telecommunications subsidiary filed a registration statement on March 11, 1993 with the U.S. Securities and Exchange Commission seeking permission to conduct a public offering of shares.

The above investments, along with the payment of income taxes and the repurchases of common stock are expected to be the significant long-term uses of liquidity. The Company's existing cash and cash equivalents, temporary investments, collection of the sale receivable and cash flows from operations, along with existing borrowing capacity, are expected to provide sufficient liquidity to fund these expenditures.

In 1992, the Company adopted SFAS No. 109, "Accounting for Income Taxes," which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial and tax basis for assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. As of the beginning of fiscal year 1992, the Company recorded income of \$12 million, which represents the decrease in the net deferred tax liabilities as of that date. The increase in income tax rates that is currently being considered by Congress and the current administration should not have a material adverse effect on the Company's financial position or results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Financial statements and supplementary financial information for Peter Kiewit Sons', Inc. and Subsidiaries begin on page Pl. Separate financial statements and financial statement schedules for the Kiewit Construction & Mining Group and the Kiewit Diversified Group have been filed as Exhibits 28.1 and 28.2 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.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by Part III is incorporated by reference from the Company's definitive proxy statement for the Annual Meeting of Stockholders to be held on June 5, 1993. However, certain information is set forth under the caption "Executive Officers of the Registrant" following Item 4 above.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

(a) Financial statements and financial statement schedules required to be filed for the registrant under Items 8 or 14 are set forth following the index page at page Pl.

Exhibits filed as a part of this report are listed below. Exhibits incorporated by reference are indicated in parentheses.

<u>Exhibit Number</u>	<u>Description</u>
3.1	Restated Certificate of Incorporation, effective January 8, 1992 (Exhibit 3.1 to Registrant's Annual Report on Form 10-K for the year ended December 28, 1991).
3.3	Amendment to By-laws, Sections 4, 13B, 18, 19, 20A, 20B, 32, 38, and 50, adopted by the Board of Directors on March 19, 1993.
3.4	By-laws, composite copy, including all amendments, as of March 19, 1993.

- 10.11 . Kiewit Construction and Mining Long-Term Incentive Plan, Construction and Mining Appreciation Rights (Exhibit 10.11 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1988).
- 10.12 Kiewit Long-Term Incentive Plan, Stock Appreciation Rights (Exhibit 10.12 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1988).
- 22 List of subsidiaries of the Company.
- 28.1 Kiewit Construction & Mining Group Financial Statements and Financial Statement Schedules and Management's Discussion and Analysis of Financial Condition and Results of Operations.
- 28.2 Kiewit Diversified Group Financial Statements and Financial Statement Schedules and Management's Discussion and Analysis of Financial Condition and Results of Operations.

(b) No Report on Form 8-K was filed during the fourth quarter of 1992. (A Report on Form 8-K was filed on January 11, 1993 to report the amendment of contracts between Black Butte Coal Company and Commonwealth Edison Company. Another Report on Form 8-K was filed to report the filing on March 10, 1993 of a registration statement on Form S-1 by the Company's subsidiary, MFS Communications Company, Inc.).

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 23rd day of March, 1992.

PETER KIEWIT SONS', INC.

By: /s/ R. E. Julian
Robert E. Julian
Executive Vice President -
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 23rd day of March, 1992.

/s/ Walter Scott, Jr.
Walter Scott, Jr.

Chairman of the Board
and President (principal
executive officer)

/s/ R. E. Julian
Robert E. Julian

Director, Executive Vice
President-Chief Financial
Officer (principal
financial officer)

/s/ Frank V. Yelick
Frank V. Yelick

Vice President and Controller
(principal accounting officer)

John Bahen, Director

/s/ W. L. Grewcock
William L. Grewcock, Director

/s/ Charles H. Campbell
Charles H. Campbell, Director

Charles M. Harper, Director

/s/ Richard L. Coyne
Richard L. Coyne, Director

/s/ Leonard W. Kearney
Leonard W. Kearney, Director

/s/ Robert B. Daugherty
Robert B. Daugherty, Director

/s/ Peter Kiewit, Jr.
Peter Kiewit, Jr., Director

/s/ Richard Geary
Richard Geary, Director

/s/ Kenneth E. Stinson
Kenneth E. Stinson, Director

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PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Index to Financial Statements and Financial Statement Schedules

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Consolidated Balance Sheets	P-5
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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.

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REPORT OF INDEPENDENT ACCOUNTANTS

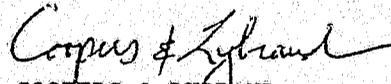
The Board of Directors and Stockholders
Peter Kiewit Sons', Inc.

We have audited the consolidated financial statements and the financial statement schedules 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 financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules 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 26, 1992 and December 28, 1991, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 26, 1992 in conformity with generally accepted accounting principles. In addition, in our opinion, the financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for income taxes in 1992.


COOPERS & LYBRAND

Omaha, Nebraska
March 19, 1993

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Consolidated Statements of Earnings

For the three years ended December 26, 1992

(dollars in millions)	1992	1991	1990
Revenue	\$ 2,020	\$ 2,086	\$ 1,917
Other Income (Note 12)	<u>128</u>	<u>125</u>	<u>135</u>
	<u>2,148</u>	<u>2,211</u>	<u>2,052</u>
Costs and Expenses:			
Cost of revenue	1,741	1,905	1,674
Selling and administrative	177	169	158
Interest	<u>11</u>	<u>47</u>	<u>62</u>
	<u>1,929</u>	<u>2,121</u>	<u>1,894</u>
Earnings from Continuing Operations Before Income Taxes and Cumulative Effect of Change in Accounting Principle	219	90	158
Provision for Income Taxes (Note 8)	<u>69</u>	<u>41</u>	<u>50</u>
Earnings from Continuing Operations Before Cumulative Effect of Change in Accounting Principle	150	49	108
Cumulative Effect of Change in Accounting Principle	<u>12</u>	<u>-</u>	<u>-</u>
Earnings from Continuing Operations	162	49	108
Discontinued Operations (Note 2):			
Earnings (loss) from discontinued operations net of income taxes (benefit) of \$-, \$26 and \$(28)	1	19	(40)
Gain on disposal of discontinued operations net of income taxes (benefit) of \$(19), \$221 and \$110 (Note 3)	<u>18</u>	<u>373</u>	<u>12</u>
Net Earnings	<u>\$ 181</u>	<u>\$ 441</u>	<u>\$ 80</u>

See accompanying notes to consolidated financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Consolidated Statements of Earnings (continued)

For the three years ended December 26, 1992

(dollars in millions, except per share data)	1992	1991	1990
Earnings Attributable to Class B&C Stock:			
Earnings Before Cumulative Effect of Change in Accounting Principle	\$ 69	\$ 23	\$ 57
Cumulative Effect of Change in Accounting Principle	<u>13</u>	<u>-</u>	<u>-</u>
Net Earnings	<u>\$ 82</u>	<u>\$ 23</u>	<u>\$ 57</u>
Earnings Attributable to Class D Stock:			
Earnings from Continuing Operations Before Cumulative Effect of Change in Accounting Principle	\$ 81	\$ 26	\$ 51
Cumulative Effect of Change in Accounting Principle	<u>(1)</u>	<u>-</u>	<u>-</u>
Earnings from Continuing Operations	80	26	51
Discontinued Operations:			
Earnings (loss)	1	19	(40)
Gain on disposal	<u>18</u>	<u>373</u>	<u>12</u>
Net Earnings	<u>\$ 99</u>	<u>\$ 418</u>	<u>\$ 23</u>
Earnings Per Common and Common Equivalent Share:			
Class B&C:			
Earnings Before Cumulative Effect of Change in Accounting Principle	\$ 3.79	\$ 1.12	\$ 2.47
Cumulative Effect of Change in Accounting Principle	<u>.69</u>	<u>-</u>	<u>-</u>
Net Earnings	<u>\$ 4.48</u>	<u>\$ 1.12</u>	<u>\$ 2.47</u>
Class D:			
Continuing Operations:			
Earnings Before Cumulative Effect of Change in Accounting Principle	\$ 4.00	\$ 1.26	\$ 2.20
Cumulative Effect of Change in Accounting Principle	<u>(.05)</u>	<u>-</u>	<u>-</u>
Earnings from Continuing Operations	3.95	1.26	2.20
Discontinued Operations:			
Earnings (loss)	.04	.94	(1.69)
Gain on disposal	<u>.93</u>	<u>18.10</u>	<u>.52</u>
Net Earnings	<u>\$ 4.92</u>	<u>\$ 20.30</u>	<u>\$ 1.03</u>

See accompanying notes to consolidated financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 26, 1992 and December 28, 1991

(dollars in millions)	1992	1991
Assets		
Current Assets:		
Cash and cash equivalents	\$ 203	\$ 243
Temporary investments, at lower of cost or market	905	825
Receivables, less allowance of \$7 and \$7	271	266
Note receivable from sale of discontinued operations (Note 3)	60	72
Costs and earnings in excess of billings on uncompleted contracts	53	71
Investment in construction joint ventures (Note 5)	48	45
Deferred income taxes	55	21
Other	<u>90</u>	<u>79</u>
Total Current Assets	1,685	1,622
Property, Plant and Equipment, at cost:		
Land	26	25
Buildings	48	46
Equipment	<u>895</u>	<u>823</u>
	969	894
Less accumulated depreciation and amortization	<u>(575)</u>	<u>(546)</u>
Net Property, Plant and Equipment	394	348
Note Receivable from Sale of Discontinued Operations (Note 3)	84	244
Investments	180	178
Other Assets	<u>256</u>	<u>240</u>
	<u>\$ 2,599</u>	<u>\$ 2,632</u>

See accompanying notes to consolidated financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Consolidated Balance Sheets

December 26, 1992 and December 28, 1991

<u>(dollars in millions, except share data)</u>	<u>1992</u>	<u>1991</u>
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 198	\$ 198
Short-term borrowings	80	-
Current portion of long-term debt (Note 7)	3	15
Accrued costs and billings in excess of revenue on uncompleted contracts	107	116
Accrued insurance costs	66	61
Other	<u>93</u>	<u>159</u>
Total Current Liabilities	547	549
Long-Term Debt, less current portion (Note 7)	30	110
Deferred Income Taxes	267	306
Retirement Benefits	74	58
Accrued Reclamation Costs	94	93
Other Liabilities	129	120
Stockholders' Equity (Note 11):		
Preferred stock, no par value, authorized 250,000 shares: no shares outstanding in 1992 and 1991		
Common stock, \$.0625 par value, \$1.4 billion aggregate redemption value:		
Class B, authorized 8,000,000 shares: 1,257,000 outstanding in 1992 and 1,394,000 in 1991	-	-
Class C, authorized 125,000,000 shares: 17,505,535 outstanding in 1992 and 19,384,278 in 1991	1	1
Class D authorized 50,000,000 shares: 20,104,478 outstanding in 1992 and 20,778,278 in 1991	1	1
Additional paid-in capital	145	128
Foreign currency adjustment	3	9
Retained earnings	<u>1,308</u>	<u>1,257</u>
Total Stockholders' Equity	<u>1,458</u>	<u>1,396</u>
	<u>\$ 2,599</u>	<u>\$ 2,632</u>

See accompanying notes to consolidated financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES
 Consolidated Statements of Cash Flows
 For the three years ended December 28, 1992

(dollars in millions)	1992	1991	1990
Cash flows from operations:			
Earnings from continuing operations	\$ 162	\$ 49	\$ 108
Adjustments to reconcile earnings from continuing operations to net cash provided by (used in) continuing operations:			
Cumulative effect of change in accounting principle	(12)	-	-
Depreciation, depletion and amortization	86	82	84
Gain on sale of property, plant and equipment, and other investments	(18)	(11)	(15)
Decline in market value of investments	12	-	-
Retirement benefits paid	(8)	(5)	(5)
Change in retirement benefits and other noncurrent liabilities	19	68	(90)
Deferred income taxes	(4)	(4)	(8)
Change in working capital items:			
Receivables	(16)	13	(16)
Other current assets	18	4	(65)
Payables	(12)	23	7
Other liabilities	(33)	10	(43)
Other	<u>6</u>	<u>(38)</u>	<u>38</u>
Net cash provided by (used in) continuing operations	200	191	(6)
Cash flows from investing activities:			
Proceeds from sale of temporary investments	6,542	3,717	2,519
Purchases of temporary investments	(6,629)	(4,116)	(2,547)
Proceeds from sale of property, plant and equipment, and other investments	31	34	47
Capital expenditures	(129)	(122)	(123)
Investments in affiliates	(42)	(135)	-
Acquisition of minority interest	(27)	-	-
Other	<u>6</u>	<u>(5)</u>	<u>-</u>
Net cash used in investing activities	(248)	(628)	(104)
Cash flows from financing activities:			
Long-term debt borrowings	3	21	31
Payments on long-term debt, including current portion	(98)	(199)	(160)
Net change in short-term borrowings	80	(231)	184
Issuances of common stock	24	21	19
Repurchases of common stock	(85)	(137)	(77)
Dividends paid	(40)	(21)	(22)
Other	<u>(1)</u>	<u>(3)</u>	<u>-</u>
Net cash used in financing activities	(117)	(549)	(25)
Cash flows from discontinued packaging operations:			
Proceeds from sales of discontinued packaging operations	163	1,285	460
USW ERISA Litigation settlement installment payment	-	(207)	(208)
Other cash used in discontinued packaging operations	<u>(34)</u>	<u>(105)</u>	<u>(234)</u>
Net cash provided by discontinued packaging operations	129	973	18
Effect of exchange rates on cash	<u>(4)</u>	<u>-</u>	<u>(1)</u>
Net decrease in cash and cash equivalents	(40)	(13)	(118)
Cash and cash equivalents at beginning of year	<u>243</u>	<u>256</u>	<u>374</u>
Cash and cash equivalents at end of year	<u>\$ 203</u>	<u>\$ 243</u>	<u>\$ 256</u>
Supplemental disclosure of cash flow information for continuing and discontinued operations:			
Taxes	\$ 183	\$ 213	\$ 212
Interest	14	53	75

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 26, 1992

(dollars in millions, except per share data)	Class B Common Stock	Class C Common Stock	Class D Common Stock	Additional Paid-in Capital	Foreign Currency Adjustment	Retained Earnings	Total
Balance at December 31, 1989	\$ -	\$ 1	\$ 1	\$ 113	\$ 58	\$ 968	\$ 1,141
Issuances of stock	-	-	-	19	-	-	19
Repurchases of stock	-	-	-	(9)	-	(68)	(77)
Foreign currency adjustment	-	-	-	-	44	-	44
Net earnings	-	-	-	-	-	80	80
Dividends (\$.95 per common share)	-	-	-	-	-	(22)	(22)
Balance at December 29, 1990	-	1	1	123	102	958	1,185
Issuances of stock	-	-	-	21	-	-	21
Repurchases of stock	-	-	-	(16)	-	(121)	(137)
Foreign currency adjustment	-	-	-	-	(93)	-	(93)
Net earnings	-	-	-	-	-	441	441
Dividends (\$1.00 per common share)	-	-	-	-	-	(21)	(21)
Balance at December 28, 1991	-	1	1	128	9	1,257	1,396
Issuances of stock	-	-	-	24	-	-	24
Repurchases of stock	-	-	-	(7)	-	(78)	(85)
Foreign currency adjustment	-	-	-	-	(6)	-	(6)
Net earnings	-	-	-	-	-	181	181
Dividends: (a)							
Class B&C (\$.70 per common share)	-	-	-	-	-	(13)	(13)
Class D (\$1.95 per common share)	-	-	-	-	-	(39)	(39)
Balance at December 26, 1992	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 145</u>	<u>\$ 3</u>	<u>\$1,308</u>	<u>\$1,458</u>

(a) Includes \$.30 and \$.35 per share for dividends on Class B&C Stock and Class D Stock, respectively, declared in 1992 but paid January 5, 1993.

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 its majority-owned subsidiaries ("PKS" or the Company"), which are engaged in enterprises primarily related to construction, mining and telecommunications. See Note 2 with respect to discontinued packaging operations. Fifty-percent-owned mining joint ventures are consolidated on a pro rata basis. All significant intercompany accounts and transactions have been eliminated. 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. 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. Other investments are carried at the lower of cost or market.

Construction Contracts

The Company operates generally within the United States and Canada 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, plus a reasonable profit on such 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 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 settled.

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.

Coal Sales Contracts

The Company and its mining ventures have entered into various agreements with its customers which stipulate delivery and payment terms for the sale

PETER KIEWIT SONS', INC.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies (continued)

Coal Sales Contracts (continued)

of coal. One of the primary customers has deferred receipt of certain commitments by purchasing undivided fractional interests in coal reserves of the Company and the mining ventures. Revenue is recognized when cash is received. The agreements with this customer were renegotiated in 1992. In accordance with the renegotiated agreements, there will be no sales of interests in coal reserves subsequent to January 1, 1993. The Company has the obligation to extract and 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 an unaffiliated mine. 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.

Cash Equivalents

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

Temporary Investments and Receivables

Temporary investments at December 26, 1992 and December 28, 1991 include approximately \$48 million and \$42 million, respectively, of investments which are being held by the owners of various construction projects in lieu of retainage. Receivables at December 26, 1992 and December 28, 1991 include approximately \$35 million and \$47 million, respectively, of retainage on uncompleted projects, the majority of which is expected to be collected within one year.

Depreciation and Amortization

Depreciation and amortization are computed on accelerated and straight-line methods. Depletion of mineral properties is provided primarily on a units-of-extraction basis determined in relation to estimated reserves.

PETER KIEWIT SONS', INC.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies (continued)

Pension Plans

The Company maintains defined benefit plans primarily for retired packaging employees. The Company funds its plans in accordance with the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). 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.

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.

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.

Earnings Per Share

Primary earnings per share of common stock have been computed using the weighted average number of shares outstanding during each year. For purposes of computing earnings per share data for periods prior to January 8, 1992, the number of Class B&C and Class D shares are assumed to be the same as the aggregate number of previous Class B and Class C shares. 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 was as follows:

	<u>1992</u>	<u>1991</u>	<u>1990</u>
Class B&C	18,262,680	20,588,236	23,008,520
Class D	20,126,768	20,588,236	23,008,520

PETER KIEWIT SONS', INC.

