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CAPITAL CITIES COMMUNICATIONS INC

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DISCLOSURE INC WASHINGTON D. C. 20016

FOR 12/31/80

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Legend **A** – *always included - included - if occured or significant* **F** – *frequently included* ■ *special circumstances only*

TENDER OFFER/ACQUISITION REPORTS	13D	13 G	14D-1	14D-9	13E-3	13E-4
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Source and Amount of Funds	A		A		A	
Identity and Background Information			A	A	A	
Persons Retained Employed or to be Compensated			A	A	A	A
Exhibits	F		F	F	F	F

5161 River Road □ Washington, D.C. 20016 □ 301/951-1300

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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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OFFICE OF APPLICATIONS & REPORTS SERVICES

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 31, 1980 **Commission file number 1-4278**

Capital Cities Communications, Inc.

(Exact name of registrant as specified in its charter)

New York State	**14-1284013**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
485 Madison Avenue, New York, N.Y.	**10022**
(Address of principal executive offices)	**(Zip Code)**

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Registrant's telephone number, including area code (212) 421-9595

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

(Title of each class)	**(Name of each exchange on which registered)**
Common stock, $1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

The aggregate market value of the voting stock held by non-affiliates of the registrant is $823,400,000 as of February 28, 1981.

The number of shares outstanding of the issuer's common stock as of March 16, 1981: 12,911,096 shares, excluding 2,482,400 treasury shares.

Portions of Part I are incorporated herein by reference to the 1980 Annual Report to Shareholders and a definitive Proxy Statement for the annual meeting of shareholders on May 6, 1981.

Part II and Part IV with the exception of certain schedules and exhibits are incorporated herein by reference to the 1980 Annual Report to Shareholders.

Part III is incorporated herein by reference to a definitive Proxy Statement for the annual meeting of shareholders on May 6, 1981.

PART I

Item 1. *Business.*

Capital Cities Communications, Inc. (the "Company") has been engaged in radio broadcasting since 1947, in television broadcasting since 1953, in publishing since 1968 and in cable television beginning in 1980. The Company has approximately 6,320 employees: 5,170 engaged in its publishing operations, 1,090 engaged in broadcasting and 60 engaged in cable television.

Industry Segments

Information relating to the industry segments of the Company's operations is included on page 27 of the Company's Annual Report to Shareholders and is hereby incorporated by reference. The Company derives all broadcasting revenues and more than 80% of its publishing revenues from the sale of advertising. Subscription and other circulation receipts from publishing constitute the only other material source of revenue.

Publishing

The Company publishes 30 business and specialized publications, nine daily newspapers in seven markets, and a number of weekly community newspapers and shopping guides. Following is a summary by type of publication of inches or pages of advertising, advertising revenue and circulation revenue for the five years ending December 31, 1980 (000's omitted except pages of advertising):

	Actual					Pro Forma(a)
	1980	1979	1978	1977	1976	1980
Inches or pages of advertising						
Newspapers (inches)(b)	16,729	14,899	14,113	12,048	8,054	14,419
Specialized newspapers (inches)	1,764	1,725	1,550	1,488	1,366	1,764
Specialized magazines (pages)	5,889	4,562	5,211	5,337	2,027	5,189
Advertising revenue						
Newspapers(c)	$168,631	$151,429	$132,118	$102,643	$42,493	$162,574
Specialized newspapers	67,402	60,955	52,338	45,785	39,666	67,402
Specialized magazines	11,827	9,681	10,680	10,320	3,514	11,264
Shopping guides	5,887	—	—	—	—	—
Circulation revenue						
Newspapers	$ 30,179	$ 23,424	$ 21,965	$ 18,761	$ 9,592	$ 29,289
Specialized publications	13,915	12,644	10,999	10,985	9,339	13,557

(a) Excludes 1980 acquisitions.

(b) Does not include inserts.

(c) Includes inserts.

Specialized Publications

The Specialized Publications Group is primarily engaged in gathering and publishing business news and ideas for industries covered by its various publications, all of which are printed by outside printing contractors. Following are the publications:

Title	Frequency	Circulation
Fairchild Publications		
Newspapers		
Women's Wear Daily	Daily	65,000
Daily News Record	Daily	25,000
American Metal Market	Daily	15,000
HFD—Retailing Home Furnishings	Weekly	36,000
Energy User News	Weekly	16,000
Footwear News	Weekly	23,000
Supermarket News	Weekly	59,000
Electronic News	Weekly	72,000
Metalworking News	Weekly	30,000
MIS Week	Weekly	104,000(1)
Multichannel News	Weekly	10,000(1)
W	Biweekly	185,000
SportStyle	Semimonthly	30,000(1)
Entrée	Monthly	14,000(1)
Magazines		
Men's Wear	Semimonthly	20,000
Metal/Center News	Monthly	13,000(1)
Home Fashions Textiles	Monthly	13,000(1)
Heat Treating	Monthly	21,000(1)
International Medical News Group		
Family Practice News	Semimonthly	69,000(1)
Internal Medicine News	Semimonthly	58,000(1)
Ob. Gyn. News	Semimonthly	25,000(1)
Pediatric News	Monthly	25,000(1)
Clinical Psychiatry News	Monthly	29,000(1)
Skin & Allergy News	Monthly	32,000(1)
Aches & Pains	Monthly	100,000(1)
Professional Press Group	Monthly	84,000

(1) Controlled circulation.