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies (continued)

Accounting Change

In 1992, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes," which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial and tax basis for assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. As of the beginning of fiscal year 1992, the Company recorded income of \$12 million, which represents the decrease in the net deferred tax liabilities as of that date. This amount has been reflected in the consolidated statements of earnings as a cumulative effect of a change in accounting principle.

Reclassifications

Where appropriate, items within the consolidated financial statements and notes thereto have been reclassified from previous years to conform to current year presentation. For comparative purposes, the December 28, 1991 balance sheet presents the new Class B&C and Class D Stock amounts as if the reclassification and exchange occurred in 1991.

Fiscal Year

The Company's fiscal year ends on the last Saturday in December. There were 52 weeks each in the fiscal years 1992, 1991 and 1990.

(2) Discontinued Operations and Basis of Presentation

In 1990, the Company's management authorized the disposition of its packaging businesses. As a result, the consolidated financial statements reflect the packaging businesses as discontinued operations.

Discontinued Packaging Operations for the year ended December 26, 1992 reflect the equity earnings of the Company's investment in a plastics joint venture, net of tax at the statutory rate. Summary financial information relative to the discontinued packaging operations, which primarily reflects earnings from packaging operations which were sold during 1991 and 1990, for the years ended December 28, 1991 and December 29, 1990 is provided below:

<u>(dollars in millions)</u>	<u>1991</u>	<u>1990</u>
Revenue	\$ 1,145	\$ 3,175
Earnings (Loss) Before Income Taxes	45	(68)
Net Earnings (Loss)	19	(40)

PETER KIEWIT SONS', INC.

Notes to Consolidated Financial Statements

(2) Discontinued Operations and Basis of Presentation (continued)

The effective income tax rate for 1991 and 1990 is higher than the statutory rate of 34%, primarily resulting from the effects of purchase accounting, state income taxes, higher taxes on foreign earnings and minority interest. Minority interest has a greater impact in 1991 than in 1990 because overall pretax earnings were lower due to sales of certain packaging operations in 1991 and 1990. Although still higher than the statutory rate, the 1990 tax rate is lower than 1991 due to the income tax benefit, at the statutory rate, related to the USW ERISA Litigation settlement.

Earnings from the discontinued packaging operations include interest expense of \$2 million and \$12 million relative to net advances made by the Company to the packaging businesses in 1991 and 1990, respectively. The Company advanced funds to meet the packaging businesses' domestic daily cash requirements. Interest was charged on the advances at rates which approximated prevailing market rates. Accordingly, Other Income of the Company's continuing operations reflects the above amounts as interest income earned on the net advances.

(3) Disposal of Packaging Businesses

In July 1992, the Company sold its equity investment in a plastics joint venture to Ball Corporation for \$7 million. No significant gain or loss was recognized as a result of this transaction. The gain on disposal of discontinued operations in 1992 resulted from a \$19 million adjustment to prior year tax estimates and an \$8 million payment, net of tax, received from BTR Nylex Limited and a \$1 million accrual, net of tax, relating to additional sales proceeds from the 1990 sale of Continental PET Technologies, Inc. This gain was partially offset by miscellaneous sales adjustments related to the 1991 and 1990 sales of certain discontinued packaging operations.

In April 1991, certain subsidiaries of the Company sold their European packaging operations ("Europe") to VIAG Aktiengesellschaft, a German company. The transaction closed in June 1991. Europe was engaged in developing, manufacturing and marketing metal and plastic containers, closures and related packaging products principally in Western Europe. Revenue from these businesses was \$818 million prior to the transaction close in 1991 and \$1,809 million for the year ended 1990. Europe's net earnings for these same periods were \$34 million and \$48 million, respectively. The net proceeds were \$853 million in cash. With the net proceeds, the Company repaid in July 1991 short-term borrowings of \$252 million. The short-term borrowings consisted of \$123 million which was borrowed in June 1991 to repay intercompany loans made to the Company by a subsidiary of Europe and \$129 million which was directly related to financing Europe's capital expenditures.

PETER KIEWIT SONS', INC.

Notes to Consolidated Financial Statements

(3) Disposal of Packaging Businesses (continued)

In May 1991, the Company sold Continental Can International Corporation ("CCIC"), a wholly-owned subsidiary that held the Company's interests in metal packaging operations in Latin America, the Far East and the Middle East, to Crown Cork & Seal Company, Inc. Revenue and net earnings were not material during the period prior to closing in 1991 and during the year ended 1990. Proceeds from the transaction consisted of \$35 million paid in cash at closing and a receivable of \$94 million which was collected in November 1991.

In August 1991, the Company sold Continental White Cap, Inc. ("White Cap"), a wholly-owned subsidiary that manufactured metal, plastic and composite closures for food vacuum-packed in both glass and plastic containers to Schmalbach Lubeca A.G., a German company, for \$279 million, after certain adjustments. Revenue from this business was \$119 million prior to the transaction close in 1991 and \$175 million for the year ended 1990. Net earnings for these same periods were \$13 million and \$19 million, respectively. The proceeds consisted of a promissory note, with interest at the LIBOR rate plus .625%, receivable in installments over the next five years with the final installment due on December 31, 1995. The first installment payment of \$50 million was received in October 1991. Additional payments totalling \$25 million were received in December 1991 and January 1992 and \$60 million was received in December 1992.

In November 1991, the Company sold Continental Plastic Containers, Inc. and Continental Caribbean Containers, Inc. (collectively "PCD"), two wholly-owned subsidiaries that manufactured blow-molded rigid plastic containers for household, automotive, industrial and food products, to Plastic Containers, Inc., a newly formed corporation, for approximately \$150 million, after adjustments. Plastic Containers, Inc. agreed to pay the Company, in addition to the proceeds of \$150 million, a percentage of sales in excess of certain levels in 1992 and 1993. Revenue from this business was \$190 million prior to the transaction close in 1991 and \$252 million for the year ended 1990. Net earnings for these same periods were \$4 million and \$16 million, respectively. The proceeds consisted of \$50 million in cash at the closing and a \$100 million bridge note receivable which was collected in April 1992.

PETER KIEWIT SONS', INC.

Notes to Consolidated Financial Statements

(3) Disposal of Packaging Businesses (continued)

The table below summarizes the gain on disposal for each sale and for the combined sales (in millions) during 1991:

	<u>Europe</u>	<u>CGIC</u>	<u>White Cap</u>	<u>PCD</u>	<u>Total</u>
Net Proceeds	\$ 853	\$ 129	\$ 279	\$ 150	\$ 1,411
Financial Reporting Basis	<u>560</u>	<u>41</u>	<u>109</u>	<u>96</u>	<u>806</u>
Pre-Tax Gain	293	88	170	54	605
Estimated Tax Provision	<u>94</u>	<u>33</u>	<u>78</u>	<u>28</u>	<u>233</u>
Gain on Disposal	<u>\$ 199</u>	<u>\$ 55</u>	<u>\$ 92</u>	<u>\$ 26</u>	<u>\$ 372</u>

The effective income tax rates differ from the expected statutory income tax rates due to state income taxes and the tax bases being different than the financial reporting bases.

Included in the gain on disposal of Europe is \$43 million of cumulative translation adjustments, consisting of \$95 million of foreign currency adjustments, recorded at December 29, 1990, offset by \$52 million of foreign currency losses incurred in 1991.

The difference between the gain summarized above and the gain per the consolidated statement of earnings is \$1 million, net of tax, consisting of the following (in millions):

Purchase price adjustment for Continental PET Technologies, Inc.	\$ 17
Gain on sale of investment in unconsolidated subsidiary	6
Reserves for various sales of discontinued packaging operations	<u>(22)</u>
	<u>\$ 1</u>

In March 1990, the Company, (through its wholly-owned subsidiary Continental), sold Continental Beverage Packaging, Inc. and Continental Technology, Inc. (referred to collectively as "CBP") to Crown Cork & Seal Company, Inc. ("Crown"). CBP consisted primarily of the domestic Beverage and Food packaging businesses. The transaction closed in July 1990. Revenue from these businesses was \$654 million until the transaction close in 1990. CBP's net earnings were not material during the same period. Proceeds, after adjustment, approximated \$493 million and consisted of cash of \$200 million and a receivable of \$293 million. Crown later paid \$117 million in cash reducing the receivable to \$176 million at the end of 1990. During 1991, the Company received in cash the remaining receivable along with accrued interest.

PETER KIEWIT SONS', INC.

Notes to Consolidated Financial Statements

(3) Disposal of Packaging Businesses (continued)

In August 1990, Continental sold Continental Bondware, Inc. ("Bondware"), to Federal Paper Board Company, Inc. The transaction closed in September 1990. Revenue prior to closing in 1990 was \$136 million. The net earnings of the business were not material during the same period. Proceeds, including adjustments, were \$165 million in cash.

In December 1990, Continental sold Continental PET Technologies, Inc. ("PET") to BTR Nyllex Limited ("BTR"), an Australian company. Revenue from this business was \$72 million in 1990. The net earnings of the business were not material during the same period. Closing date proceeds, subject to adjustment, approximated \$110 million. BTR agreed to pay Continental up to \$40 million, of which \$39 million had been recognized by December 26, 1992, from revenue recognized by PET during 1991-1993 from certain new products. At closing, Continental received a note receivable of \$110 million, which was collected in cash in January 1991.

The table below summarizes the gain (loss) on disposal for each sale and for the combined sales (in millions) during 1990:

	<u>CBP</u>	<u>Bondware</u>	<u>PET</u>	<u>Total</u>
Net Proceeds	\$ 493	\$ 165	\$ 110	\$ 768
Financial Reporting Basis	<u>497</u>	<u>94</u>	<u>55</u>	<u>646</u>
Pre-Tax Gain (Loss)	(4)	71	55	122
Estimated Tax Provision	<u>58</u>	<u>28</u>	<u>24</u>	<u>110</u>
Gain (Loss) on Disposal	<u>\$ (62)</u>	<u>\$ 43</u>	<u>\$ 31</u>	<u>\$ 12</u>

The effective income tax rates are higher than the expected federal statutory income tax rate due to the impact of lower tax bases in the domestic packaging businesses as a result of purchase accounting and state income taxes.

(4) Disclosures about Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate fair value:

Cash and Cash Equivalents:

The carrying amount approximates fair value because of the short maturity of those instruments.

Temporary Investments:

The fair value of investments are estimated based on quoted market prices for those or similar investments and approximates the carrying amount.

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Notes to Consolidated Financial Statements

(4) Disclosures about Fair Value of Financial Instruments (continued)

Note Receivable from Sale of Discontinued Operations:

The carrying amount approximates fair value for both the current and the long-term portion due to the interest rate provided in the note.

Investments:

The fair value of some investments are estimated based on quoted market prices for these investments. For other investments (corporate preferred stock) for which there are no quoted market prices, the carrying value is assumed to be a reasonable estimate of fair value. The carrying amount and fair value are \$180 million and \$228 million, respectively.

Short-term Borrowings and 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 and approximates the carrying amount.

(5) 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 costs and expenses, the other venturers will be required to pay those costs and expenses.

Summary joint venture financial information follows:

<u>Financial Position (dollars in millions)</u>	<u>1992</u>	<u>1991</u>
<u>Total Joint Ventures</u>		
Current assets	\$ 395	\$ 393
Other assets (principally construction equipment)	39	43
	<u>434</u>	<u>436</u>
Current liabilities	<u>181</u>	<u>215</u>
Net assets	<u>\$ 253</u>	<u>\$ 221</u>
<u>Company's Share</u>		
Equity in net assets	\$ 51	\$ 40
Receivable (payable) from (to) joint ventures	(3)	5
Investment in construction joint ventures	<u>\$ 48</u>	<u>\$ 45</u>

PETER KIEWIT SONS', INC.

Notes to Consolidated Financial Statements

(5) Investment in Construction Joint Ventures (continued)

<u>Operations (dollars in millions)</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
<u>Total Joint Ventures</u>			
Revenue	\$ 575	\$ 565	\$ 645
Costs	<u>522</u>	<u>703</u>	<u>677</u>
Operating income (loss)	<u>\$ 53</u>	<u>\$ (138)</u>	<u>\$ (32)</u>
<u>Company's Share</u>			
Revenue	\$ 269	\$ 337	\$ 350
Costs	<u>243</u>	<u>352</u>	<u>345</u>
Operating income (loss)	<u>\$ 26</u>	<u>\$ (15)</u>	<u>\$ 5</u>

Operating income in 1991 and 1990 was unfavorably impacted by losses on certain joint venture contracts including recording estimated losses on a nonsponsored Denmark tunnel project of \$32 million and \$8 million, respectively.

Management of the nonsponsored Denmark tunnel project has completed negotiations with respect to the settlement of claims against the project owner and equipment supplier. The new agreement covers the reimbursement of certain costs incurred and time extensions due to differing soil conditions at the site of the tunnels. Costs incurred with respect to the flooding of two of the four tunnels being drilled as part of the project have been covered by insurers. Because of the remaining uncertainty involved in completing the tunnels, due primarily to the adverse soil conditions, no adjustments were made in 1992 for the Company's share of estimated losses. Management believes that the resolution of the uncertainties should not materially effect on the Company's financial position.

(6) Investments and Other Assets

During 1992, the Company purchased additional shares of California Energy Company, Inc. ("California Energy") common stock for \$23 million, increasing its ownership to 21% and its investment in common stock to \$66 million. The cumulative investment in common stock, accounted for on the equity method, totals \$73 million. The Company has certain options to purchase additional shares of California Energy Common stock. The excess purchase price over the underlying equity is being amortized over 20 years. Equity earnings, net of the amortization of the excess purchase price over the underlying equity, were \$4 million and \$3 million in 1992 and 1991, respectively. California Energy common stock is traded on the American Stock Exchange. On December 26, 1992, the market value of the Company's investment in California Energy common stock was \$125 million, based on the closing price.

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Notes to Consolidated Financial Statements

(6) Investments and Other Assets (continued)

In 1992, the Company also received dividends in kind consisting of voting convertible preferred stock from California Energy valued at \$4 million. The stock dividends brought the Company's total investment in convertible preferred stock to \$54 million.

Also in 1992, the Company acquired the remaining 20% of a telecommunications subsidiary's stock held by minority stockholders. The purchase price in excess of the minority shareholders' interest was \$27 million and has been reflected in the consolidated balance sheet as goodwill. The Company also paid approximately \$16 million for a 30% ownership interest in an electrical contracting business. On December 26, 1992, the Company reclassified a \$13 million investment (recognizing a \$7 million loss due to an other than temporary decline in market value) in American Exploration Company common stock to temporary investments and a \$12 million investment in United States Can Company ("U.S. Can") preferred stock to other current assets.

(7) Long-Term Debt

At December 26, 1992 and December 28, 1991, long-term debt was as follows:

<u>(dollars in millions)</u>	<u>1992</u>	<u>1991</u>
7.5% to 11.06% Notes to former stockholders, 1993-2001	\$ 17	\$ 34
8.85% Sinking fund debentures	-	36
8.85% Sinking fund debentures	-	34
7.0% to 10.75% Convertible debentures, 1998 - 2002	5	4
Other	<u>11</u>	<u>17</u>
	33	125
Less current portion	<u>(3)</u>	<u>(15)</u>
	<u>\$ 30</u>	<u>\$ 110</u>

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 10,468, 36,598 and 62,884 shares of Class C and Class D common stock in 1992, 1991 and 1990, respectively. At December 26, 1992, 151,253 shares of Class C common stock and 94,078 shares of Class D common stock are reserved for future conversions.

Scheduled maturities of long-term debt through 1997 are as follows (in millions): 1993 - \$3, 1994 - \$7, 1995 - \$7, 1996 - \$6 and 1997 - \$5.

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Notes to Consolidated Financial Statements

(8) Income Taxes

An analysis of the provision for income taxes related to continuing operations before cumulative effect of change in accounting principle for the three years ended December 26, 1992 follows:

<u>(dollars in millions)</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Current:			
U.S. federal	\$ 62	\$ 32	\$ 51
Foreign	5	7	2
State	<u>6</u>	<u>6</u>	<u>5</u>
	<u>73</u>	<u>45</u>	<u>58</u>
Deferred:			
U.S. federal	(2)	(4)	(9)
Foreign	(4)	-	1
State	<u>2</u>	<u>-</u>	<u>-</u>
	<u>(4)</u>	<u>(4)</u>	<u>(8)</u>
	<u>\$ 69</u>	<u>\$ 41</u>	<u>\$ 50</u>

The United States and foreign components of earnings, for tax reporting purposes, from continuing operations before income taxes and cumulative effect of change in accounting principle follow:

<u>(dollars in millions)</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
United States	\$ 215	\$ 74	\$ 153
Foreign	<u>4</u>	<u>16</u>	<u>5</u>
	<u>\$ 219</u>	<u>\$ 90</u>	<u>\$ 158</u>

The components of the deferred income tax benefit, prior to adopting SFAS No. 109, in 1991 and 1990 were as follows:

<u>(dollars in millions)</u>	<u>1991</u>	<u>1990</u>
Depreciation and fixed assets	\$ 4	\$ 4
Retirement benefits and other compensation	1	(3)
Mining revenue and costs	5	11
Insurance reserves	(3)	(6)
Costs expensed for tax	-	4
Loss on oil and gas properties	-	(19)
Construction contract accounting	(18)	4
Equity earnings	4	-
Accrued revenue	4	-
Other	<u>(1)</u>	<u>(3)</u>
	<u>\$ (4)</u>	<u>\$ (8)</u>

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Notes to Consolidated Financial Statements

(8) Income Taxes (continued)

A reconciliation of the actual provision for income taxes and the tax computed by applying the U.S. federal rate (34%) to the earnings from continuing operations before income taxes and cumulative effect of change in accounting principle for the three years ended December 26, 1992 follows:

<u>(dollars in millions)</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Computed tax at statutory rate	\$ 74	\$ 31	\$ 54
State income taxes	5	4	3
Depletion	(4)	(4)	(4)
Dividend exclusion	(3)	(2)	(4)
Equity earnings	(3)		
Foreign taxes	-	3	2
Prior year tax adjustments	-	3	-
Nondeductible expenses	-	3	-
Other	-	3	(1)
	<u>\$ 69</u>	<u>\$ 41</u>	<u>\$ 50</u>

The Company and its domestic subsidiaries file a consolidated federal income tax return. 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 as of December 26, 1992 were as follows:

(dollars in millions)

Deferred tax liabilities:

Investments in joint ventures	\$ 108
Asset bases - accumulated depreciation	149
Deferred coal sales	25
Other	34
Total deferred tax liabilities	<u>316</u>

Deferred tax assets:

Insurance claims	22
Compensation - retirement benefits	38
Provision for estimated expenses	12
Other	32
Total deferred tax assets	<u>104</u>
Net deferred tax liabilities	<u>\$ 212</u>

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Notes to Consolidated Financial Statements

(9) 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 \$1 million in 1992 and 1991 and \$5 million in 1990.

The Company also has a long-term incentive plan, stock appreciation rights, for certain employees. The expense related to this plan was \$6 million, \$8 million and \$6 million in 1992, 1991 and 1990, respectively. Substantially all employees of the Company, with the exception of stockholders, are covered under the Company's profit sharing plans. The expense related to these plans was \$3 million, \$2 million and \$3 million in 1992, 1991 and 1990, respectively.

(10) 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. Employees become eligible for these benefits if they meet minimum age and service requirements, are eligible for retirement benefits or if they agree to contribute a portion of the cost. These benefits have not been funded.

The net periodic cost for the years ended December 26, 1992 and December 28, 1991, was as follows:

(dollars in millions)	1992		1991	
	<u>Health Insurance</u>	<u>Life Insurance</u>	<u>Health Insurance</u>	<u>Life Insurance</u>
Service cost - benefits earned during period	\$ -	\$ -	\$ -	\$ -
Interest on accumulated benefit	4	2	4	1
Net cost	<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ 4</u>	<u>\$ 1</u>

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(10) Postretirement Benefits (continued)

The accumulated postretirement benefit obligation as of December 26, 1992 was as follows:

(dollars in millions)

	<u>Health Insurance</u>	<u>Life Insurance</u>
Retirees	\$ 51	\$ 19
Fully eligible active plan participants	-	-
Other active plan participants	-	-
Total accumulated postretirement benefit obligation	51	19
Unrecognized net loss	(2)	(1)
Accrued postretirement benefit cost	<u>\$ 49</u>	<u>\$ 18</u>

A 9% increase in the cost of covered health care benefits was assumed for fiscal 1992. 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 \$5 million at year-end 1992. The weighted average discount rate used in determining the APBO was 8.0%.

The expense for postretirement benefits, recognized as claims were paid, relating primarily to packaging businesses sold in 1991 and 1990 was approximately \$22 in 1990.

The Company may make certain modifications to the postretirement benefit plans which could reduce the accrued postretirement benefit cost.

(11) Stockholders' Equity

Under the Company's Restated Certificate of Incorporation, effective January 8, 1992, new 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 the Class D shares are predominantly owned by employees and former employees, such shares are not subject to ownership or transfer restrictions.

In accordance with the January 8, 1992 reorganization, the number of authorized shares of Class B, C and D common stock were increased to 8

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(11) Stockholders' Equity (continued)

million, 125 million and 50 million, respectively.

In the event of liquidation, after the holders of any preferred stock have been paid the par value and any accrued and unpaid dividends, the Board of Directors will establish two liquidation accounts, the "B&C Liquidation Account" and the "D Liquidation Account." The assets of the liquidation accounts will be distributed as follows: first, Class B&C stockholders will receive an amount equal to \$1.00 per share, reducing the B&C Liquidation Account; second, Class D stockholders will receive an amount equal to \$2.00 per share, reducing the D Liquidation Account; and third, any amount remaining in the B&C Liquidation Account shall be distributed pro rata to the Class B&C stockholders, and any amount remaining in the D Liquidation Account shall be distributed pro rata to the Class D stockholders.

For comparative purposes, the table below presents issuances and repurchases of common shares assuming the plan of exchange was effected at the beginning of 1990 since each outstanding share of existing Class B and Class C stock was exchanged for one share of new Class B&C stock and one share of new Class D stock.

For the three years ended December 26, 1992, issuances and repurchases of common shares were as follows:

	Class B Common Stock	Class C Common Stock	Class D Common Stock
Shares issued in 1990		507,764	507,764
Shares repurchased in 1990	160,000	1,714,749	1,874,749
Shares issued in 1991		514,518	514,518
Shares repurchased in 1991	206,000	2,897,335	3,103,335
Shares issued in 1992		2,886,418	1,019,553
Shares repurchased in 1992	137,000	4,765,161	1,693,353

In the fourth quarter of 1992, the Board of Directors declared a \$.30 dividend on Class B&C Stock and a \$.35 dividend on Class D Stock. These dividends were accrued in 1992 and paid on January 5, 1993.

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(12) Other Income

Investment income was \$98 million, \$108 million and \$94 million in 1992, 1991 and 1990, respectively. Investment income in 1992 includes \$4 million of dividends in kind received from an investment in California Energy preferred stock, \$11 million of interest earned on various receivables from the sales of the discontinued packaging operations and \$11 million of dividends accrued on an investment in U.S. Can preferred stock. Included in 1991 investment income is \$20 million of interest earned on the sales receivables and \$12 million of dividends received from U.S. Can preferred stock. Investment income in 1990 includes \$12 million of interest earned on the sales receivable. Other Income in 1992 and 1991 also reflects gains on the sales of timberlands of \$5 million and \$3 million, respectively, net equity earnings from an investment in California Energy of \$4 million and \$3 million, respectively, and information services income of \$7 million and \$5 million, respectively. Other Income in 1992 was negatively impacted by a decline in market value considered to be other than temporary of \$12 million recorded for two of the Company's temporary investments. Other Income in 1990 reflects \$12 million earned providing construction consulting services and \$17 million of gains on the sales of timberlands. This income was partially offset by a \$15 million loss from the sale of interests in certain producing oil and gas leases and related equipment. Generally, gains from miscellaneous asset dispositions made up the remaining balance in each year.

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(13) Industry and Geographic Data

The Company operates primarily in three reportable segments: construction, mining and telecommunications. The packaging segment is reported as discontinued operations. Other industry segment data primarily includes timberlands.

Transfers between segments are insignificant. A summary of the Company's operations by geographic area and industry follows:

<u>Geographic Data (dollars in millions)</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Revenue:			
United States	\$ 1,803	\$ 1,834	\$ 1,683
Canada	182	238	210
Other	30	14	24
	<u>\$ 2,020</u>	<u>\$ 2,086</u>	<u>\$ 1,917</u>
Operating earnings:			
United States	\$ 164	\$ 89	\$ 175
Canada	1	13	6
Other	-	(33)	(8)
	165	69	173
Interest income, net	63	35	4
Nonoperating expense, net	(9)	(14)	(19)
Earnings from continuing operations before income taxes and cumulative effect of change in accounting principle	<u>\$ 219</u>	<u>\$ 90</u>	<u>\$ 158</u>
Identifiable assets:			
United States	\$ 1,049	\$ 861	\$ 806
Canada	90	102	97
Other areas	10	-	-
Corporate (1)	1,450	1,657	1,262
Discontinued packaging operations	-	12	801
	<u>\$ 2,599</u>	<u>\$ 2,632</u>	<u>\$ 2,966</u>

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

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(13) Industry and Geographic Data (continued)

<u>Industry Data (dollars in millions)</u>	<u>1992</u>	<u>1991</u>	<u>1990</u>
Revenue:			
Construction	\$ 1,659	\$ 1,825	\$ 1,682
Mining	246	219	219
Telecommunications	109	37	11
Other	6	5	5
	<u>\$ 2,020</u>	<u>\$ 2,086</u>	<u>\$ 1,917</u>
Operating earnings:			
Construction	\$ 74	\$ 33	\$ 81
Mining	95	65	95
Telecommunications	(12)	(27)	(23)
Other	8	(2)	20
	<u>165</u>	<u>69</u>	<u>173</u>
Interest income, net	63	35	4
Nonoperating expense, net	<u>(9)</u>	<u>(14)</u>	<u>(19)</u>
Earnings from continuing operations before income taxes and cumulative effect of change in accounting principle	<u>\$ 219</u>	<u>\$ 90</u>	<u>\$ 158</u>
Identifiable assets:			
Construction	\$ 543	\$ 527	\$ 561
Mining	217	196	190
Telecommunications	363	205	103
Other	26	35	49
Corporate	1,450	1,657	1,262
Discontinued packaging	-	12	801
	<u>\$ 2,599</u>	<u>\$ 2,632</u>	<u>\$ 2,966</u>
Capital expenditures:			
Construction	\$ 37	\$ 57	\$ 71
Mining	8	6	6
Telecommunications	80	51	39
Other	-	5	1
Corporate	4	3	6
	<u>\$ 129</u>	<u>\$ 122</u>	<u>\$ 123</u>
Depreciation, depletion and amortization:			
Construction	\$ 45	\$ 53	\$ 56
Mining	12	11	10
Telecommunications	21	12	8
Other	3	3	6
Corporate	5	3	4
	<u>\$ 86</u>	<u>\$ 82</u>	<u>\$ 84</u>

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(14) 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 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., telecommunications companies owned by MFS Communications Company, Inc. ("MFS"), a minority interest in California Energy 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. 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.

Construction & Mining Group:

	<u>1992</u>	<u>1991</u>	<u>1990</u>
Results of Operations:			
Revenue	<u>\$ 1,671</u>	<u>\$ 1,834</u>	<u>\$ 1,671</u>
Earnings before cumulative effect of change in accounting principle	\$ 69	\$ 23	\$ 57
Cumulative effect of change in accounting principle	<u>13</u>	<u>-</u>	<u>-</u>
Net earnings	<u>\$ 82</u>	<u>\$ 23</u>	<u>\$ 57</u>
Earnings per share:			
Earnings before cumulative effect of change in accounting principle	\$ 3.79	\$ 1.12	\$ 2.47
Cumulative effect of change in accounting principle	<u>.69</u>	<u>-</u>	<u>-</u>
Net earnings	<u>\$ 4.48</u>	<u>\$ 1.12</u>	<u>\$ 2.47</u>
Financial Position:			
Working capital	\$ 342	\$ 285	
Total assets	862	849	
Long-term debt, less current portion	12	13	
Stockholders' equity	437	400	

Included within earnings before income taxes is mine service income from the Diversified Group of \$29 million in 1992 and \$8 million in 1991 and 1990.

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Notes to Consolidated Financial Statements

(14) Summarized Financial Information (continued)

Diversified Group:

	<u>1992</u>	<u>1991</u>	<u>1990</u>
Results of Operations:			
Revenue	<u>\$ 349</u>	<u>\$ 252</u>	<u>\$ 246</u>
Earnings from continuing operations before cumulative effect of change in accounting principle	\$ 81	\$ 26	\$ 51
Cumulative effect of change in accounting principle	(1)	-	-
Discontinued Operations	<u>19</u>	<u>392</u>	<u>(28)</u>
Net earnings	<u>\$ 99</u>	<u>\$ 418</u>	<u>\$ 23</u>
Earnings per share:			
Earnings from continuing operations before cumulative effect of change in accounting principle	\$ 4.00	\$ 1.26	\$ 2.20
Cumulative effect of change in accounting principle	(.05)	-	-
Discontinued operations	<u>.97</u>	<u>19.04</u>	<u>(1.17)</u>
Net earnings	<u>\$ 4.92</u>	<u>\$ 20.30</u>	<u>\$ 1.03</u>
Financial Position:			
Working capital	\$ 796	\$ 788	
Total assets	1,759	1,801	
Long-term debt, less current portion	18	97	
Stockholders' equity	1,021	996	

Included within earnings from continuing operations before income taxes is mine management fees paid to the Kiewit Construction & Mining Group of \$29 million in 1992 and \$8 million in 1991 and 1990.

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Notes to Consolidated Financial Statements

(15) Other Matters

The Company and a number of its subsidiaries were defendants in three related lawsuits filed in the U.S. District Court for the District of New Jersey (collectively, "USW ERISA Litigation"). Plaintiffs in these actions represented a class of former employees at various Continental Can Company, Inc. plants, all of whom were members of the United Steelworkers of America. Plaintiffs' complaints included alleged violations of Section 510 of ERISA.

In December 1990, the Company and Continental settled the USW ERISA Litigation filed against The Continental Group, Inc. and certain of its subsidiaries prior to it being acquired by the Company in 1984. Under the terms of the settlement, the defendants agreed to pay \$415 million into a settlement fund in two installments of \$207.5 million. The first installment was paid in December 1990 and the second installment was paid in February 1991. The resulting impact of the settlement is reflected within the results of discontinued operations in the 1990 consolidated statement of earnings. The settlement amount is significantly in excess of the USW ERISA Litigation reserve that had been established in prior years. The 1990 charge pertaining to the USW ERISA Litigation was \$180 million, after giving effect to amounts previously reserved and related income tax benefits. Other reserves for approximately \$25 million after taxes, unrelated to the USW ERISA Litigation, were reversed. The Company had recorded charges against prior years' earnings for possible reorganization accruals, domestic and foreign valuation reserves, other litigation costs and accruals for legal proceedings which management believed were no longer required.

In addition to the above matters, 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.

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.

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 26, 1992, the Company had outstanding letters of credit of approximately \$129 million.

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Notes to Consolidated Financial Statements

(15) Other Matters (continued)

Continental remains contingently liable as a guarantor of \$131 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 25 years aggregate \$56 million.

In 1974, a subsidiary of the Company ("Kiewit"), entered into a lease agreement with Whitney Benefits, Inc., a Wyoming charitable corporation ("Whitney"). Whitney is the owner, and Kiewit is the lessee, of a coal deposit underlying approximately 1,300 surface acres 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 alluvial valley floors significant to farming and located west of the hundredth meridian. The Whitney-Kiewit coal deposit is located within the Tongue River alluvial valley floor. In 1983, Whitney and Kiewit filed an action now titled Whitney Benefits, Inc. and Peter Kiewit Sons', Co. v. The United States, in the U.S. Claims Court. Plaintiffs alleged that their coal had been "taken" within the meaning the Fifth Amendment upon the enactment of SMCRA in August 1977. They sought just compensation for that taking. In October 1989, the Claims Court ruled that a taking had occurred and awarded plaintiffs the 1977 fair market value of the property (calculated to be \$60 million) plus interest. In February 1991, the U.S. Court of Appeals for the Federal Circuit affirmed the decision of the Claims Court. In November 1991, the U.S. Supreme Court denied certiorari. The effect of the denial was to leave intact the Claims Court decision.

The Claims Court litigation continues with respect to whether the plaintiffs are entitled to simple interest or compound interest on the \$60 million judgement. Simple interest for the period August 1977 through December 1992 would be approximately \$96 million. Compound interest for the same period would be more than twice that amount.

The government has filed two post-trial motions in the Claims Court. In March 1992, the government requested a new trial to redetermine the value of the property. In June 1992, the government filed a motion based upon 28 U.S.C §1500 to reopen and set aside the 1989 judgement as void and to dismiss plaintiffs' complaint for lack of jurisdiction. In August 1992, the Claims Court indicated that both motions would be denied. A written order has not yet been entered. The government may appeal from the order.

Kiewit and Whitney have agreed that Kiewit will receive 67.5 percent and Whitney will receive 32.5 percent of any award. It is not presently known when these proceedings will be concluded, what amount will be awarded to Kiewit, nor when payment of that amount will occur.

PETER KIEWIT SONS', INC.

Notes to Consolidated Financial Statements

(16) Subsequent Events

On March 11, 1993, the Company's telecommunications subsidiary, MFS, filed a registration statement with the U.S. Securities and Exchange Commission seeking permission to conduct a public offering of shares.

SCHEDULE I

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Temporary Investments and Investments
December 26, 1992

Type of Security or Issuer (dollars in millions)	Principal Amount	Cost	Market Value	Amount Carried in Balance Sheet
<u>Temporary Investments</u>				
Obligations of U.S. Government and its agencies	\$ 79	\$ 80	\$ 81	\$ 80
Certificates of deposit	21	21	21	21
Municipal bonds	53	54	54	54
Money market preferred stocks	8	8	8	8
Corporate bonds				
Salomon Inc.	125	130	130	130
Other	292	299	287	299
Corporate preferred stocks	70	70	71	70
Dutch auction preferred stock	30	30	30	30
Corporate common stock	-	39	51	39
Collateralized mortgage obligations	-	119	120	119
Strips - Interest only collateralized mortgage obligations	-	40	38	40
		<u>\$ 890</u>	<u>\$ 891</u>	890
Accrued interest				15
				<u>\$ 905</u>
<u>Investments</u>				
Common stocks:				
California Energy Company, Inc.		\$ 66	\$ 125	\$ 73(a)
Other		47	43	47
		<u>113</u>	<u>168</u>	<u>120</u>
Preferred Stocks:				
California Energy Company, Inc.		54	54	54
Other		6	6	6
		<u>60</u>	<u>60</u>	<u>60</u>
		<u>\$ 173</u>	<u>\$ 228</u>	<u>\$ 180</u>

(a) Includes cumulative net equity earnings.