Daily Newspapers

		Year of Acquisition	Circulation(1) Daily	Sunday
The Oakland Press (Pontiac, Mich.)	Evening	1969	73,000	75,000
News-Democrat (Belleville, Ill.)	Afternoon	1972	41,000	43,000
Fort Worth Star-Telegram	Morning	1974	98,000	257,000
Fort Worth Star-Telegram	Evening	1974	135,000	
The Kansas City Times	Morning	1977	298,000	
The Kansas City Star	Evening	1977	256,000	399,000
The Wilkes-Barre Times Leader	All-day	1978	(2)	
Albany Democrat-Herald (Albany, Oregon)	Evening	1980	20,000	
The Daily Tidings (Ashland, Oregon)	Evening	1980	6,000	

(1) Total average paid circulation per the Audit Bureau of Circulation statement for the six months ended September 30, 1980.

(2) This paper was struck by various unions on October 6, 1978 and is currently being published under strike conditions. Circulation prior to the strike was 69,000.

Weekly Newspapers and Shopping Guides

The Company publishes weekly community newspapers and distributes shopping guides in six states. They include six weekly newspapers in Oregon, nine in Connecticut and *The Arlington Citizen-Journal*, in Arlington, Texas, with aggregate circulation of 43,000, 85,000 and 39,000, respectively. Five shopping guides are distributed in Wichita and Topeka, Kansas; Springfield, Missouri; Tulsa, Oklahoma; and Dallas, Texas, with an aggregate weekly circulation of 600,000.

In addition, the Company publishes, in Oregon, two magazines for stamp collectors with a combined circulation of 32,000.

Competition

The specialized publication business is highly competitive. In its various news publishing activities it competes with almost all other information media, and this competition may become more intense as communications equipment is improved and new techniques are developed. Many metropolitan general newspapers and small-city or suburban papers carry business news. In addition to special magazines in the fields covered by these publications, general news magazines publish substantial amounts of business material. Nearly all of these publications seek to sell advertising space and much of this effort is directly or indirectly competitive with the Company's specialized publications.

The Company's newspapers and shopping guides compete with other advertising media such as broadcasting stations, magazines and billboards. Additionally, *The Oakland Press,* the *News-Democrat,* the *Citizen-Journal,* the *Gresham Outlook* (Oregon) and the *Shore Line Times* (Connecticut) papers serve suburban areas adjacent to metropolitan centers and compete with newspapers published there.

Raw Materials

The primary raw material used by the publishing division is newsprint. Newsprint and other paper stock for the specialized publications is mostly furnished by the contract printers. Newsprint is readily available from numerous suppliers. The Company's newspapers purchase their newsprint from various suppliers as follows:

	Number of suppliers	Share furnished by largest supplier
The Kansas City Star/Times	7	22%
Fort Worth Star-Telegram	5	36%
The Oakland Press	3	36%
News-Democrat	4	40%
The Arlington Citizen-Journal	2	84%
The Wilkes-Barre Times Leader	6	27%
Shore Line Newspapers	2	67%
Democrat-Herald Group	4	41%

Broadcasting

The Company presently owns and operates five high frequency (VHF) television stations, one ultra high frequency (UHF) television station, seven standard (AM) radio stations and six frequency modulation (FM) radio stations. Market locations, frequencies, transmitter power and other station details are set forth below:

Television stations owned

Stations and locations	Channel	Expiration date of FCC authorization	Network affiliation	Expiration date of network affiliation (1)
WPVI-TV .... Philadelphia, Pennsylvania	6	(2)	ABC	Aug. 15, 1981
KTRK-TV .... Houston, Texas	13	Aug. 1, 1983	ABC	Apr. 2, 1981
WKBW-TV .... Buffalo, New York	7	June 1, 1981	ABC	July 2, 1982
WTNH-TV .... New Haven, Connecticut	8	Apr. 1, 1981	ABC	Jan. 1, 1983
WTVD .... Durham, North Carolina	11	Dec. 1, 1981	CBS	Sept. 11, 1981
KFSN-TV .... Fresno, California	30	Dec. 1, 1983	CBS	Feb. 28, 1982

Radio stations owned

Stations and locations	Frequency AM-Kilohertz FM-Megahertz	Power AM-Watts FM-Kilowatts	Expiration date of FCC authorization	Network affiliation (1)
KZLA .... Los Angeles, California	1540 K	50,000 Day 10,000 Night	(2)	None
WJR .... Detroit, Michigan	760 K	50,000	Oct. 1, 1982	NBC(3)
WPAT .... Paterson, New Jersey (Metropolitan New York)	930 K	5,000	(2)	None
WBAP .... Fort Worth, Texas	820 K	50,000	Aug. 1, 1983	NBC(3)
WKBW .... Buffalo, New York	1520 K	50,000	June 1, 1981	None
WPRO .... Providence, Rhode Island	630 K	5,000	Apr. 1, 1981	None
WROW .... Albany, New York	590 K	5,000 Day 1,000 Night	June 1, 1981	CBS(3)
WPAT-FM .... Paterson, New Jersey (Metropolitan New York)	93.1 M	12.5	June 1, 1981	None
WJR-FM .... Detroit, Michigan	96.3 M	50	Oct. 1, 1982	None(3)
KSCS-FM .... Fort Worth, Texas	96.3 M	100	Aug. 1, 1983	None(3)
WPRO-FM .... Providence, Rhode Island	92.3 M	39	(2)	None
WROW-FM .... Albany, New York	95.5 M	8.3	June 1, 1981	None(3)
KZLA-FM .... Los Angeles, California	93.9 M	49	Dec. 1, 1983	None

(1) Although FCC regulations prevent network contracts from having terms of more than two years, such regulations permit successive renewals which are routinely granted.

(2) Regular renewal of the license of these stations has been delayed as described under *Renewal Matters* on page K-7 of this report.

(3) Network affiliation agreements of WJR, WBAP and WROW expire on October 31, 1981, January 1, 1983 and December 30, 1982, respectively. CBS and NBC permit an FM station to duplicate programming covered under agreement with an associated AM station.

Competition

The Company's television and radio stations are in competition with other television and radio stations, as well as other advertising media such as newspapers, magazines and billboards.

Competition in the television broadcasting industry occurs primarily in individual market areas. Generally, a television broadcasting station in one market does not compete with other stations in other market areas, nor does a group of stations, such as those owned by the Company, compete with any other group of stations as such. While the pattern of competition in the radio broadcasting industry is basically the same, it is not uncommon for radio stations outside of a market area to place a signal of sufficient strength within that area (particularly during nighttime hours) to gain a share of the audience.

In addition to management and experience, factors which are material to competitive position include authorized power allowance, assigned frequency, network affiliation, and local program acceptance, as well as strength of local competition.

Under present regulations of the Federal Communications Commission ("FCC") no additional VHF television commercial stations may be constructed or operated in any of the cities where the Company's television stations are located. However, as discussed below, the FCC has initiated a proceeding which could result in the assignment of additional VHF channels to several of those cities.

There are sources of television service other than conventional television stations. The most common at present is community antenna television ("CATV"). CATV can provide more competition for a station by making additional signals available to its audience. In 1972, the FCC adopted rules intended to facilitate the development of CATV while avoiding undue competitive impact on the basic structure of television broadcasting. Those rules, and the policies underlying them, however, have been modified by the FCC in ways intended to eliminate restrictions on CATV, and the modifications themselves are being challenged in the courts. No prediction can be made as to the extent to which CATV systems bringing additional signals into the markets of the Company's stations will develop. In addition some CATV systems have begun supplying programming that is not available on conventional television stations. See "Licenses—Federal Regulation of Broadcasting—CATV and Other Television Services" for a discussion of CATV, pay cable and subscription television.

Licenses—Federal Regulation of Broadcasting

Television and radio broadcasting are subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communication Act"). The Communications Act empowers the FCC, among other things, to issue, revoke or modify broadcasting licenses, to determine the location of stations, to regulate the equipment used by stations, to adopt such regulations as may be necessary to carry out the provisions of the Communications Act and to impose certain penalties for violation of such regulations.

Renewal Matters

Broadcasting licenses may be granted for a maximum period of three years and are renewable for additional three-year periods upon application for renewal. During certain periods when a renewal application is pending, competing applicants may file for the frequency in use by the renewal applicant. Competing applicants may be entitled to a comparative hearing in competition with the renewal applicant. No competing applications have been filed against any of the Company's stations.

In addition, petitions to deny applications for renewal of licenses may be filed during certain periods following the filing of such applications. In recent years, representatives of various community groups and others have filed increasing numbers of petitions to deny renewal applications of broadcasting stations, including some of the Company's stations.

On June 30, 1978, the New Jersey Coalition for Fair Broadcasting petitioned the Federal Communications Commission to deny the application for renewal of the license of WPVI-TV, Philadelphia. The Governor of New Jersey and the New Jersey Department of the Public Advocate filed petitions in support of the Coalition. Similar petitions were filed during 1978 with respect to most of the VHF television licensees in Philadelphia and New York. The petitions allege that the licensees have failed to fulfill special obligations to provide service to New Jersey that have been imposed by the FCC on the Philadelphia and New York City stations. The Company has opposed the petitions. The FCC has decided that WPVI-TV has met its past New Jersey service commitments, but is considering whether those commitments should be expanded to include establishment of an office and news bureau in New Jersey. The Company has submitted to the FCC its proposal to establish an office and news bureau in Trenton. Action on the WPVI-TV renewal application has been deferred pending the FCC's consideration of the proposal and the response thereto by the Coalition, which criticizes the proposals in some respects.

The FCC has also initiated rulemaking to consider various ways in which television service generally to New Jersey may be increased, including adding six new UHF television channel assignments to the State, waiver of existing subscription television rules to permit establishment of several over-the-air subscription stations in New Jersey, authorization of certain "low power" facilities to serve communities in the State, and possible transfer of one of the New York City VHF assignments to northern New Jersey.