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 (a)	Balance End of Period
<u>Year ended</u>					
<u>December 26, 1992</u>					
Allowance for doubtful trade accounts	\$ 7	\$ 1	\$ (1)	\$ -	\$ 7
Reserves:					
Insurance claims	61	20	(15)	-	66
Retirement benefits	58	8	(8)	16	74
<u>Year ended</u>					
<u>December 28, 1991</u>					
Allowance for doubtful trade accounts	\$ 8	\$ 1	\$ (2)	\$ -	\$ 7
Reserves:					
Insurance claims	45	25	(9)	-	61
Retirement benefits	21	37	(5)	5	58
<u>Year ended</u>					
<u>December 29, 1990</u>					
Allowance for doubtful trade accounts and for cash discounts	\$ 53	\$ 11	\$ (14)	\$ (42)	\$ 8
Reserves:					
Insurance claims	57	31	(12)	(31)	45
Retirement benefits	357	37	(41)	(332)	21

(a) Primarily reclassifications to net assets of discontinued packaging operations in 1990. In 1992, adjustment made in accordance with SFAS No. 109 to adjust remaining retirement benefits, acquired in prior business acquisitions, recorded net of tax, to their pre-tax amounts.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Short-Term Borrowings

(dollars in millions)	Balance, End of Period	Weighted Average Interest Rate, End of Period	Maximum Month-End Amount Outstanding During the Period	Average Amount Outstanding During the Period (a)	Weighted Average Interest Rate During the Period
<u>Year ended December 26, 1992</u>					
Bank Borrowings	\$ 80	3.4%	\$ 80	\$ -	-%
<u>Year ended December 28, 1991</u>					
Bank Borrowings	\$ -	-%	\$ 264	\$ 92	10.8%
<u>Year ended December 29, 1990</u>					
Bank Borrowings	\$ 263	11.5%	\$ 263	\$ 122	13.1%

(a) Determined on the basis of average daily balances of short-term borrowings. The 1992 bank borrowings were made during the last week of the year.

The bank borrowings provided for interest at various rates and matured on various dates within one year.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Supplementary Income Statement Information

(dollars in millions)	Charged to Costs and Expenses		
	1992	1991	1990
Royalties (a)	\$ 27	\$ 24	\$ 23
Production taxes (a)	26	19	28

(a) The Company incurred royalty costs and production taxes with respect to its mining operations based on the tons of coal mined or sold from various properties.

Advertising costs, amortization of intangible assets, and taxes other than payroll and income taxes are not presented as such amounts represent less than one percent of revenue as reported in the related consolidated statements of earnings.

The costs to repair equipment used on construction contracts, which are charged against such contracts, are excluded because it is impractical to segregate them from other contract costs. Maintenance and repairs costs, primarily related to the Company's discontinued packaging operations, in 1992 were less than one percent of revenue and in 1991 and 1990 were \$50 million and \$140 million, respectively.

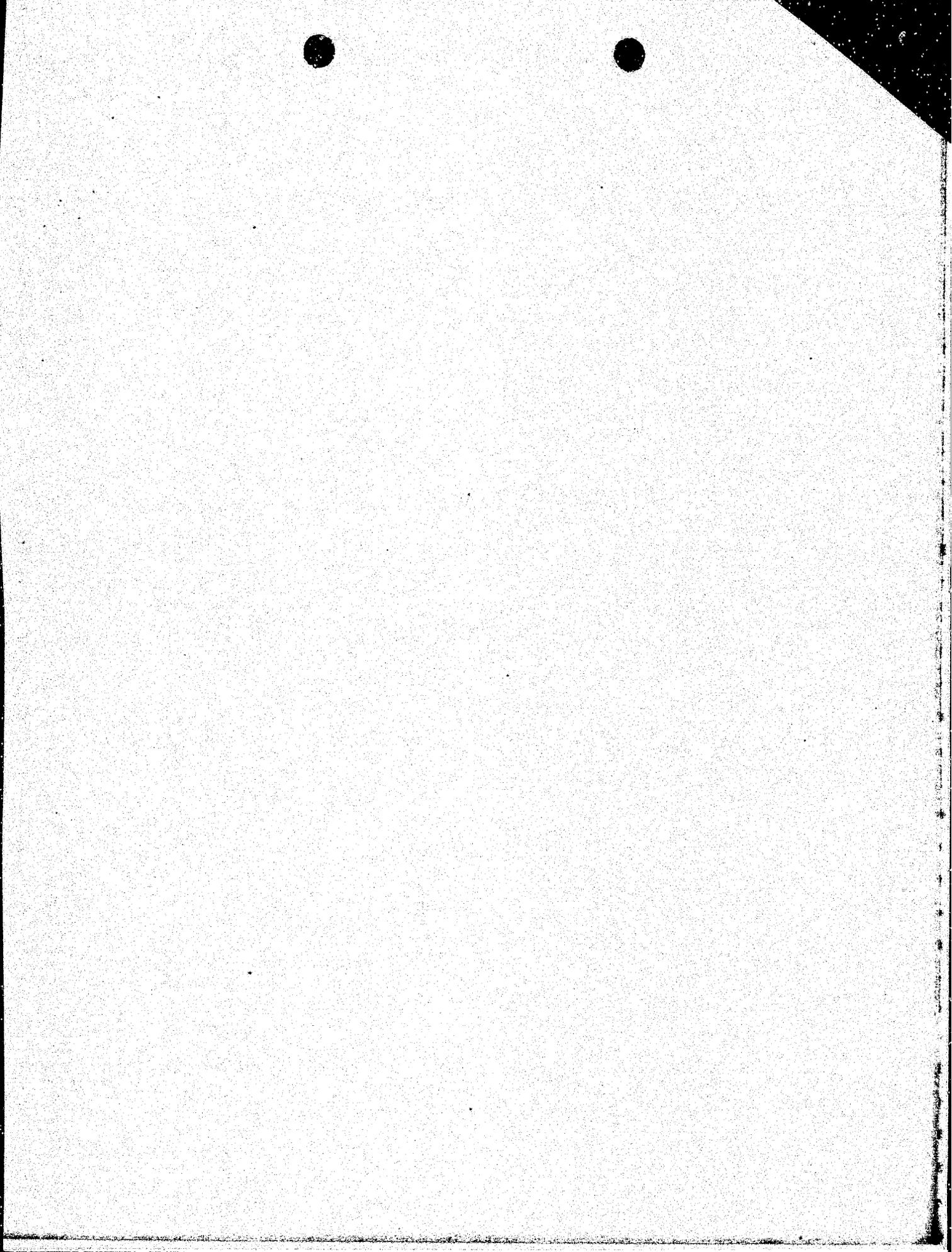


EXHIBIT C

PETER KIEWIT SONS', INC.
SEC FORM 10-Q

POOR ORIGINAL

POOR ORIGINAL



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 June 30, 1993

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 No

The number of shares outstanding of each class of the issuer's common stock, as of August 2, 1993:

Class B Common Stock.....	1,180,400 shares
Class C Common Stock.....	16,354,940 shares
Class D Common Stock.....	19,991,920 shares

POOR ORIGINAL

POOR ORIGINAL

POOR ORIGINAL

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Part I - Financial Information

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PETER KIEWIT SONS', INC. AND SUBSIDIARIES
Consolidated Condensed Statements of Earnings
(unaudited)

(dollars in millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	1993	1992	1993	1992
Revenue	\$ 540	\$ 487	\$ 975	\$ 929
Other Income (Loss)	(20)	30	4	58
	520	517	979	987
Costs and Expenses:				
Cost of revenue	446	422	832	809
Selling and administrative	42	40	83	85
Interest	3	3	5	6
	491	465	920	900
	29	52	59	87
Gain on Sale of Subsidiary's Stock	80	-	80	-
Earnings from Continuing Operations before Income Taxes and Cumulative Effect of Change in Accounting Principle	109	52	139	87
Provision for Income Taxes	39	18	49	30
Earnings from Continuing Operations before Cumulative Effect of Change in Accounting Principle	70	34	90	57
Cumulative Effect of Change in Accounting Principle	-	-	-	12
Earnings from Continuing Operations	70	34	90	69
Earnings from discontinued operations net of income taxes of \$- in 1992	-	1	-	1
Net Earnings	\$ 70	\$ 35	\$ 90	\$ 70
Cash Dividends per Common Share:				
B&C Stock	\$ -	\$ -	\$.30	\$.40
D Stock	\$ -	\$ -	\$.50	\$ 1.60

See accompanying notes to consolidated condensed financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES
 Consolidated Condensed Statements of Earnings (continued)
 (unaudited)

(dollars in millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	1993	1992	1993	1992
Earnings Attributable to Class B&C Stock:				
Earnings before Cumulative Effect of Change in Accounting Principle	\$ 22	\$ 18	\$ 27	\$ 28
Cumulative Effect of Change in Accounting Principle	—	—	—	13
Net Earnings	<u>\$ 22</u>	<u>\$ 18</u>	<u>\$ 27</u>	<u>\$ 41</u>
Earnings Attributable to Class D Stock:				
Earnings from Continuing Operations before Cumulative Effect of Change in Accounting Principle	\$ 48	\$ 16	\$ 63	\$ 29
Cumulative Effect of Change in Accounting Principle	—	—	—	(1)
Earnings from Continuing Operations	48	16	63	28
Earnings from Discontinued Operations	—	1	—	1
Net Earnings	<u>\$ 48</u>	<u>\$ 17</u>	<u>\$ 63</u>	<u>\$ 29</u>

See accompanying notes to consolidated condensed financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES
 Consolidated Condensed Statements of Earnings (continued)
 (unaudited)

(dollars in millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	1993	1992	1993	1992
Earnings Per Common Share:				
Class B&C:				
Earnings before Cumulative Effect of Change in Accounting Principle	\$ 1.30	\$ 1.13	\$ 1.54	\$ 1.58
Cumulative Effect of Change in Accounting Principle	-	-	-	.70
Net Earnings	<u>\$ 1.30</u>	<u>\$ 1.13</u>	<u>\$ 1.54</u>	<u>\$ 2.28</u>
Class D:				
Earnings from Continuing Operations before Cumulative Effect of Change in Accounting Principle	\$ 2.44	\$.82	\$ 3.21	\$ 1.48
Cumulative Effect of Change in Accounting Principle	-	-	-	(.04)
Earnings from Continuing Operations	2.44	.82	3.21	1.44
Earnings from Discontinued Operations	-	.02	-	.03
Net Earnings	<u>\$ 2.44</u>	<u>\$.84</u>	<u>\$ 3.21</u>	<u>\$ 1.47</u>

See accompanying notes to consolidated condensed financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets

(dollars in millions)	June 30, 1993 (unaudited)	December 26, 1992
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 274	\$ 203
Temporary investments, at lower of cost or market	905	905
Receivables, less allowance of \$7 and \$7	234	271
Note receivable from sale of discontinued operations	55	60
Costs and earnings in excess of billings on uncompleted contracts	111	53
Investment in construction joint ventures	79	48
Deferred income taxes	64	55
Other	<u>77</u>	<u>90</u>
Total Current Assets	1,799	1,685
Property, Plant and Equipment, less accumulated depreciation and amortization of \$601 and \$575	428	394
Note Receivable from Sale of Discontinued Operations	79	84
Investments	178	180
Other Assets	<u>262</u>	<u>256</u>
	<u>\$ 2,746</u>	<u>\$ 2,599</u>

See accompanying notes to consolidated condensed financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES
Consolidated Condensed Balance Sheets

(dollars in millions, except per share data)	June 30, 1993 (unaudited)	December 26, 1992
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 156	\$ 198
Short-term borrowings	50	80
Current portion of long-term debt	8	3
Accrued costs and billings in excess of revenue on uncompleted contracts	121	107
Accrued insurance costs	66	66
Other	<u>100</u>	<u>93</u>
Total Current Liabilities	501	547
Long-Term Debt, less current portion	22	30
Deferred Income Taxes	303	267
Retirement Benefits	74	74
Accrued Reclamation Costs	91	94
Other Liabilities	101	117
Minority Interest	155	12
Stockholders' Equity:		
Preferred stock, no par value, Authorized 250,000 shares: no shares outstanding		
Common stock, \$.0625 par value, \$1.3 billion aggregate redemption value:		
Class B, authorized 8,000,000 shares: 1,180,400 outstanding in 1993 and 1,257,000 in 1992	-	-
Class C, authorized 125,000,000 shares: 16,606,729 outstanding in 1993 and 17,505,535 in 1992	1	1
Class D, authorized 50,000,000 shares: 19,919,373 outstanding in 1993 and 20,104,478 in 1992	1	1
Additional paid-in capital	161	145
Foreign currency adjustment	(2)	3
Retained earnings	<u>1,338</u>	<u>1,308</u>
Total Stockholders' Equity	<u>1,499</u> <u>\$ 2,746</u>	<u>1,458</u> <u>\$ 2,599</u>

See accompanying notes to consolidated condensed financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES
 Consolidated Condensed Statements of Cash Flows
 (unaudited)

(dollars in millions)	Six months ended June 30,	
	1993	1992
Cash flows from operations:		
Net cash provided by continuing operations	\$ 48	\$ 19
Cash flows from investing activities:		
Proceeds from sales of temporary investments	3,132	3,494
Purchases of temporary investments	(3,203)	(3,590)
Proceeds from sales of property, plant and equipment, and other investments	9	15
Capital expenditures	(77)	(60)
Investment in affiliates	(3)	(15)
Redemption of U.S. Can preferred stock	12	18
Other	(2)	(3)
Net cash used in investing activities	(132)	(141)
Cash flows from financing activities:		
Long-term debt borrowings	-	2
Payments on long-term debt, including current portion	(2)	(50)
Net change in short-term borrowings	(30)	-
Issuances of common stock	21	24
Issuances of subsidiary's stock	233	-
Repurchases of common stock	(50)	(84)
Dividends paid	(27)	(40)
Net cash provided by (used in) financing activities	145	(148)
Cash flows from discontinued packaging operations:		
Proceeds from sales of discontinued packaging operations	10	115
Other cash provided by discontinued packaging operations	-	3
Net cash provided by discontinued packaging operations	10	118
Net change in cash and cash equivalents	71	(152)
Cash and cash equivalents at beginning of period	203	243
Cash and cash equivalents at end of period	\$ 274	\$ 91
Supplemental disclosure of cash flow information for continuing and discontinued operations:		
Taxes	\$ 40	\$ 52
Interest	\$ 6	\$ 8

See accompanying notes to consolidated condensed financial statements.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

1. The consolidated condensed balance sheet of Peter Kiewit Sons', Inc. ("PKS") and subsidiaries (the "Company") at December 26, 1992 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 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 26, 1992.

The consolidated condensed statements of earnings for the three months and six months ended June 30, 1992 were restated when the Company filed, on April 22, 1993, a Form 8, Amendment 1, to its June 30, 1992 Quarterly Report on Form 10-Q. The Form 8 restated the Company's results of operations and financial position to reflect the adoption of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", as of the beginning of 1992.

The Company adopted income statement recognition for the issuances of stock in a public offering by MFS Communications Company, Inc. ("MFS"), a subsidiary of the Company.

Temporary investments at June 30, 1993 and December 26, 1992 include approximately \$54 million and \$48 million, respectively, of investments which are being held by the owners of various construction projects in lieu of retainage. Receivables at June 30, 1993 and December 26, 1992 include approximately \$39 million and \$35 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 year to conform to current year presentation.

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

	Three months ended		Six months ended	
	1993	1992	1993	1992
Class B&C	16,968,572	16,213,221	17,081,835	17,775,743
Class D	19,876,053	20,447,039	19,895,207	20,152,755

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

3. 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 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., telecommunications companies owned by MFS Communications Company, Inc., a minority interest in California Energy Company, Inc. ("California Energy") 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 26, 1992 was derived from the audited financial statements of the respective groups which were exhibits to the 1992 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.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

3. (continued)
Construction & Mining Group:

	Three months ended		Six months ended	
	June 30,		June 30,	
	1993	1992	1993	1992
Results of Operations:				
Revenue	\$ 457	\$ 409	\$ 810	\$ 768
Earnings before cumulative effect of change in accounting principle	\$ 22	\$ 18	\$ 27	\$ 28
Cumulative effect of change in accounting principle	-	-	-	13
Net earnings	\$ 22	\$ 18	\$ 27	\$ 41
Earnings per share:				
Earnings before cumulative effect of change in accounting principle	\$ 1.30	\$ 1.13	\$ 1.54	\$ 1.58
Cumulative effect of change in accounting principle	-	-	-	.70
Net earnings	\$ 1.30	\$ 1.13	\$ 1.54	\$ 2.28
			June 30,	December 26,
			1993	1992
Financial Position:				
Working capital		\$ 336		\$ 342
Total assets		831		862
Long-term debt, less current portion		10		12
Stockholders' equity		438		437

Included within earnings before income taxes and cumulative effect of change in accounting principle is mine service income from the Diversified Group of \$7 million for the three months ended June 30, 1993 and 1992, and \$14 million and \$16 million for the six months ended June 30, 1993 and 1992, respectively

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

3. (continued)
Diversified Group:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<u>1993</u>	<u>1992</u>	<u>1993</u>	<u>1992</u>
Results of Operations:				
Revenue	<u>\$ 83</u>	<u>\$ 78</u>	<u>\$ 165</u>	<u>\$ 161</u>
Earnings from continuing operations before cumulative effect of change in accounting principle	\$ 48	\$ 16	\$ 63	\$ 29
Cumulative effect of change in accounting principle	-	-	-	(1)
Earnings from continuing operations	48	16	63	28
Earnings from discontinued operations	-	1	-	1
Net earnings	<u>\$ 48</u>	<u>\$ 17</u>	<u>\$ 63</u>	<u>\$ 29</u>
Earnings per share:				
Earnings from continuing operations before cumulative effect of change in accounting principle	\$ 2.44	\$.82	\$ 3.21	\$ 1.48
Cumulative effect of change in accounting principle	-	-	-	(.04)
Earnings from continuing operations	2.44	.82	3.21	1.44
Earnings from discontinued operations	-	.02	-	.03
Net earnings	<u>\$ 2.44</u>	<u>\$.84</u>	<u>\$ 3.21</u>	<u>\$ 1.47</u>

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

3. (continued)

Diversified Group (continued):

	June 30, <u>1993</u>	December 26, <u>1992</u>
Financial Position:		
Working capital	\$ 962	\$ 796
Total assets	1,920	1,759
Long-term debt, less current portion	12	18
Stockholders' equity	1,061	1,021

Included within earnings from continuing operations before income taxes and cumulative effect of change in accounting principle is mine management fees paid to the Construction & Mining Group of \$7 million for the three months ended June 30, 1993 and 1992, and \$14 million and \$16 million for the six months ended June 30, 1993 and 1992, respectively.