In addition to the foregoing renewal matter, WPAT-AM's application for renewal is being deferred pending satisfactory completion of work pursuant to a construction permit allowing it to relax restrictions on its nighttime radiation pattern. Renewal of the license of KZLA-AM has been delayed pending completion of technical changes to its facilities. Regular renewal of the license of WPRO-FM has been delayed pending FCC resolution of a dispute concerning interference to a television station, allegedly caused by a power increase granted to WPRO-FM in 1972. It is not possible to predict how these engineering matters will be resolved. However, it is believed to be improbable that any of them would be resolved in a way that would have serious adverse effects on the operations of those stations.

Ownership Matters

The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior approval of the FCC, and prohibits the Company from having any officer or director who is an alien, and from having more than one-fifth of its stock owned by aliens or a foreign government.

The FCC's "multiple ownership" rules provide, in general, that a license for a radio or television station will not be granted if the applicant owns, or has a substantial interest in, another station of the same type which provides service to areas already served by the station operated or controlled by the applicant. These rules further provide that a broadcast license to operate a radio or television station will not be granted if the grant of the license would result in a concentration of control of broadcasting. The rules provide that a presumption of such concentration of control arises in the event that an entity directly or indirectly owns or has an interest in more than seven AM radio stations, more than seven FM radio stations, or more than seven television stations, of which no more than five may be VHF. The Company now owns seven AM radio stations, six FM radio stations and six television stations, of which five are VHF.

In addition, the FCC will not grant applications for station acquisitions which would result in the creation of new AM-VHF or FM-VHF combinations in the same market under common ownership. New combinations of AM-FM stations in the same market under common ownership are permitted. However, the Commission has indicated that it intends to initiate a rulemaking proceeding to consider whether to continue to permit commonly owned AM-FM combinations. Until that proceeding is completed, the Commission has also indicated that licensees creating new AM-FM combinations do so subject to the possibility that they may be required to divest one or the other of the stations.

Combinations of UHF television stations with AM stations, FM stations or AM-FM combinations in the same market are not currently prohibited under the rules but will be considered by the FCC on a case-by-case basis. However, the Commission is proposing a rule to eliminate this "UHF exception," and will not grant applications inconsistent with the proposed rule during the pendency of that proceeding.

Furthermore, under the FCC's rules, radio and/or television licensees may not acquire new ownership interests in daily newspapers published in the same markets served by their broadcast stations. Finally, FCC rules also prohibit a television licensee from owning CATV systems in communities which are within the service contours of its television stations. Under these rules, the Company would generally be barred from making acquisitions or sales which would result in the creation of new combinations, or maintenance of existing combinations, inconsistent with the rules.

The Company presently owns one AM-VHF combination, WKBW-AM and WKBW-TV, Buffalo. In addition, the Company presently owns daily newspapers in two markets in which it also holds radio licenses. For purposes of these rules, *The Oakland Press* and WJR-AM and WJR-FM, licensed to Detroit, are treated as in the same market, as are the *Fort Worth Star-Telegram* and WBAP-AM and KSCS-FM, licensed to Fort Worth. Under the rules, therefore, these commonly owned broadcast and broadcast/newspaper combinations could not be transferred together. The Company has acquired certain CATV systems and, as described more fully in the section entitled "Cable Television Systems—Recent Developments," is seeking to acquire Cablecom-General, Inc. ("Cablecom"), a company with substantial CATV holdings. None of Cablecom's interests would, if acquired by the Company, violate the TV/CATV rules. However, the rules would prohibit the Company from acquiring CATV systems or franchises in communities within the service contours of its television stations.

The FCC has adopted a rule prohibiting acquisitions that would result in common ownership of three broadcast stations, any two of which are licensed in cities within 100 miles of the third, if the service contours of the stations (as defined by the FCC) overlap. For purposes of this rule, commonly owned AM and FM stations licensed in cities no more than 15 miles apart are treated as one entity. Under the current rules, combinations otherwise covered by the rule that include UHF television stations are not prohibited, but will be considered by the FCC on a case-by-case basis. However, the Commission's proposal to eliminate the "UHF exception" also applies to this rule, and no applications inconsistent with the proposal will be acted on until the rulemaking proceeding has been completed. The Company's broadcast holdings are consistent with the rule, but the rule could affect subsequent acquisitions.

Except as discussed below, the FCC's rules specify that power to vote or control the vote of 1% or more of the stock of a publicly-held licensee (*i.e.*, a licensee with 50 or more stockholders) is the test for determining whether an entity should have the licensee's broadcast stations or newspapers attributed to it for purposes of the multiple ownership rules. However, the FCC's rules permit a qualifying mutual fund to vote or control the vote of up to 5% of the stock of a publicly-held broadcast licensee before the licensee's stations will be attributed to the mutual fund. The rules also permit insurance companies or banks holding stock in their trust departments to vote or control the vote of up to 5% of the stock of a publicly-held licensee before the licensee's stations are attributed to them, provided that such insurance companies or banks do not exercise any control over the management or policies of the publicly-held broadcast company or companies in which they hold in excess of 1% of the stock.

The FCC has indicated that it is considering rules which would permit certain categories of passive shareholders to own up to 10% of the shares of broadcast stations and newspapers which could not be commonly controlled under the rules. At the same time, the FCC has begun a proceeding to consider whether it should treat certain other ownership interests which do not include the power to vote or control the vote of stock of a licensee as also triggering the multiple ownership attribution rules. Among the interests being considered are beneficial interests in trusts (where the power to vote resides in the trustee), preferred stock interests, and various kinds of debt interests. The Company cannot predict the outcome of these proceedings.

CATV and Other Television Services

As noted above, CATV can provide more competition to a television station by making additional signals available to its audience. FCC rules currently require CATV systems to carry the signals of the television stations in whose service areas they operate, and protect local network-affiliated stations' exclusive rights to broadcast network programming against the simultaneous broadcast of the programming on distant stations carried by CATV systems operating in their service areas.

The FCC has recently decided to eliminate other rules restricting CATV importation of signals of distant non-network, independent stations into a market and its related rules protecting stations' rights to exclusive exhibition of syndicated programming in their markets. The FCC's decisions to eliminate these rules, which have been appealed to the courts, will permit CATV systems operating in markets served by the Company's television stations to transmit into those markets signals of additional independent stations, as well as syndicated programming against which the stations could have claimed exclusivity protection under the former rules. The Commission's decision has been stayed pending judicial review, permitting the restrictions to remain in effect until the appeal proceedings are concluded. The Company cannot predict the outcome of these various proceedings or the future competitive impact of the changes made by the FCC, if they are upheld.

Some CATV systems have begun supplying additional programming to subscribers that is not originated on, or transmitted from, conventional television broadcasting stations. In addition, there have been attempts to develop television service that emphasizes the origination and/or distribution for a fee of programming not available as part of a conventional free television service. The FCC's rules do not place any restriction on the number of such cable subscription services in a market and likewise permit an unlimited number of broadcast subscription services in any market already served by at least four conventional television stations. FCC rules impose certain limitations on programming offered by broadcast subscription television services but do not restrict similar programming offered by CATV systems. The Company cannot predict the future competitive impact of such subscription services.

The FCC has taken other recent actions which offer the possibility of increased competition to conventional television stations. It has proposed to add a large number of additional VHF assignments to markets across the country, including a new channel to the Houston market served by KTRK-TV, ten new channels to the Fresno, California, market served by KFSN-TV, and two new channels to the Hartford market, served by WTNH-TV. Each new channel assignment or proposed assignment represents a potential new VHF station in the affected market. The FCC has also proposed rules facilitating direct broadcast satellite operations and creating a new service of low power television facilities to supplement existing conventional television broadcast service. The Company has applied for such low power facilities in Raleigh-Durham, Buffalo, Houston, Fresno and New Haven. The Company cannot predict what action the FCC will take on these applications or on the proposed low power television service, nor can it predict the competitive effect should this service be authorized.

Clear-Channel and Related Radio Proceedings

The FCC has rejected proposals to permit so-called clear-channel radio stations to increase their power and has decided to allow new radio stations to operate on the frequencies of such clear-channel stations, thereby reducing the range of clear-channel stations. WJR-AM and WBAP-AM both operate on clear channels. The Company and others have appealed that decision, and judicial review proceedings are pending. The Company is unable to predict the impact of the Commission's decision on the operation of WJR-AM or WBAP-AM, the degree of additional competition which the Company's other radio stations may face from new radio signals that might become available in their service areas, or the ultimate outcome of the judicial proceedings.

In other actions designed to increase the number of aural outlets, the Commission has initiated studies of the possible expansion of the AM band to include new frequencies and of the possible reduction of the AM station bandwidth from 10 kHz to 9 kHz. Both of these actions would require, *inter alia*, some modifications of international treaties governing use of the radio spectrum. The Commission has also indicated that it intends to initiate a proceeding that would explore ways to increase the number of FM allocations available for assignment. The Company is not able to predict the outcome and impact of these various proceedings.

Network Proceeding

The FCC has initiated a proceeding investigating the acquisition and distribution of television programming by the three national television networks. Among other matters, the investigation encompasses the relationship between the networks and their program suppliers and between the networks and their affiliates—particularly as to such subjects as the degree of affiliate reliance on network programming, the opportunities of affiliates to review network programs prior to broadcast, and the nature and effects of network-station compensation plans. All six of the Company's television stations are affiliated with national television networks. The Company is unable to predict the outcome of this proceeding or the effects on network-station relationships which any FCC action might have.

* * * * *

Proceedings, investigations, hearings and studies are periodically conducted by Congressional committees and by the FCC and other government agencies with respect to problems and practices of, and conditions in, the broadcasting industry. The Company cannot predict whether new legislation or regulations may result from any such studies or hearings or the adverse impact, if any, upon the Company's operations which might result therefrom.

The information contained under this heading does not purport to be a complete summary of all the provisions of the Communications Act and the rules and regulations of the FCC thereunder or of pending proposals for other regulation of broadcasting and related activities. For a complete statement of such provisions, reference is made to the Communications Act, to such rules and regulations and to such pending proposals.

Canadian Television

Current Canadian law prevents Canadian advertisers from deducting as a business expense for purposes of Canadian income tax the cost of advertisements placed on United States television stations which are aimed primarily at Canadian audiences. In addition, the Canadian Radio-Television Commission has in the past sought to require Canadian cable television systems that carry the signals of United States stations to delete the commercials of those stations and substitute either public service announcements or commercials supplied and sold by Canadian television stations. The Canadian Radio-Television Commission has agreed to a delay in the "further implementation" of this proposal for purposes of further study, but it has not taken any steps to withdraw previously issued authority to certain cable systems to engage in such deletions.