4. The Company 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 Company's financial position.
5. A Registration Statement filed on March 11, 1993 by MFS seeking permission to conduct a public offering was declared effective on May 19, 1993. On that date, 12.7 million shares of MFS' common stock, approximately 22% of total shares outstanding, were sold to the public at an initial public offering price of \$20 per share for approximately \$235 million. As a result of this transaction, the Company recognized an after-tax gain of \$53 million in the second quarter of 1993 representing the increase in value of the Company's investment in MFS. Substantially all of the net proceeds from the offering are intended to fund MFS' growth. The 22% outside ownership has been reflected in the consolidated condensed balance sheet as minority interest. Prior to the public offering, MFS was a wholly-owned subsidiary of the Company.

On June 9, 1993, the Company signed a letter of intent to acquire APAC-Arizona, Inc. ("APAC") from Ashland Oil Company, Inc. for \$55 million, subject to adjustments. APAC is engaged in construction and mineral businesses in Arizona and the surrounding area. Consummation of the transaction is subject to the execution of a definitive agreement, governmental approval and other conditions.

On June 17, 1993, the Company entered into an agreement to acquire majority control of the outstanding shares of C-TEC Corp. ("C-TEC") for approximately \$197 million. C-TEC is a communications company engaged in cable television, telephone, paging and cellular communications businesses. The transaction, which is subject to regulatory approval, is expected to be completed in the fourth quarter of 1993.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

6. In May 1993, the Financial Accounting Standards Board issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities". This statement changes the method of accounting and reporting for certain investments. Investments will be classified in three categories, and those classified as trading securities or securities available-for-sale will be reported at fair value. Debt securities classified as held to maturity will be reported at amortized cost. Unrealized gains or losses from securities available-for-sale are to be reported as a separate component of stockholders' equity. The Company is required to adopt SFAS No. 115 in 1994. However, the Company may elect to initially adopt this standard at the end of 1993. Restatement of previously issued financial statements is not permitted under the new standard. Implementation of SFAS No. 115 is not expected to have a material effect on the Company's financial position.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

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

Revenue from continuing operations for the six months ended June 30 comprised the following (in millions):

	<u>1993</u>	<u>1992</u>
Construction	\$ 803	\$ 762
Mining	109	117
Telecommunications	60	48
Other	<u>3</u>	<u>2</u>
	<u>\$ 975</u>	<u>\$ 929</u>

Results of Operations - Six Months 1993 vs. Six Months 1992

Construction

Construction revenue rose by 5% in the first six months of 1993 as compared to the first six months of 1992. Revenue from joint venture projects, which accounts for 24% of the total construction revenue, increased significantly due primarily to the award of several large joint venture projects in 1992 and the first quarter of 1993, the largest of which was the San Joaquin Toll Road. The increase in revenue as a result of joint venture projects was partially offset by an approximate decrease of 14% in the average size of sole contracts awarded in the first half of 1993 as compared to the first half of 1992. Contract backlog is \$2.2 billion at June 30, 1993, of which approximately 9% relates to foreign projects, mainly in Canada. The remaining backlog relates to U.S. projects, over half of which are on the West Coast. The San Joaquin Toll Road joint venture accounts for 22% of contract backlog at June 30, 1993. This project has an estimated completion date of March 1997.

The gross margin on construction revenue was 11% in the first six months of 1993 compared to 8% in the same period in 1992. The change resulted from the reduction of reserves which had been established in prior years on the Denmark tunnel project.

Management of the non-sponsored Denmark tunnel project has completed a recent cost estimate which indicates a favorable variance in the estimated costs of the project. As a result of this cost estimate, management reduced reserves which had been maintained to provide for the Company's share of estimated losses on the project by \$20 million in the second quarter.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Results of Operations - Six Months 1993 vs. Six Months 1992 (continued)

Mining

Mining revenue in the first six months of 1993 decreased by 7% compared to the first six months of 1992. Due to the renegotiation of the agreements with Commonwealth Edison Company ("Commonwealth"), Commonwealth is no longer purchasing undivided interests in coal reserves from the Black Butte and Decker Mines. These sales accounted for approximately \$20 million or 17% of the total mining revenue recognized by the Company in the first six months of 1992. The decrease in revenue, as a result of the absence of sales of undivided interests to Commonwealth in 1993, was partially offset by a 7% rise in the tons of coal shipped and an approximate \$3 increase in the average price per ton. Tons shipped from the Decker mine accounted for 60% of the increase in total tons shipped, primarily due to the addition of four new customers in 1993. Sales from the Calvert mine and alternate source coal sales by the Black Butte mine were primarily responsible for the increase in the average price per ton of coal shipped. Alternate source coal is made up of coal purchased from two unaffiliated mines located in the Powder River Basin area of Wyoming and from the Company's Decker mine which, in turn, is sold to Commonwealth under the renegotiated agreements. Revenue in the first six months of 1993 includes approximately \$33 million from sales of alternate source coal.

The gross margin on revenue from mined coal approximated 33% for both the first six months of 1993 and 1992. Alternate source coal costs of approximately \$6 million were incurred in the six months ended June 30, 1993.

Telecommunications

Telecommunications revenue is derived from MFS Communications Company, Inc.'s ("MFS") telecommunications services and network systems integration and facilities management services. Revenue increased 25% in the six months ended June 30, 1993 compared to the six months ended June 30, 1992. Telecommunications services revenue accounted for 75% of the total increase in revenue, increasing from \$22 million in the six months ended June 30, 1992 to \$31 million in the six months ended June 30, 1993. The change primarily reflects increased services provided on the New York City network, and to a lesser extent, increased revenues resulting from the expansion of networks in Boston, Chicago, and Houston. The telecommunications services revenue increase also reflects continued market penetration of other metropolitan area networks, including the northern New Jersey network which became operational in the first quarter of 1993, and new services provided by MFS Datanet, Inc. Network systems integration and facilities management services revenue from third parties accounted for the remaining increase in total revenue. The increase from \$26 million in the six months ended June 30, 1992 to \$29 million in the six months ended June 30, 1993 resulted from network systems integration projects for the State of Iowa and the United Kingdom joint venture. Network systems integration and facilities management services backlog at June 30, 1993 was approximately \$53 million, of which approximately 38% relates to the project for the State of Iowa. Management

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Results of Operations - Six Months 1993 vs. Six Months 1992 (continued)

Telecommunications (continued)

estimates that a substantial portion of the backlog will be earned from services performed in 1993.

Cost of revenue in the six months ended June 30, 1993 increased 34% compared to the same period in 1992. Thirty-five percent of this increase is due to additional depreciation and amortization expense primarily associated with the new network in Atlanta and with the expanded networks in New York City, Chicago, Houston and the Washington, D.C. metropolitan area. Direct costs incurred on telecommunications services, primarily from the new networks in Atlanta and northern New Jersey, the expanded networks in New York City, Chicago, Los Angeles and the Washington, D.C. metropolitan area, and MFS Datanet, Inc. services, accounted for 47% of the total increase. The remaining increase relates to direct costs incurred on network systems integration and facilities management services. The 18% increase relates directly to heightened activity on a number of network systems integration projects, including the United Kingdom joint venture where the operating expenses exceeded revenue during the six months ended June 30, 1993. Cost of revenue, as a percentage of revenue, was 97% in the first six months of 1993 compared to 91% in the first six months of 1992. Progress on the Iowa contract was delayed in June and July 1993 by significant rainfall and flooding. Management believes that any additional costs that may be incurred as a result of the floods will not have a material impact on the Company's operations.

Other Income

Investment income decreased from \$40 million in the first six months of 1992 to a loss of \$8 million in the first six months of 1993. Certain investment securities deteriorated in value during the second quarter of 1993. The carrying value of the aggregate investment portfolio exceeded market value and was written down to market in the second quarter, which accounts for the majority of the decline in investment income.

Other income for the six months ended June 30, 1993 and 1992 also includes gains on the sale of timberlands, net equity earnings from investments in California Energy Company, Inc., information services income and gains from other miscellaneous asset dispositions which are not individually significant.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Results of Operations - Six Months 1993 vs. Six Months 1992 (continued)

Selling and Administrative Expenses

Selling and administrative expenses decreased \$2 million or 2% in the first six months of 1993 compared to the first six months of 1992. Contributing to the decline was a decrease in the number of outstanding stock appreciation rights in the Company's long-term incentive plan and modest reductions in other administrative departments. The decrease was partially offset by increases in expenses related to the Company's telecommunications operations. The Company incurred additional expense developing high-speed data communications services and integrated, single-source telecommunications services. Management of MFS expects to incur additional significant expense developing the high-speed data communications and integrated, single-source telecommunications services throughout the remainder of 1993.

Interest Expense

Interest expense decreased as a result of the extinguishment of debt in 1992. As of June 30, 1993, the Company had outstanding short-term borrowings of \$50 million. These borrowings are scheduled for repayment in 1993 and are not expected to materially effect total interest expense for the year. The decrease was partially offset by interest of \$1 million incurred on the settlement of various tax issues in the first quarter of 1993.

Gain on Sale of Subsidiary's Stock

On May 19, 1993, the Company recognized a pre-tax gain of \$80 million from the sale of 12.7 million shares of MFS' common stock, representing the increase in value of the Company's investment in MFS.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Results of Operations - Second Quarter 1993 vs. Second Quarter 1992

Revenue from continuing operations for the three months ended June 30 comprised the following (in millions):

	<u>1993</u>	<u>1992</u>
Construction	\$ 453	\$ 405
Mining	54	55
Telecommunications	31	25
Other	<u>2</u>	<u>2</u>
	<u>\$ 540</u>	<u>\$ 487</u>

Construction

Revenue rose by 12% in the second quarter of 1993 as compared to the second quarter of 1992. Substantially all the increase is attributable to joint venture projects, of which approximately 23% relates to the San Joaquin Toll Road joint venture which was awarded during the first quarter of 1993. The remaining increase is attributable to several other large joint venture projects which were awarded in late 1992 and early 1993.

The gross margin was 15% in the second quarter of 1993 compared to 9% in the same period in 1992. The change resulted from a reserve adjustment on the nonsponsored Denmark tunnel project of \$20 million.

Mining

Mining revenue decreased 2% in the three months ended June 30, 1993 compared to the three months ended June 30, 1992. Revenue diminished primarily because Commonwealth is no longer purchasing undivided interests in coal reserves from the Black Butte and Decker mines. These sales accounted for approximately \$10 million or 18% of the total mining revenue recognized in the three months ended June 30, 1992. This reduction in revenue was partially offset by a 10% rise in the tons of coal shipped and an approximate \$3 increase in the average selling price per ton. The largest upsurge in tons shipped was at the Decker mine due to the addition of several new customers in 1993. Alternate source coal sales by the Black Butte mine were primarily responsible for the increase in the average price per ton of coal shipped. Alternate source coal is made up of coal purchased from two unaffiliated mines located in the Powder River Basin area of Wyoming and from the Company's Decker mine which, in turn, is sold to Commonwealth. Sales of alternate source coal approximated \$16 million in the three months ended June 30, 1993.

The gross margin on revenue from mined coal approximated 33% in the second quarter of 1993 compared to 34% in the equivalent period of 1992. Costs include approximately \$3 million related to alternate source coal sales in the three months ended June 30, 1993.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Results of Operations - Second Quarter 1993 vs. Second Quarter 1992 (continued)

Telecommunications

Revenue increased by 29% in the second quarter of 1993 compared to the same period in 1992. Telecommunications services revenue accounted for 83% of the total increase, increasing from \$11 million in the three months ended June 30, 1992 to \$16 million in the three months ended June 30, 1993. The change is primarily a result of increased services provided on the New York City network, and to a lesser extent, increased revenue resulting from the expansion of networks in Boston, Chicago, Houston and the Washington, D.C. metropolitan area. The telecommunications services revenue increase also reflects continued market penetration of other metropolitan area networks, including the northern New Jersey network, and new services provided by MFS Datanet, Inc. Network systems integration and facilities management revenue from third parties increased \$1 million from \$14 million in the three months ended June 30, 1992 to \$15 million in the same period in 1993. The increase generally resulted from network systems integration projects for the State of Iowa and the United Kingdom joint venture.

The cost of revenue in the second quarter of 1993 increased 47% in comparison to the second quarter of 1992. Twenty-six percent of the increase is due to additional depreciation and amortization expense primarily associated with the new network in Atlanta and with the expanded networks in New York City, Chicago, Los Angeles and the Washington, D.C. metropolitan area. Another 29% of the total increase relates to direct costs incurred on telecommunications services, primarily from the new networks in Atlanta and northern New Jersey, the expanded networks in New York City, Chicago, Los Angeles and the Washington, D.C. metropolitan area, and MFS Datanet, Inc. services. The balance of the increase relates directly to increased activity on several network systems integration projects, including the United Kingdom joint venture project in which operating expenses exceeded revenue during the three months ended June 30, 1993. Cost of revenue, as a percentage of revenue, was 99% and 87% for the three months ended June 30, 1993 and 1992, respectively.

PETER KIEWIT SONS' INC. AND SUBSIDIARIES

Results of Operations - Second Quarter 1993 vs. Second Quarter 1992 (continued)

Other Income

Investment income decreased from \$22 million in the second quarter of 1992 to a loss of \$25 million in the second quarter of 1993. The decline in investment income resulted primarily from the recognition of a decline in market value of the aggregate investment portfolio below its cost and from the realization of losses on the sales of certain temporary investments during the second quarter of 1993.

Other income in the three months ended June 30, 1993 and 1992 also includes gains on the sale of timberlands, net equity earnings from investments in California Energy Company, Inc., information services income and gains from other miscellaneous asset dispositions which are not individually significant.

Selling and Administrative Expenses

Selling and administrative expenses increased \$2 million or 5% in the second quarter of 1993 compared to the same period in 1992 primarily due to additional costs incurred in the second quarter developing the high-speed data communications and integrated, single-source telecommunications services.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Financial Condition - June 30, 1993 vs. December 26, 1992

During the first six months of 1993, the Company repurchased .6 million shares of Class C and .7 million shares of Class D common stock for \$12 million and \$38 million, respectively, issued .8 million shares of Class C and .1 million shares of Class D common stock for \$15 million and \$6 million, respectively, and paid dividends of \$10 million and \$17 million on Class B&C and Class D common stock, respectively.

The Company repaid \$80 million of 1992 short-term borrowings. Due to favorable interest rates, the Company borrowed, on various dates in the first six months of 1993, an additional \$170 million to fund short-term liquidity needs. The Company has repaid \$120 million of the 1993 short-term borrowings.

Also during the first six months of 1993, the Company received \$24 million from United States Can Company (\$12 million for dividends and \$12 million for the redemption of preferred stock) and collected \$10 million with respect to the receivable from the 1991 sale of a discontinued packaging operation.

A Registration Statement which was filed with the Securities and Exchange Commission on March 11, 1993 by MFS seeking permission to conduct a public offering was declared effective on May 19, 1993. On that date 12.7 million shares or 22% of MFS' common stock were sold to the public for approximately \$235 million.

The Company's working capital position at the end of the second quarter of 1993, together with anticipated cash flows from operations, collection of the remaining receivable from the sale of a packaging operation and existing borrowing capacity, should be sufficient for the remainder of 1993's working capital and capital expenditure requirements.

Except for the acquisition of businesses, the Company anticipates that it will continue to invest between \$45 million and \$85 million annually in its construction and mining businesses. The Company anticipates that it will make significant investments in its energy business and search for opportunities to acquire operating businesses that are capital intensive and provide for long-term growth. The company has signed a letter of intent to acquire APAC-Arizona, Inc. ("APAC") from Ashland Oil Company, Inc. for approximately \$55 million, subject to adjustments. APAC is engaged in construction and mineral businesses in Arizona and the surrounding area. Consummation of the transaction is subject to the execution of a definitive agreement, governmental approval and other conditions. The Company has also entered into an agreement to acquire majority control of the outstanding shares of common stock of C-TEC Corp., a communications business, for approximately \$197 million. The transaction, which is subject to regulatory approval, is expected to be completed in the fourth quarter of 1993. The company has been and will continue investigating other investment opportunities.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

Financial Condition - June 30, 1993 vs. December 26, 1992 (continued)

These investments, along with the payment of income taxes and the repurchases of common stock, are expected to be the significant long-term uses of liquidity. The Company's existing cash and cash equivalents, temporary investments, collection of the remaining sales receivable, cash flows from future operations and existing borrowing capacity are expected to provide sufficient liquidity to fund these expenditures.

MFS requires significant capital to fund the future building, expansion or acquisition of telecommunications networks in major metropolitan areas. Substantially all of the net proceeds from the public offering are intended to fund MFS' growth. In June 1993, MFS entered into a secured revolving credit agreement in the amount of \$75 million to serve as a potential source of liquidity to fund future cash requirements. MFS may fund further capital expenditures through issuances of debt and equity securities.

In August 1993, new legislation was signed into law that increased the maximum U.S. Federal corporate income tax rate from 34% to 35% beginning in 1993. The impact of this change in the tax law is not expected to have a significant impact on the Company's results of operations or financial position.

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

PART II - Other Information

Item 4. Submission of Matters to a Vote of Security Holders

The Corporation's annual stockholders' meeting was held on June 5, 1993. Separate elections of Class C and Class D directors were held. Directors were elected to serve one-year terms. A slate of nominees was proposed by the incumbent directors and proxies were solicited by management from stockholders of record prior to the meeting. No additional nominations were made and no votes were cast in person at the meeting. All nominees proposed by the incumbent board were elected after counting the votes cast by proxy. Proxies were received representing 15,329,013 of the 15,713,479 eligible Class C votes and 18,711,274 of the 19,893,207 eligible Class D votes. The following table shows the votes counted for each candidate and the votes counted against (or withheld from) each candidate.