The Company is a party to lawsuits in the Canadian courts against a Toronto cable company which has engaged in deletion of some commercials on the channels of the Company's Buffalo station, WKBW-TV, and two other Buffalo stations. These cable company lawsuits remain pending.

The United States Special Trade Representative has found that the Canadian tax legislation creates an unreasonable burden on the international commerce of the United States. Upon recommendation of the Special Trade Representative, the prior Administration proposed that the United States retaliate by adopting comparable legislation affecting Canadian television stations that sell time to United States advertisers. The current Administration has not yet taken a position with respect to this matter.

Over the past several years there have, in fact, been a number of efforts by responsible United States authorities to institute negotiations with Canada on the border television question in the context of multilateral trade negotiations, bilateral tax treaty negotiations and otherwise. None of these efforts has resulted in any expression of willingness to negotiate by the Canadian government.

The Company cannot predict the outcome of any of the described proceedings or efforts. Station WKBW-TV has derived substantial revenues in the past from the sale of time to Canadian advertisers, and the Canadian policies described above have been explicitly designed to reduce—and have reduced—those revenues.

Cable Television

During 1980, the Company acquired franchises to construct and operate cable television systems in suburban Indianapolis, Indiana, suburban Detroit, Michigan, suburban Akron, Ohio, certain areas in Washtenaw County, Michigan, communities located near Corpus Christi, Texas, suburban Chicago, Illinois and Sandoval County, a suburb of Albuquerque, New Mexico, which franchise areas together contain an aggregate of 100,000 homes, of which about half would be expected to become subscribers. The Company is constructing the systems and expects them to be substantially completed by late 1981.

A cable television system receives, amplifies and distributes to its subscribers television signals originating from local or distant television broadcasting stations. The signal may be received off-the-air by use of high antennas, by microwave relay or earth stations receiving satellite transmissions. The system may also distribute live, automated or other programs originated by the system or originated by other than a broadcasting station. The latter form of programming, for which a separate charge is made, is popularly called "pay cable" or "pay TV".

Cable television systems operate in a highly competitive environment. They compete with the direct reception of broadcast television signals by the viewer's own antenna. The extent of such competition depends upon the quality and quantity of the broadcast signals being received by direct antenna reception as compared to the services rendered by such system. The systems also compete with translator stations and in varying degrees with other communication and entertainment media.

The Company is generally subject to the requirements of state and local governmental law and the interpretation thereof in the granting of a franchise and the operation of its systems. The franchises granted by local governmental authorities are typically nonexclusive and generally contain various conditions and limitations relating to payment of fees to the local authority, determined generally as a percentage of revenues, limitations on installation and/or service charges, conditions of service, technical performance and various types of restrictions on transferability. Failure to comply with such conditions and limitations may give rise to rights of termination by the local governmental authority.

The cable television industry is subject to extensive regulation by the FCC, although the FCC has recently adopted proposals which eliminate many of its regulations concerning cable television. Existing FCC regulations contain detailed provisions concerning, among other things, television broadcast signals that may have to be carried by the cable system, carriage of distant additional signals, exclusivity of network and non-network programs, black-out of certain sporting events, technical standards, performance testing requirements, limitation on franchise fees (but not on service rates which are usually determined under local franchises), cross ownership of cable television systems and television broadcast stations and comprehensive annual reporting requirements. The FCC also has the authority, with certain limits, to regulate the rates charged by telephone and utility companies for the rental of poles used by cable television companies to attach their cable distribution network; however, the FCC's authority in this area may be preempted by any state which certifies to the FCC that it has the statutory authority to do so.

In September 1980, the FCC issued a decision rescinding regulations that limited the number of distant signals a cable system could carry and that required a cable system to blackout certain non-network programs from distant stations when a local station was licensed to televise the program. Broadcasters opposing the FCC's action have sought judicial review thereof and the United States Court of Appeals for the Second Circuit has issued a stay of the FCC's decision. The regulations remain in effect pending a Court determination of the matter.

The FCC is considering proposals to remove the FCC limitation on the franchise fees which can be imposed by franchising authorities and to remove the FCC regulations which prohibit local authorities from regulating service rates for premium cable service. The removal of either such limitation could adversely affect the Company's cable television business.

The FCC is constantly reviewing its rules, regulations and policies concerning the cable television industry. In addition, the Senate and House Communications Subcommittees are considering legislation that would also affect the industry. Any of such proposed laws, rules, regulations or policies could have a material adverse affect on the cable industry.

Recent Developments

On November 13, 1980, the Company signed an agreement with Cablecom-General, Inc. and RKO-General, Inc. pursuant to which the Company intends to acquire all of the equity securities of Cablecom for an aggregate price of approximately $139,200,000. The completion of the transaction is subject to the receipt of certain governmental, regulatory and other required approvals.

The following information concerning Cablecom has been derived from its Annual Report on Form 10-K for the year ended November 30, 1980.