<u>Class C Directors</u>	<u>Votes For</u>	<u>Votes Against</u>
John Bahen	15,323,553	5,460
Charles Campbell	15,329,013	0
Richard Coyne	15,322,513	6,500
Richard Geary	15,329,013	0
William Grewcock	15,317,613	11,400
Robert Julian	15,324,513	4,500
Leonard Kearney	15,284,645	44,368
Walter Scott	15,326,413	2,600
Kenneth Stinson	15,329,013	0
George Toll, Jr.	15,270,845	58,168
<u>Class D Directors</u>	<u>Votes For</u>	<u>Votes Against</u>
James Crowe	18,556,302	154,972
Robert Daugherty	18,705,574	5,700
Charles Harper	18,687,274	24,000
Richard Jaros	18,642,102	69,172
Peter Kiewit, Jr.	18,708,474	2,800

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

PART II - Other Information (continued)

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit
Number

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

99.2 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 second quarter of 1993

SIGNATURE

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

PETER KIEWIT SONS', INC.

Dated: August 16, 1993

/s/ Frank V. Yelick

Frank V. Yelick
Vice President and Controller
(principal accounting officer)

PETER KIEWIT SONS', INC. AND SUBSIDIARIES

INDEX TO EXHIBITS

Exhibit
No.

- 99.1 Kiewit Construction & Mining Group Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.
- 99.2 Kiewit Diversified Group Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations.

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 Balance Sheets as of June 30, 1993 and December 26, 1992	C-3
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KIEWIT CONSTRUCTION & MINING GROUP
Condensed Statements of Earnings
(unaudited)

(dollars in millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	1993	1992	1993	1992
Revenue	\$ 457	\$ 409	\$ 810	\$ 768
Other Income (loss)	<u>(5)</u>	<u>16</u>	<u>10</u>	<u>38</u>
	<u>452</u>	<u>425</u>	<u>820</u>	<u>806</u>
Costs and Expenses:				
Cost of revenue	390	371	720	706
Selling and administrative	28	26	56	56
Interest	<u>-</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>418</u>	<u>398</u>	<u>777</u>	<u>763</u>
Earnings before Income Taxes and Cumulative Effect of Change in Accounting Principle	34	27	43	43
Provision for Income Taxes	<u>12</u>	<u>9</u>	<u>16</u>	<u>15</u>
Earnings before Cumulative Effect of Change in Accounting Principle	22	18	27	28
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</u>
Net Earnings	<u>\$ 22</u>	<u>\$ 18</u>	<u>\$ 27</u>	<u>\$ 41</u>
Earnings Per Common Share:				
Earnings before Cumulative Effect of Change in Accounting Principle	\$ 1.30	\$ 1.13	\$ 1.54	\$ 1.58
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>.70</u>
Net Earnings	<u>\$ 1.30</u>	<u>\$ 1.13</u>	<u>\$ 1.54</u>	<u>\$ 2.28</u>
Cash Dividends per Common Share	<u>\$ -</u>	<u>\$ -</u>	<u>\$.30</u>	<u>\$.40</u>

See accompanying notes to condensed financial statements.

KIEWIT CONSTRUCTION & MINING GROUP
Condensed Balance Sheets

(dollars in millions)	June 30, 1993	December 26, 1992
<hr/>		
ASSETS	(unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 63	\$ 68
Temporary investments, at lower of cost or market	160	248
Receivables, less allowance of \$3 and \$2	192	220
Costs and earnings in excess of billings on uncompleted construction contracts	109	53
Investment in construction joint ventures	77	48
Deferred income taxes	49	52
Other	<u>20</u>	<u>14</u>
Total Current Assets	670	703
Deferred Income Taxes	4	5
Property, Plant and Equipment, less accumulated depreciation and amortization of \$373 and \$366	101	104
Other Assets	<u>56</u>	<u>50</u>
	<u>\$ 831</u>	<u>\$ 862</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable, including retainage of \$35 and \$35	\$ 118	\$ 159
Current portion of long-term debt	4	2
Accrued construction costs and billings in excess of revenue on uncompleted contracts	110	95
Accrued insurance costs	66	66
Other	<u>36</u>	<u>39</u>
Total Current Liabilities	334	361
Long-Term Debt, less current portion	10	12
Other Liabilities	49	52
Stockholders' Equity (Redeemable Common Stock, \$327 million aggregate redemption value)		
Common equity	441	438
Foreign currency adjustment	<u>(3)</u>	<u>(1)</u>
Total Stockholders' Equity	<u>438</u>	<u>437</u>
	<u>\$ 831</u>	<u>\$ 862</u>

See accompanying notes to condensed financial statements.

KIEWIT CONSTRUCTION & MINING GROUP
Condensed Statements of Cash Flows
(unaudited)

(dollars in millions)	Six months ended June 30,	
	1993	1992
Cash flows from operations:		
Net cash used in operations	\$ (10)	\$ (15)
Cash flows from investing activities:		
Proceeds from sales of temporary investments	514	564
Purchases of temporary investments	(453)	(540)
Proceeds from sales of property, plant and equipment	7	10
Capital expenditures	(20)	(25)
Investment in affiliate	(3)	-
Other	(6)	(3)
Net Cash provided by investing activities	39	6
Cash flows from financing activities:		
Long-term debt borrowings	-	1
Payments on long-term debt, including current portion	(1)	(8)
Issuances of common stock	15	24
Repurchases of common stock	(12)	(20)
Dividends paid	(10)	(7)
Exchange of Class B&C Stock for Class D Stock, net	(22)	(32)
Other	(4)	-
Net cash used in financing activities	(34)	(42)
Net change in cash and cash equivalents	(5)	(51)
Cash and cash equivalents at beginning of period	68	118
Cash and cash equivalents at end of period	\$ 63	\$ 67
Supplemental disclosure of cash flow information:		
Taxes	\$ 22	\$ 26
Interest	2	2

See accompanying notes to condensed financial statements.

KIEWIT CONSTRUCTION & MINING GROUP

Notes to Condensed Financial Statements

1. The condensed balance sheet of Kiewit Construction & Mining Group (the "Group") at December 26, 1992 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 for the year ended December 26, 1992.

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.

The condensed statement of earnings for the six months ended June 30, 1992 was restated when PKS filed, on April 22, 1993, a Form 8 Amendment 1 to its June 30, 1992 Quarterly Report on Form 10-Q. The Form 8 restated the Group's results of operations and financial position to reflect the adoption of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", as of the beginning of 1992.

Temporary investments at June 30, 1993 and December 26, 1992 include approximately \$54 million and \$48 million, respectively, of investments which are being held by the owners of various construction projects in lieu of retainage. Receivables at June 30, 1993 and December 26, 1992 include approximately \$38 million and \$35 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. Primary earnings 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 per share was 16,968,572 and 16,213,221 for the three months ended June 30, 1993 and 1992, respectively, and 17,081,835 and 17,775,743 for the six months ended June 30, 1993 and 1992, respectively. Fully diluted earnings per share has not been presented because it is not materially different from earnings per share.

KIEWIT CONSTRUCTION & MINING GROUP

Notes to Condensed Financial Statements

3. 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	
	June 30, 1993	December 26, 1992
Cash and cash equivalents	\$ 52	\$ 45
Temporary investments	4	12
Property, plant and equipment, net	10	9
Other assets	<u>12</u>	<u>15</u>
Total Assets	<u>\$ 78</u>	<u>\$ 81</u>
Accounts payable	\$ 19	\$ 25
Convertible debentures	2	2
Notes to former stockholders	8	9
Liability for stock appreciation rights	2	2
Other liabilities	<u>5</u>	<u>6</u>
Total Liabilities	<u>\$ 36</u>	<u>\$ 44</u>

	Group		Group	
	Three months ended		Six months ended	
	June 30,		June 30,	
	1993	1992	1993	1992
Investment income, net of interest expense	\$ -	\$ 1	\$ -	\$ 3
Depreciation and stock appreciation rights costs	(1)	(1)	(1)	(1)
Other income (costs), net	2	2	2	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 method management believes to be reasonable. These allocations were \$6 million and \$5 million for the three months ended June 30, 1993 and 1992, respectively, and \$12 million and \$13 million for the six months ended June 30, 1993 and 1992, respectively.

KIEWIT CONSTRUCTION & MINING GROUP

Notes to Condensed Financial Statements

3. (continued)

Mining service income that was recognized as a result of the Group's mine service agreement with the Diversified Group is \$7 million for the three months ended June 30, 1993 and 1992, and \$14 million and \$16 million for the six months ended June 30, 1993 and 1992, respectively.

4. 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.
5. On June 9, 1993, the Company signed a letter of intent to acquire APAC-Arizona, Inc. ("APAC") from Ashland Oil Company, Inc. for approximately \$55 million, subject to adjustments. APAC is engaged in construction and mineral businesses in Arizona and the surrounding area. Consummation of the transaction is subject to the execution of a definitive agreement, governmental approval and other conditions.
6. In May 1993, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities". This statement changes the method of accounting and reporting for certain investments. Investments will be classified in three categories, and those classified as trading securities or securities available-for-sale will be reported at fair value. Debt securities classified as held to maturity will be reported at amortized cost. Unrealized gains and losses from securities available-for-sale are to be reported as a separate component of stockholders' equity. The Group is required to adopt SFAS No. 115 in 1994. However, the Group may elect to initially adopt this standard at the end of 1993. Restatement of previously issued financial statements is not permitted under the new standard. Implementation of SFAS No. 115 is not expected to have a material effect on the Group's financial position.

KIEWIT CONSTRUCTION & MINING GROUP

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

Results of Operations - Six Months 1993 vs. Six Months 1992

Construction

Revenue rose by 5% in the first six months of 1993 as compared to the first six months of 1992. Revenue from joint venture projects, which accounts for 24% of the total construction revenue, increased significantly due primarily to the award of several large joint venture projects in 1992 and the first quarter of 1993, the largest of which was the San Joaquin Toll Road. This increase in revenue as a result of joint venture projects was partially offset by an approximate decrease of 14% in the average size of sole contracts awarded in the first half of 1993 as compared to the first half of 1992. Contract backlog is \$2.2 billion at June 30, 1993 of which approximately 9% relates to foreign projects, mainly in Canada. The remaining backlog relates to U.S. projects, over half of which are on the West Coast. The San Joaquin Toll Road joint venture accounts for 22% of contract backlog at June 30, 1993. This project has an estimated completion date of March 1997.

The gross margin on construction revenue was 11% in the first six months of 1993 compared to 8% in the same period in 1992. The change resulted from the reduction of reserves which had been established in prior years on the Denmark tunnel project.

Management of the nonsponsored Denmark tunnel project has completed a recent cost estimate which indicates a favorable variance in the estimated costs of the project. As a result of this cost estimate, management reduced reserves which had been maintained to provide for the Company's share of estimated losses on the project by \$20 million in the second quarter.

Other Income

Investment income decreased from \$9 million in the first six months of 1992 to a loss of \$11 million in the first six months of 1993. Certain investment securities deteriorated in value during the second quarter of 1993. The carrying value of the aggregate investment portfolio exceeded market value and was written down to market in the second quarter which accounts for the majority of the decline in investment income.

Other income for the six months ended June 30, 1993 and 1992 includes mining service income from Kiewit Diversified Group of \$14 million and \$16 million, respectively, and information services income, gains from other miscellaneous asset dispositions and other items which are not individually significant.

KIEWIT CONSTRUCTION & MINING GROUP

Results of Operations - Second Quarter 1993 vs. Second Quarter 1992

Construction

Revenue rose by 12% in the second quarter of 1993 as compared to the second quarter of 1992. Substantially all the increase is attributable to joint venture projects, of which approximately 23% relates to the San Joaquin Toll Road joint venture which was awarded during the first quarter of 1993. The remaining increase is attributable to several other large joint venture projects which were awarded in late 1992 and early 1993.

The gross margin was 15% in the second quarter of 1993 compared to 9% in the same period in 1992. The change resulted from a reserve adjustment on the nonsponsored Denmark tunnel project of \$20 million.

Other Income

Investment income decreased from \$5 million in the second quarter of 1992 to a loss of \$16 million in the second quarter of 1993. The decline in investment income resulted primarily from the recognition of a decline in market value of the aggregate investment portfolio below its cost.

Other income for the three months ended June 30 1993 and 1992 also includes mining service income from Kiewit Diversified Group of \$7 million and information services income, gains from other miscellaneous asset dispositions and other items which are not individually significant.

Selling and Administrative Expenses

Selling and Administrative expenses increased \$2 million in the second quarter of 1993 compared to the second quarter of 1992 due primarily to an increase in the allocation of corporate general and administrative expenses to the Group during the second quarter of 1993.

KIEWIT CONSTRUCTION & MINING GROUP

Financial Condition - June 30, 1993 vs. December 26, 1992

During the first six months of 1993, the Group repurchased .6 million shares of Class C common stock for \$12 million, issued .8 million shares of Class C common stock for \$15 million and paid dividends of \$10 million on Class B&C common stock. Additionally, the Group's common equity was reduced by \$24 million upon the conversion of 1.3 million shares of Class B&C stock into .5 million shares of Class D stock. This reduction was offset by \$2 million upon the conversion of a minimal number of shares of Class D stock into .1 million shares of Class C stock.

The Group's working capital position at the end of the second quarter of 1993, along with anticipated cash flows from operations and existing borrowing capacity, should be sufficient for the remainder of 1993's working capital and capital expenditure requirements.

Excluding the acquisitions of businesses, the Group anticipates that it will continue to invest between \$40 million and \$75 million annually in its construction business and has agreed to purchase additional shares of an electrical contractor such that the Group will own 80% of the contractor by early 1997. The Group has also signed a letter of intent to acquire APAC-Arizona, Inc. ("APAC") from Ashland Oil, Inc. for approximately \$55 million, subject to adjustments. APAC is engaged in construction and mineral businesses in Arizona and the surrounding area. Consummation of the transaction is subject to the execution of a definitive agreement, governmental approval and other conditions. These investments, along with the repurchases of common stock are expected to be the significant long-term uses of liquidity. The Group's existing cash and cash equivalents, temporary investments and cash flows from future operations, along with existing borrowing capacity, are expected to provide sufficient liquidity to fund these expenditures.

In August 1993, new legislation was signed into law that increased the maximum U.S. Federal corporate income tax rate from 34% to 35% beginning in 1993. The impact of this change in the tax law is not expected to have a significant impact on the Group's results of operations or financial position.

KIEWIT DIVERSIFIED GROUP

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Management's Discussion and Analysis
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KIEWIT DIVERSIFIED GROUP
Condensed Statements of Earnings
(unaudited)

(dollars in millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	1993	1992	1993	1992
Revenue	\$ 83	\$ 78	\$ 165	\$ 161
Other Income (Loss)	<u>(8)</u>	<u>21</u>	<u>8</u>	<u>36</u>
	<u>75</u>	<u>99</u>	<u>173</u>	<u>197</u>
Costs and Expenses:				
Cost of revenue	56	51	112	103
Selling and administrative	21	21	41	45
Interest	<u>3</u>	<u>2</u>	<u>4</u>	<u>5</u>
	<u>80</u>	<u>74</u>	<u>157</u>	<u>153</u>
Gain on Sale of Subsidiary's Stock	<u>(5)</u>	25	16	44
	<u>80</u>	<u>-</u>	<u>80</u>	<u>-</u>
Earnings from Continuing Operations before Income Taxes and Cumulative Effect of Change in Accounting Principle	75	25	96	44
Provision for Income Taxes	<u>27</u>	<u>9</u>	<u>33</u>	<u>15</u>
Earnings from Continuing Operations before Cumulative Effect of Change in Accounting Principle	48	16	63	29
Cumulative Effect of Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Earnings from Continuing Operations	48	16	63	28
Earnings from Discontinued Operations net of income taxes of \$- in 1992	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Net Earnings	<u>\$ 48</u>	<u>\$ 17</u>	<u>\$ 63</u>	<u>\$ 29</u>

See accompanying notes to condensed financial statements.

KIEWIT DIVERSIFIED GROUP
Condensed Statements of Earnings
(unaudited)

(dollars in millions, except per share data)	Three months ended June 30,		Six months ended June 30,	
	1993	1992	1993	1992
Earnings Per Common Share:				
Earnings from Continuing Operations before Cumulative Effect of Change in Accounting Principle	\$ 2.44	\$.82	\$ 3.21	\$ 1.48
Cumulative Effect of Change in Accounting Principle	-	-	-	(.04)
Earnings from Continuing Operations	2.44	.82	3.21	1.44
Earnings from Discontinued Operations	-	.02	-	.03
Net Earnings	<u>\$ 2.44</u>	<u>\$.84</u>	<u>\$ 3.21</u>	<u>\$ 1.47</u>
Cash Dividends per Common Share	<u>\$ -</u>	<u>\$ -</u>	<u>\$.50</u>	<u>\$ 1.60</u>

See accompanying notes to condensed financial statements.

KIEWIT DIVERSIFIED GROUP
Condensed Balance Sheets

(dollars in millions)	June 30, 1993	December 26, 1992
ASSETS	(unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 211	\$ 135
Temporary investments, at lower of cost or market	745	657
Receivables, less allowance of \$4 and \$5	43	67
Note receivable from sale of discontinued operations	55	60
Deferred income taxes	15	3
Other	<u>61</u>	<u>77</u>
Total Current Assets	1,130	999
Property, Plant and Equipment, less accumulated depreciation and amortization of \$228 and \$209	327	290
Note Receivable from Sale of Discontinued Operations	79	84
Investments	178	180
Other Assets	<u>206</u>	<u>206</u>
	<u>\$ 1,920</u>	<u>\$ 1,759</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 39	\$ 55
Short-term borrowings	50	80
Current portion of long-term debt	4	1
Accrued costs and billings in excess of revenue on uncompleted contracts	11	12
Accrued reclamation and other mining costs	23	25
Other	<u>41</u>	<u>30</u>
Total Current Liabilities	168	203
Long-Term Debt, less current portion	12	18
Deferred Income Taxes	307	272
Retirement Benefits	74	74
Accrued Reclamation Costs	91	94
Other Liabilities	55	69
Minority Interest	152	8
Stockholders' Equity (\$999 million aggregate redemption value)		
Common equity	1,060	1,017
Foreign currency adjustment	<u>1</u>	<u>4</u>
Total Stockholders' Equity	<u>1,061</u>	<u>1,021</u>
	<u>\$ 1,920</u>	<u>\$ 1,759</u>

See accompanying notes to condensed financial statements.