Cablecom is engaged, directly or through its investments in joint ventures and affiliated corporations, in the operation of 43 cable television systems in 12 states. As of November 30, 1980, Cablecom's cable television systems had approximately 250,000 basic and 99,000 pay subscribers. In addition, Cablecom is engaged in the businesses of operating motion picture theatres (including related food concessions).

The following table sets forth certain information for each industry segment of Cablecom for each of the years ended November 30, 1980 and 1979.

	1980	1979
Revenues:		
Cable television	$30,906,130	$22,651,577
Theatre	11,658,843	10,939,628
Income before interest expense, unallocable items, income taxes and extraordinary items:		
Cable television	$10,710,736	$ 7,596,047
Theatre	1,208,441	1,139,014

For the year ended November 30, 1980, Cablecom had total revenues and net income of $46,826,035 and $6,314,500, respectively. As at November 30, 1980, Cablecom had total assets of $71,386,530 and stockholders' equity of $37,661,529.

Item 2. *Properties.*

The Company currently occupies executive offices at 485 Madison Avenue in New York City. It plans to move during 1981 to new quarters in New York City at 24 East 51st Street under a lease expiring in 2011. The principal executive and editorial offices of Fairchild are located in New York City and are owned by the Company. All of Fairchild's offices in other cities are leased. The editorial offices of the International Medical News Group are located in Rockville, Maryland and are also owned by the Company. All of the premises occupied by the newspapers are owned by the Company.

The Company owns all of its broadcast transmitter sites except those of WBAP-AM, KSCS-FM, WPAT-FM, WJR-FM, WROW-FM, and KZLA-FM, which are occupied under leases expiring at various dates through 2019. All broadcast studios and offices are owned except those in Albany, Fort Worth, Detroit, New Haven and Buffalo (WKBW-AM), which are occupied under leases expiring at various dates through 1993.

Item 3. *Legal Proceedings.*

The following constitute pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of their property is the subject. Based on evaluation of the facts which have been ascertained, and the opinions of counsel handling the defense of these matters, management does not believe the outcome of such legal proceedings will, in the aggregate, have a material adverse effect on the financial statements of the Company.

On or about January 13, 1975, an action was commenced against The Kansas City Star Company (the "Star") in the United States District Court for the Western District of Missouri by Gweldon L. Paschall on behalf of himself and other independent contract newspaper carriers. The Star was acquired by the Company in February 1977. The action seeks declaration that each carrier has a property right in his respective contract for distribution of the newspapers. On November 10, 1978, the Court issued a preliminary injunction against a proposed conversion of independent distributorships into agencies as a possible violation of the Sherman Act and ordered that a trial be held to determine whether the preliminary injunction should be made permanent. A trial, limited to the issue of whether the preliminary injunction should be made final or dissolved, was recently completed with the decision under advisement to be handed down at a later date. The Star's motion for summary judgment on the claim of damages was granted by the Court.

On or about March 1, 1979, an action was commenced against the Star in the United States District Court for the Western District of Missouri, Western Division, by John J. Mixer and four additional parties plaintiff, alleging violations of the Clayton and Sherman Antitrust Acts. Plaintiffs claim to represent a class of approximately 300 carriers. The charge is that the Star, which had previously collated and inserted the various sections of the paper into a single unit for distribution to the plaintiffs, threatened to cast the burden of so doing on the plaintiffs. The plaintiffs are contract newspaper carriers. Plaintiffs seek an injunction and treble damages.

On or about April 23, 1979, an action was instituted by William G. Strub, et al. against the Star and the Company in the United States District Court for the Western District of Missouri, Western Division, in an antitrust suit brought by 7 former independent contract carriers and by 2 representatives of the estates of 2 deceased individuals who were formerly independent contract carriers, claiming violation of the Sherman Act. Plaintiffs seek treble damages. Request has been made to have the case handled as a class action. The case awaits the outcome of the decision of the Court in the Paschall case.

On or about October 4, 1978, an action was instituted in the United States District Court for the Western District of Missouri by Leo E. Flaherty against the Star claiming damages for $150,000 arising from his purchase of a carrier contract and punitive damages of $2,000,000. The complaint in that action was amended to make the Company a party defendant.

On or about May 25, 1979, an action was instituted in the United States District Court for the Western District of Missouri, Western Division, by Paul Dean Feagans and two other former independent contract carriers whose complaint and prayers for relief are identical to those in William G. Strub, et al, against the Star. All activities in the case have been stayed pending resolution of the Paschall case.

On or about September 20, 1978, an action was instituted in the Circuit Court of Jackson County, Missouri by Robert S. Miskimen on behalf of himself and approximately 267 other parties plaintiff, against the Company and the Star. Plaintiffs as carrier distributors of the Star's newspapers are seeking an injunction restraining defendants from refusing to sell newspapers to the plaintiffs for distribution to home delivery subscribers, for a declaratory judgment relating to plaintiffs' property interests in their respective territories and for aggregate compensatory damages of $100,000,000. Additionally, each of the plaintiffs is asking for punitive damages of $100,000,000.

There are also eight other actions pending in various Missouri state courts seeking damages against the Star arising from alleged interference with plaintiff's property rights and contractual relationships with newspaper carriers, which in the aggregate are not material.