KIEWIT DIVERSIFIED GROUP
Condensed Statements of Cash Flows
(unaudited)

(dollars in millions)	Six months ended June 30,	
	1993	1992
Cash flows from operations:		
Net cash provided by continuing operations	\$ 58	\$ 34
Cash flows from investing activities:		
Proceeds from sales of temporary investments	2,655	2,930
Purchases of temporary investments	(2,787)	(3,050)
Proceeds from sales of property, plant and equipment, and other investments	2	5
Capital expenditures	(57)	(35)
Investment in affiliate	-	(15)
Redemption of U.S. Can preferred stock	12	18
Other	4	-
Net cash used in investing activities	(171)	(147)
Cash flows from financing activities:		
Long-term debt borrowings	-	1
Payments on long-term debt, including current portion	(1)	(42)
Net change in short-term borrowings	(30)	-
Repurchases of common stock	(38)	(54)
Issuances of common stock	6	-
Issuances of subsidiary's stock	233	-
Dividends paid	(17)	(33)
Exchange of Class B&C stock for Class D stock, net	22	32
Other	4	-
Net cash provided by (used in) financing activities	179	(106)
Cash flows from discontinued packaging operations:		
Proceeds from sales of discontinued packaging operations	10	115
Other cash provided by discontinued packaging operations	-	3
Net cash provided by discontinued packaging operations	10	118
Net change in cash and cash equivalents	76	(101)
Cash and cash equivalents at beginning of period	135	125
Cash and cash equivalents at end of period	\$ 211	\$ 24
Supplemental disclosure of cash flow information for continuing and discontinued operations:		
Taxes	\$ 18	\$ 26
Interest	4	6

See accompanying notes to condensed financial statements.

KIEWIT DIVERSIFIED GROUP

Notes to Condensed Financial Statements

1. The condensed balance sheet of Kiewit Diversified Group (the "Group") at December 26, 1992 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 26, 1992.

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.

The condensed statement of earnings for the three months and six months ended June 30, 1992 were restated when PKS filed, on April 22, 1993, a Form 8, Amendment 1, to its June 30, 1992 Quarterly Report on Form 10-Q. The Form 8 restated the Group's results of operations and financial position to reflect the adoption of Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes", as of the beginning of 1992.

The Company adopted income statement recognition for the issuances of stock in a public offering by MFS Communications Company, Inc. ("MFS"), a subsidiary of the Company.

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

2. Primary earnings 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 per share was 19,876,053 and 20,447,039 for the three months ended June 30, 1993 and 1992, respectively, and 19,895,207 and 20,152,755 for the six months ended June 30, 1993 and 1992, respectively. Fully diluted earnings per share has not been presented because it is not materially different from earnings per share.

KIEWIT DIVERSIFIED GROUP

Notes to Condensed Financial Statements

3. 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	
	June 30, 1993	December 26, 1992
Cash and cash equivalents	\$ 52	\$ 45
Temporary investments	4	13
Property, plant and equipment, net	10	8
Other assets	<u>12</u>	<u>15</u>
Total Assets	<u>\$ 78</u>	<u>\$ 81</u>
Accounts payable	\$ 19	\$ 25
Convertible debentures	2	3
Notes to former stockholders	8	8
Liability for stock appreciation rights	2	3
Other liabilities	<u>5</u>	<u>5</u>
Total Liabilities	<u>\$ 36</u>	<u>\$ 44</u>

	Group		Group	
	Three months ended June 30,		Six months ended June 30,	
	1993	1992	1993	1992
Investment income, net of interest expense	\$ -	\$ 1	\$ -	\$ 3
Depreciation and stock appreciation rights costs	(1)	(1)	(1)	(1)
Other income (costs), net	2	1	2	-

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 method management believes to be reasonable. These allocations were \$3 million and \$6 million for the three months ended June 30, 1993 and 1992, respectively, and \$6 million and \$9 million for the six months ended June 30, 1993 and 1992, respectively.

Mining service expense that was recognized as a result of the Group's mine service agreement with the Construction & Mining Group was \$7 million for the three months ended June 30, 1993 and 1992, and \$14 million and \$16 million for the six months ended June 30, 1993 and 1992, respectively.

KIEWIT DIVERSIFIED GROUP

Notes to Condensed Financial Statements

4. 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.
5. A Registration Statement filed on March 11, 1993 by MFS seeking permission to conduct a public offering was declared effective on May 19, 1993. On that date, 12.7 million shares of MFS' common stock, approximately 22% of total shares outstanding, were sold to the public at an initial public offering price of \$20 per share for approximately \$235 million. As a result of this transaction, the Group recognized an after-tax gain of \$53 million in the second quarter of 1993 representing the increase in value of the Group's investment in MFS. Substantially all of the net proceeds from the offering are intended to fund MFS' growth. The 22% outside ownership has been reflected in the condensed balance sheet as minority interest. Prior to the public offering, MFS was a wholly-owned subsidiary of the Group.

On June 17, 1993, the Group entered into an agreement to acquire majority control of the outstanding shares of C-TEC Corp. ("C-TEC") for approximately \$197 million. C-TEC is a communications company engaged in cable television, telephone, paging and cellular communications businesses. The transaction, which is subject to regulatory approval, is expected to be completed in the fourth quarter of 1993.

6. In May 1993, the Financial Accounting Standards Board issued SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This statement changes the method of accounting and reporting for certain investments. Investments will be classified in three categories, and those classified as trading securities or securities available-for-sale will be reported at fair value. Debt securities classified as held to maturity will be reported at amortized cost. Unrealized gains or losses from securities available-for-sale are to be reported as a separate component of stockholders' equity. The Group is required to adopt SFAS No. 115 in 1994. However, the Group may elect to initially adopt this standard at the end of 1993. Restatement of previously issued financial statements is not permitted under the new standard. Implementation of SFAS No. 115 is not expected to have a material effect on the Group's financial position.

KIEWIT DIVERSIFIED GROUP

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

Results of Operations - Six Months 1993 vs. Six Months 1992

Mining

Mining revenue in the first six months of 1993 decreased by 8% compared to the first six months of 1992. Due to the renegotiation of the agreements with Commonwealth Edison Company ("Commonwealth"), Commonwealth is no longer purchasing undivided interests in coal reserves from the Black Butte and Decker mines. These sales accounted for approximately \$20 million or 18% of the total mining revenue recognized by the Group in the first six months of 1992. The decrease in revenue as a result of the absence of sales of undivided interests to Commonwealth in 1993 was partially offset by a 7% rise in the tons of coal shipped and an approximate \$3 increase in the average price per ton. Tons shipped from the Decker mine accounted for 60% of the increase in total tons shipped, primarily due to the addition of four new customers in 1993. Sales from the Calvert mine and alternate source coal sales by the Black Butte mine were primarily responsible for the increase in the average price per ton of coal shipped. Alternate source coal is made up of coal purchased from two unaffiliated mines located in the Powder River Basin area of Wyoming and from the Group's Decker mine which, in turn, is sold to Commonwealth under the renegotiated agreements. Revenue in the first six months of 1993 includes approximately \$33 million from sales of alternate source coal.

The gross margin on revenue from mined coal approximated 33% for both the first six months of 1993 and 1992. Alternate source coal costs of approximately \$6 million were incurred in the six months ended June 30, 1993.

Telecommunications

Telecommunications revenue is derived from MFS Communications Company, Inc.'s ("MFS") telecommunications services and network systems integration and facilities management services. Revenue increased 25% in the six months ended June 30, 1993 compared to the six months ended June 30, 1992. Telecommunications services revenue accounted for 75% of the total increase in revenue, increasing from \$22 million in the six months ended June 30, 1992 to \$31 million in the six months ended June 30, 1993. The change primarily reflects increased services provided on the New York City network, and to a lesser extent, increased revenues resulting from the expansion of networks in Boston, Chicago, and Houston. The telecommunications services revenue increase also reflects continued market penetration of other metropolitan area networks, including the northern New Jersey network which became operational in the first quarter of 1993, and new services provided by MFS Datanet, Inc. Network systems integration and facilities management services revenue from third parties accounted for the remaining increase in total revenue. The increase, from \$26 million in the six months ended June 30, 1992 to \$29 million in the six months ended June 30, 1993 resulted from network systems integration projects for the State of Iowa and the

KIEWIT DIVERSIFIED GROUP

Results of Operations - Six Months 1993 vs. Six Months 1992 (continued)

Telecommunications (continued)

United Kingdom joint venture. Network systems integration and facilities management services backlog at June 30, 1993 was approximately \$53 million, of which approximately 38% relates to the project for the State of Iowa. Management estimates that a substantial portion of the backlog will be earned from services performed in 1993.

Cost of revenue in the six months ended June 30, 1993 increased 34% compared to the same period in 1992. Thirty-five percent of this increase is due to additional depreciation and amortization expense primarily associated with the new network in Atlanta and with the expanded networks in New York City, Chicago, Houston and the Washington, D.C. metropolitan area. Direct costs incurred on telecommunications services, primarily from the new networks in Atlanta and northern New Jersey, the expanded networks in New York City, Chicago, Los Angeles and the Washington, D.C. metropolitan area, and MFS Datanet, Inc. services, accounted for 47% of the total increase. The remaining increase relates to direct costs incurred on network systems integration and facilities management services. The 18% increase relates directly to heightened activity on a number of network systems integration projects, including the United Kingdom joint venture where the operating expenses exceeded revenue during the six months ended June 30, 1993.

Cost of revenue, as a percentage of revenue, was 97% in the first six months of 1993 compared to 91% in the first six months of 1992. Progress on the Iowa contract was delayed in June and July 1993 by significant rainfall and flooding. Management believes that any additional costs that may be incurred as a result of the floods will not have a material impact on the Group's operations.

Other Income

Investment income decreased from \$31 million in the first six months of 1992 to \$3 million in the first six months of 1993. Certain investment securities deteriorated in value during the second quarter of 1993. The carrying value of the aggregate investment portfolio exceeded market value and was written down to market in the second quarter which accounts for the majority of the decline in investment income.

Other income for the six months ended June 30, 1993 and 1992 also includes gains on the sale of timberlands, net equity earnings from investments in California Energy Company, Inc., information services income and gains from other miscellaneous asset dispositions which are not individually significant.

KIEWIT DIVERSIFIED GROUP

Results of Operations - Six Months 1993 vs. Six Months 1992 (continued)

Selling and Administrative Expenses

Selling and administrative expenses decreased \$4 million, or 9%, in the first six months of 1993 compared to the first six months of 1992. Administrative expenses decreased primarily as a result of lower mining service expense related to the mine service agreement with the Construction & Mining Group, a reduction in the number of outstanding stock appreciation rights in PKS' long-term incentive plan and modest reductions in other administrative departments. The decrease was partially offset by an increase in expenses related to the Group's telecommunications operations. The Group incurred additional expense in developing high-speed data communications services and integrated, single-source telecommunications services. Management of MFS expects to incur additional significant expense developing the high-speed data communications and other telecommunications services throughout the remainder of 1993.

Interest Expense

Interest expense decreased as a result of the extinguishment of debt in 1992. As of June 30, 1993 the Group had outstanding short-term borrowings of \$50 million. These borrowings are expected to be paid in 1993, keeping 1993's total interest expense near the 1992 level.

Gain on Sale of Subsidiary's Stock

On May 19, 1993, the Group recognized a pre-tax gain of \$80 million from the sale of 12.7 million shares of MFS' common stock, representing the increase in value of the Group's investment in MFS.

KIEWIT DIVERSIFIED GROUP

Results of Operations - Second Quarter 1993 vs. Second Quarter 1992

Mining

Mining revenue decreased 2% in the three months ended June 30, 1993 compared to the three months ended June 30, 1992. Revenue diminished primarily because Commonwealth is no longer purchasing undivided interests in coal reserves from the Black Butte and Decker mines. These sales accounted for approximately \$10 million or 18% of the total mining revenue recognized in the three months ended June 30, 1992. This reduction in revenue was partially offset by a 10% rise in the tons of coal shipped and an approximate \$3 increase in the average selling price per ton. The largest upsurge in tons shipped was at the Decker mine due to the addition of several new customers in 1993. Alternate source coal sales by the Black Butte mine were primarily responsible for the increase in the average price per ton of coal shipped. Alternate source coal is made up of coal purchased from two unaffiliated mines located in the Power River Basin area of Wyoming and from the Group's Decker mine which, in turn, is sold to Commonwealth. Sales of alternate source coal approximated \$16 million in the three months ended June 30, 1993.

The gross margin on revenue from mined coal approximated 33% for the second quarter of 1993 compared to 34% for the equivalent period of 1992. Costs include approximately \$3 million related to alternate source coal sales for the three months ended June 30, 1993.

Telecommunications

Revenue increased by 29% in the second quarter of 1993 compared to the same period in 1992. Telecommunications services revenue accounted for 83% of the total increase, increasing from \$11 million in the three months ended June 30, 1992 to \$16 million in the three months ended June 30, 1993. The change is primarily a result of increased services provided on the New York City network, and to a lesser extent, increased revenues resulting from the expansion of networks in Boston, Chicago, Houston and the Washington, D.C. metropolitan area. The telecommunications services revenue increase also reflects continued market penetration of other metropolitan area networks, including the northern New Jersey network, and new services provided by MFS Datanet, Inc. Network systems integration and facilities management revenue from third parties increased \$1 million from \$14 million in the three months ended June 30, 1992 to \$15 million in the same period in 1993. The increase resulted from network systems integration projects for the State of Iowa and the United Kingdom joint venture.

KIEWIT DIVERSIFIED GROUP

Results of Operations - Second Quarter 1993 vs. Second Quarter 1992 (continued)

Telecommunications (continued)

The cost of revenue in the second quarter of 1993 increased 47% in comparison to the second quarter of 1992. Twenty-six percent of the increase is due to additional depreciation and amortization expense primarily associated with the new network in Atlanta and with the expanded networks in New York City, Chicago, Los Angeles and the Washington, D.C. metropolitan area. Another 29% of the total increase relates to direct costs incurred on telecommunications services, primarily from the new networks in Atlanta and northern New Jersey, the expanded networks in New York City, Chicago, Los Angeles and the Washington, D.C. metropolitan area, and MFS Datanet, Inc. services. The balance of the increase relates directly to increased activity on several network systems integration projects, including the United Kingdom joint venture project in which operating expenses exceeded revenue during the three months ended June 30, 1993. Cost of revenue, as a percentage of revenue, was 99% and 87% for the three months ended June 30, 1993 and 1992, respectively.

Other Income

Investment income decreased from \$17 million in the second quarter of 1992 to a loss of \$9 million in the second quarter of 1993. The decrease in investment income resulted primarily from the recognition of a decrease in market value of the aggregate investment portfolio below its cost and the realization of losses on the sales of certain temporary investments during the second quarter of 1993.

Other income for the three months ended June 30, 1993 and 1992 also includes gains on the sale of timberlands, net equity earnings from investments in California Energy Company, Inc., information services income and gains from other miscellaneous asset dispositions which are not individually significant.

Selling and Administrative

Selling and administrative expenses in the second quarter of 1993 approximated the second quarter of 1992. The additional costs incurred in the second quarter of 1993 developing high-speed data communications and integrated, single-source telecommunications services were offset by a reduction in the Corporate general and administrative costs which were allocated to the Group in the second quarter.

Interest Expense

Interest expense in the second quarter of 1993 showed a minimal increase compared to the same period in 1992. The increase is primarily due to short-term borrowings incurred in the second quarter of 1993. As of June 1993, the Group has outstanding short-term borrowings of \$50 million, which are scheduled for repayment in 1993.

KIEWIT DIVERSIFIED GROUP

Financial Condition - June 30, 1993 vs. December 26, 1992

During the first six months of 1993, the Group repurchased .7 million shares of Class D common stock for \$38 million, issued .1 million shares of Class D common stock for \$6 million and paid dividends of \$17 million. Additionally, 1.3 million shares of Class B&C stock were converted into .5 million shares of Class D stock, increasing the Group's common equity by \$24 million. This increase was offset by \$2 million upon the conversion of a minimal number of shares of Class D stock into .1 million shares of Class C stock.

The Group repaid \$80 million of 1992 short-term borrowings. Due to favorable interest rates, the Group borrowed, on various dates in the first six months of 1993, an additional \$170 million to fund short-term liquidity needs. The Group has repaid \$120 million of the 1993 short-term borrowings.

Also during the first six months of 1993, the Group received \$24 million from United States Can Company (\$12 million for dividends and \$12 million for the redemption of preferred stock) and collected \$10 million with respect to the receivable from the 1991 sale of a discontinued packaging operation.

A Registration Statement which was filed with the Securities and Exchange Commission on March 11, 1993 by MFS seeking permission to conduct a public offering was declared effective on May 19, 1993. On that date, 12.7 million shares or 22% of MFS' common stock were sold to the public for approximately \$235 million.

The Group's working capital position at the end of the second quarter of 1993, together with anticipated cash flows from operations, collection of the remaining receivable from the sale of a packaging operation and existing borrowing capacity, should be sufficient for the remainder of 1993's working capital and capital expenditure requirements.

The Group anticipates that it will continue to invest between \$5 million and \$10 million annually in its mining business, make significant investments in its energy business and search for opportunities to acquire operating businesses that are capital intensive and provide for long-term growth. The Group has entered into an agreement to acquire majority control of the outstanding shares of common stock of C-TEC Corp. for \$197 million. C-TEC is a communications company engaged in cable television, telephone, paging and cellular communications businesses. The transaction, which is subject to regulatory approval, is expected to be completed in the fourth quarter of 1993. The Group has been and will continue investigating other investment opportunities.

The Group expects these investments, along with the payment of income taxes and repurchases of common stock to be the significant long-term uses of liquidity. The Group's existing cash and cash equivalents, temporary investments, collection of the remaining sales receivable, cash flows from future operations and existing borrowing capacity are expected to provide sufficient liquidity to fund these expenditures.

KIEWIT DIVERSIFIED GROUP

Financial Condition - June 30, 1993 vs. December 26, 1992 (continued)

MFS requires significant capital to fund the future building, expansion or acquisition of telecommunications networks in major metropolitan areas. Substantially all of the net proceeds from the public offering are intended to fund MFS' growth. In June 1993, MFS entered into a secured revolving credit agreement in the amount of \$75 million to serve as a potential source of liquidity to fund future cash requirements. MFS may fund further capital expenditures through issuance of debt and equity securities.

In August 1993, new legislation was signed into law that increased the maximum U.S. Federal corporate income tax rate from 34% to 35% beginning in 1993. The impact of this change in tax law is not expected to have a significant impact on the Group's results of operations or financial position.

EXHIBIT D

RCN BOARD OF DIRECTORS

RCN BOARD OF DIRECTORS

JAMES Q. CROWE

Mr. Crowe has been the senior executive officer of the MFS Communications Company, Inc. (MFSCC) since its inception. He has served as Chairman of the Board of MFSCC since 1988, Chief Executive Officer since November 1991 and was President (January 1988-June 1989 and April 1990-January 1992). Mr. Crowe has also served as President and Vice President of Kiewit Industrial Co., which is involved in large industrial construction projects, such as independent power projects, cogeneration facilities, and until 1988, telecommunications projects. Prior to joining Peter Kiewit Sons, Inc. (PKS) in 1986, Mr. Crowe was employed by Morrison-Knudsen Corporation, a major construction and engineering company based in Boise, Idaho, where he held the position of Group Vice President with responsibility for the electric power market. Mr. Crowe is also a Director of California Energy Company, Inc. (a geothermal energy producer, which is partially owned by Kiewit Diversified Group (KDG)). He is also a Director of PKS and KDG.

RICHARD R. JAROS

Mr. Jaros has been a Director of MFSCC since January 1992. He has been the Chairman of the Board of California Energy Company, Inc. since April 1993. He was the President and Chief Operating Officer and a Director of California Energy Company, Inc., which is partially owned by PKS, from January 1992 until April 1993. Mr. Jaros has been an Executive Vice President of PKS since June 1993 and was a Vice President of PKS from September 1990 to August 1992 and a Vice President of KDG from 1986 to 1990. Mr. Jaros is also a Director of PKS and KDG.

ROBERT E. JULIAN

Mr. Julian has been a Director of MFSCC since January 1992. For more than the last five years, Mr. Julian has been the Chief Financial Officer and a Director of PKS. Mr. Julian was elected Executive Vice President of PKS in 1991 and prior to that served as a Vice President of PKS. Mr. Julian is also a Director of KDG.

DAVID C. MCCOURT

Mr. McCourt serves as President and Chief Executive Officer of RCN. Mr. McCourt has also been a Director of MFSCC since January 1992, a Director of MFS Telecom since July 1990 and a Director and President of Metropolitan Fiber Systems/McCourt, Inc., a subsidiary of MFS Telecom, since 1988. Mr. McCourt is the President and Chief

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Executive Officer of McCourt Communications Company, Inc., a privately owned company which designs and constructs cable television and telecommunications systems in Boston, Massachusetts, and provides similar services in the United Kingdom as a partner with MFSCC. (This partnership operates under the name McCourt/Kiewit International.) Mr. McCourt is also President and Chief Executive Officer of McCourt Fiber Network, Inc., a telecommunications business in Boston, Massachusetts.

WALTER SCOTT, JR.

Mr. Scott has been the Chairman of the Board and President of PKS for more than the last five years. He has been a Director of MFSCC since January 1992. He is also a Director of Berkshire Hathaway Inc., Burlington Resources Inc., California Energy Company, Inc., Canadian Imperial Bank of Commerce, ConAgra, Inc., FirstTier Financial, Inc. and Valmont Industries, Inc. Mr. Scott is also a Director of KDG.

THOMAS C. STORTZ

Mr. Stortz has served as Vice President and General Counsel of PKS since 1991. He is also a Director of KDG and CCL Industries Inc.

EXHIBIT E

**BOARDS OF DIRECTORS
MINUTES APPROVING TRANSACTION**

SECRETARY'S CERTIFICATE

I, Allen R. Kearns, being the duly elected and acting Secretary of Kiewit Diversified Group Inc., a Delaware corporation, do hereby certify that attached hereto as Exhibit A is a true and correct copy of the resolution adopted by consent action by the board of directors on July 30, 1993.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 30th day of September, 1993.



Allen R. Kearns, Secretary
KIEWIT DIVERSIFIED GROUP INC.

EXHIBIT A

WHEREAS, a Stock Purchase Agreement, dated June 17, 1993, had been entered into between RCN Corporation, Kiewit Diversified Group Inc., and certain sellers, all as set forth in such Stock Purchase Agreement, pertaining to the purchase of a stock in C-TEC Corporation.

RESOLVED, that the Board hereby approves, authorizes and ratifies the proposed transaction by their respective subsidiaries, on the terms discussed at this meeting, and as set forth in the Stock Purchase Agreement, dated June 17, 1993, attached hereto, and as may be amended; and

RESOLVED, that the proper officers of the Corporation be, and each hereby is, authorized and directed to execute on behalf of the Corporation any ancillary agreements necessary to consummate the transactions contemplated in the Stock Purchase Agreement, with such modifications and additions therein as the proper officers of the Corporation may approve, their approval thereof to be conclusively evidenced by their execution of such agreements necessary to consummate the transactions contemplated therein; and

RESOLVED, that the Corporation's officers, employees and agents are empowered and authorized to execute and deliver all agreements, instruments, filings, amendments, certificates and other documents, including powers of attorney, and to take or cause to be taken all actions necessary, desirable or appropriate to carry out the intent and purpose of the foregoing resolutions; and

RESOLVED, that the Corporation's subsidiaries involved in the transaction, and the directors, officers, employees and agents thereof, are empowered and authorized to execute and deliver all agreements, instruments, filings, amendments, certificates and other documents and to take or cause to be taken all actions necessary, desirable or appropriate to carry out the intent and purpose of the foregoing resolutions, such execution, delivery and actions to be in accordance with the statutes, charters, by-laws and similar corporate governance procedures applicable to each subsidiary.

SECRETARY'S CERTIFICATE

I, Glenn L. Farris, being the duly elected and acting Assistant Secretary of Peter Kiewit Sons', Inc., a Delaware corporation, do hereby certify that attached hereto as Exhibit A is a true and correct copy of a portion of the minutes of the meeting of the board of directors of Peter Kiewit Sons', Inc. of July 30, 1993.

IN WITNESS WHEREOF, the undersigned has executed this Certificate this 30th day of September, 1993.



Glenn L. Farris, Assistant Secretary
PETER KIEWIT SONS', INC.

The next order of business was to discuss the acquisition by RCN Corporation of an interest in C-TEC Corporation, a rural residential telephone and cable company headquartered in Pennsylvania. The possibility of such an acquisition, while preliminary at the time, had been discussed at the previous Board meeting. A Stock Purchase Agreement, dated June 17, 1993, had been entered into between RCN Corporation, Kiewit Diversified Group, Inc., and certain sellers, all as set forth in such Stock Purchase Agreement. Mr. Crowe, Mr. Jaros and Mr. Stortz reviewed the terms of the acquisition, and answered questions. After a thorough discussion by the Board, and upon motion duly made and seconded, the following resolutions were unanimously approved:

RESOLVED, that the Board hereby approves, authorizes and ratifies the proposed transaction by their respective subsidiaries, on the terms discussed at this meeting, and as set forth in the Stock Purchase Agreement, dated June 17, 1993, attached hereto, and as may be amended; and

RESOLVED, that the proper officers of the Corporation be, and each hereby is, authorized and directed to execute on behalf of the Corporation any ancillary agreements necessary to consummate the transactions contemplated in the Stock Purchase Agreement, with such modifications and additions therein as the proper officers of the Corporation may approve, their approval thereof to be conclusively evidenced by their execution of such agreements necessary to consummate the transactions contemplated therein; and

RESOLVED, that the Corporation's officers, employees and agents are empowered and authorized to execute and deliver all agreements, instruments, filings, amendments, certificates and other documents, including powers of attorney, and to take or cause to be taken all actions necessary, desirable or appropriate to carry out the intent and purpose of the foregoing resolutions; and

RESOLVED, that the Corporation's subsidiaries involved in the transaction, and the directors, officers, employees and agents thereof, are empowered and authorized to execute and deliver all agreements, instruments, filings, amendments, certificates and other documents and to take or cause to be taken all actions necessary, desirable or appropriate to carry out the intent and purpose of the foregoing resolutions, such execution, delivery and actions to be in accordance with the statutes, charters, by-laws and similar corporate governance procedures applicable to each subsidiary.

SECRETARY'S CERTIFICATE

I, Thomas C. Storta, being the duly elected and acting Secretary of RCN Corporation, a Delaware corporation, do hereby certify that attached hereto as Exhibit A is a true and correct copy of the resolution adopted by consent action by the board of directors on July 30, 1993.

IN WITNESS WHEREOF, the undersigned has executed this certificate this 30th day of September, 1993.



Thomas C. Storta, Secretary
RCN CORPORATION



EXHIBIT A

WHEREAS, a Stock Purchase Agreement, dated June 17, 1993, had been entered into between RCN Corporation, Hewitt Diversified Group Inc., and certain sellers, all as set forth in such Stock Purchase Agreement, pertaining to the purchase of a stock in C-TEC Corporation.

RESOLVED, that the Board hereby approves, authorizes and ratifies the proposed transaction by their respective subsidiaries, on the terms discussed at this meeting, and as set forth in the Stock Purchase Agreement, dated June 17, 1993, attached hereto, and as may be amended; and

RESOLVED, that the proper officers of the Corporation be and each hereby is, authorized and directed to execute on behalf of the Corporation any ancillary agreements necessary to consummate the transactions contemplated in the Stock Purchase Agreement, with such modifications and additions therein as the proper officers of the Corporation may approve, their approval thereof to be conclusively evidenced by their execution of such agreements necessary to consummate the transactions contemplated therein; and

RESOLVED, that the Corporation's officers, employees and agents are empowered and authorized to execute and deliver all agreements, instruments, filings, amendments, certificates and other documents, including powers of attorney, and to take or cause to be taken all actions necessary, desirable or appropriate to carry out the intent and purpose of the foregoing resolutions; and

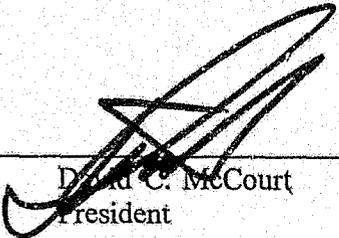
RESOLVED, that the Corporation's subsidiaries involved in the transaction, and the directors, officers, employees and agents thereof, are empowered and authorized to execute and deliver all agreements, instruments, filings, amendments, certificates and other documents and to take or cause to be taken all actions necessary, desirable or appropriate to carry out the intent and purpose of the foregoing resolutions, such execution, delivery and actions to be in accordance with the statutes, charters, by-laws and similar corporate governance procedures applicable to each subsidiary.

EXHIBIT F
VERIFICATIONS

COMMONWEALTH OF MASSACHUSETTS)
SUFFOLK COUNTY) S/S
)

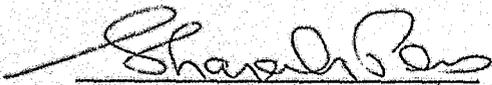
VERIFICATION

I, David C. McCourt, am the President of RCN Corporation, and am authorized to make this verification on its behalf. The statements made in the foregoing document are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.



David C. McCourt
President

Subscribed and sworn to before me, in and for the State and County named above this 10th
day of October 1993.



Notary Public

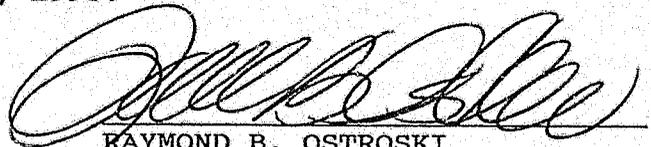
My commission expires: June 20, 1997

COMMONWEALTH OF PENNSYLVANIA)
(SS:
COUNTY OF LUZERNE)

VERIFICATION

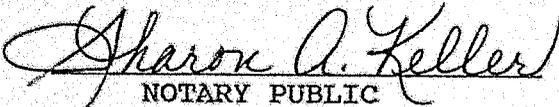
I, RAYMOND B. OSTROSKI, am the Vice-President of C-TEC Corporation and am authorized to make this verification on behalf of C-TEC Corporation and its subsidiaries. The statements made in the foregoing document are true of my own knowledge, except as to the matters which are therein stated on information and belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct this 30th day of September, 1993.



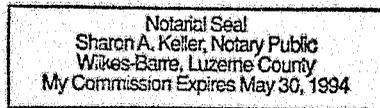
RAYMOND B. OSTROSKI
VICE-PRESIDENT

Subscribed and sworn to before me, in and for the State and County named above, this 30th day of September, 1993.



NOTARY PUBLIC

My Commission Expires May 30, 1994.

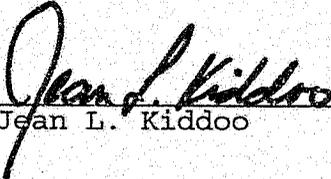


CERTIFICATE OF SERVICE

I, Jean L. Kiddoo, hereby certify that on this 1st day of October, 1993, copies the foregoing document were served by overnight courier, postage prepaid, for delivery on October 4, 1993, upon the following:

Irvin Popowsky, Esq.
Office of Consumer Advocate
1425 Strawberry Square
Harrisburg, PA 17120
(717) 787-3391

Office of Small Business Advocate
Suite 1102
Commerce Building
300 North 2nd Street
Harrisburg, PA 17101



Jean L. Kiddoo

SWIDLER
&
BERLIN
CHARTERED

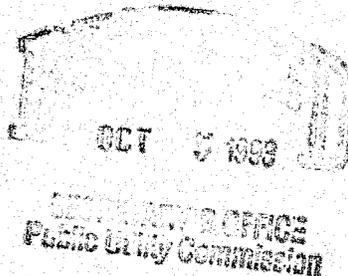
CHARLES KALLENBACH
ATTORNEY-AT-LAW

DIRECT DIAL
(202)424-7715

DC
FC
OCT 5 1993

October 5, 1993

Ms. Janet Patrick
Pennsylvania Public Utility Commission
North Street and Commonwealth Avenue
North Office Building
Harrisburg, PA 17105-3265



Re: Application for Approval of Acquisition by RCN
Corporation of Voting Control of C-TEC Corporation
from the C-TEC Control Group (Docket No. A-
310800F0006)

Dear Ms. Patrick:

Per your telephone call today, enclosed is our check in the amount of \$300.00 to cover the remaining filing costs for the above-referenced application.

Please do not hesitate to call me or Jean Kiddoo if you have any further questions about the application.

Sincerely yours,

Charles H.N. Kallenbach

Enclosure

cc: Jean L. Kiddoo

119671.1

OCT 6 1993



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265
October 7, 1993

IN REPLY PLEASE
REFER TO OUR FILE

A-310800F0006

CHARLES H.N. KALLENBACH, ESQUIRE
SWIDLER & BERLIN
3000 K STREET N.W.
SUITE 300
WASHINGTON, D.C. 20007-5116

Application of RCN Corporation, transferee, and the C-Tec Control Group, transferor, for approval to transfer to the former by the latter majority voting control of C-Tec Corporation stock.

Dear Mr. Kallenbach:

Receipt is acknowledged of the application of RCN Corporation and C-Tec Control Group which has been captioned and docketed to the above number.

We note that the attached notice will be published the weeks of October 4 and 11, 1993 in newspapers having a general circulation in the areas involved. Proof of publication is due to be filed on or before October 19, 1993.

The matter will receive the attention of the Commission, and you will be advised of any further necessary procedure.

Very truly yours,

for John G. Alford
Secretary

Enclosure
JEP

DOCUMENT
FOLDER

OCT 7 1993

SL V

PENNSYLVANIA PUBLIC UTILITY COMMISSION

NOTICE TO BE PUBLISHED

Notice is hereby given that an application has been made to the Pennsylvania Public Utility Commission, under the provisions of the Public Utility Code, by RCN Corporation, transferee, and the C-TEC Control Group, transferor, for approval to transfer to the former by the latter majority voting control of C-Tec Corporation stock. (A-310800F0006)

Notice is hereby also given that this application may be considered by the Commission without a hearing. Protests or petitions to intervene may, however, be filed with the Public Utility Commission, Harrisburg, with copy served upon applicant's attorneys on or before October 19, 1993, pursuant to Title 52 of the Pennsylvania Code.

RCN CORPORATION

Counsel for the applicants:

Jean L. Kiddoo, Esquire
Charles H.N. Kallenbach, Esquire
Swidler & Berlin, Chartered
3000 K Street, N.W.
Washington, D.C. 20007

Norman Kennard, Esquire
Tucker Arensberg P.C.
116 Pine Street
Harrisburg, PA 17101

OCT 19 1993

PENNSYLVANIA PUBLIC UTILITY COMMISSION



RECEIPT

RECEIVED

25 OCT 15 AM 8:42

PA. P. U. C.
INFO. CONTROL DIV.

The addressee named hereunder has paid Pennsylvania Public Utility Commission for the following bill, subject to final collection of check or money order tendered for such payment.

**CHARLES H N KALLENBAHH
SWIDLER & BERLIN
3000 K STREET NW
SUITE 300
WASHINGTON DC 20007-5116**

Date October 14, 1993

CR 150350 A

DOCKETED

OCT 18 1993

In re application RGN Corp.
A-310800F0006.....\$350.00

**DOCUMENT
FOLDER**

NVE

Revenue account 001780-017601-102 (ck)
cks **1236 & 1245** \$350.00
Checks _____ Currency _____
Utility account _____
50:24

C. Joseph Meisinger
For Department of Revenue