Item 4. *Security Ownership of Certain Beneficial Owners and Management.*

Incorporated herein by reference to page 2 of the Company's definitive Proxy Statement for the annual meeting of shareholders on May 6, 1981.

Executive Officers of the Company

Name	Age	Director since	Officer since	Title
Thomas S. Murphy	55	1957	1958	Chairman of the Board of Directors and Chief Executive Officer
Daniel B. Burke	52	1967	1962	President, Director and Chief Operating Officer
Joseph P. Dougherty	56	1967	1959	Executive Vice President, President of Broadcasting Division and Director
John B. Fairchild	54	1968	1968	Executive Vice President, Chairman of the Board of Fairchild Publications and Director
John B. Sias	54	1977	1975	Executive Vice President, President of Publishing Division and Director
William R. James	47		1969	Senior Vice President and President of Cable Television Division
Robert K. King	52		1962	Senior Vice President
Andrew E. Jackson	46		1971	Vice President
John E. Shuff, Jr.	40		1977	Vice President
Ronald J. Doerfler	39		1977	Vice President and Chief Financial Officer
Gerald Dickler	68	1954	1954	Secretary and Director
Robert W. Gelles	57		1963	Treasurer, Controller and Assistant Secretary

All officers have been actively associated with the Company for more than five years and for all except Mr. Dickler such association has been their principal occupation. Mr. Dickler has concurrently been actively engaged in the practice of law as a partner in the law firm of Hall, Dickler, Lawler, Kent & Howley, general counsel for the Company. There is no relationship by blood, marriage, or adoption, not more remote than first cousin, among them. All officers hold office at the pleasure of the Board of Directors.

PART II

Item 5. ***Market for the Registrant's Common Stock and Related Security Holder Matters.***

The information called for by this item is included on page 38 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. ***Selected Financial Data.***

The information called for by this item is included on page 24 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations.***

The information called for by this item is included on page 25 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

Item 8. ***Financial Statements and Supplementary Data.***

The information called for by this item is included on pages 28-38 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

PART III

Item 9. ***Directors and Executive Officers of the Registrant.***

Incorporated herein by reference to pages 1 and 2 of the Company's definitive proxy statement for the annual meeting of shareholders on May 6, 1981. Information concerning the executive officers is included in Part I, on page K-14.

Item 10. ***Management Remuneration and Transactions.***

Incorporated herein by reference to pages 3 through 7 of the Company's definitive proxy statement for the annual meeting of shareholders on May 6, 1981.

PART IV

Item 11. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K.***

(a) 1. *Financial statements and financial statement schedules*

The financial statements and schedules listed in the accompanying index to financial statements are filed as part of this annual report.

2. *Exhibits*

The exhibits listed on the accompanying index to exhibits are filed as part of this annual report.

(b) Reports on Form 8-K.

The Company filed a report on Form 8-K, dated November 13, 1980, reporting the signing of a definitive agreement by the Company, RKO General, Inc. and Cablecom-General, Inc. whereby the Company will acquire Cablecom-General, Inc.

CAPITAL CITIES COMMUNICATIONS, INC.
AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES COVERED BY REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

(Item 11(a)1.)

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements, including the notes thereto.

Financial statements and schedules of Capital Cities Communications, Inc. (not consolidated) are omitted since the Company is primarily an operating company, and subsidiaries included in the consolidated financial statements in the aggregate, do not have minority interests and indebtedness to any person other than the Company in amounts which together exceed 5% of the total assets as shown by the most recent year-end consolidated balance sheet.

* * * * * * *

The consolidated financial statements of Capital Cities Communications, Inc., listed in the above index which are included in the Annual Report to Shareholders for the year ended December 31, 1980, are hereby incorporated by reference. With the exception of the Items referred to in Items 1, 5, 6 and 7, the 1980 Annual Report to Shareholders is not to be deemed filed as part of this report.

CONSENT OF CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in this Annual Report on Form 10-K of Capital Cities Communications, Inc. for the year ended December 31, 1980 of our report dated February 18, 1981 included in the 1980 Annual Report to Shareholders of Capital Cities Communications, Inc.

We also consent to the addition of the financial statement schedules listed in the accompanying index to financial statements and financial statement schedules to the financial statements covered by our report dated February 18, 1981 incorporated herein by reference.

We also consent to the incorporation by reference in the Registration Statements Form S-8 No. 2-58945 for the registration of 630,067 shares and Form S-8 No. 2-59014 for the registration of 287,195 shares of its common stock and in the related Prospectuses of our report dated February 18, 1981 with respect to the financial statements and schedules of Capital Cities Communications, Inc. incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1980.

ARTHUR YOUNG & COMPANY

Arthur Young & Company

New York, New York
February 18, 1981

CAPITAL CITIES COMMUNICATIONS, INC. AND SUBSIDIARIES

Index to Exhibits (Item 11(a)2.)

(3) Articles of incorporation as amended through May 12, 1980 and by-laws as amended through March 9, 1981.

(11) Computation of per share earnings is included on page 24 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

(13) The Company's 1980 Annual Report to Shareholders. (This report, except for the portions thereof which are incorporated by reference in this Form 10-K, is furnished for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Form 10-K.)

(22) Subsidiaries of the Company.

SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT

(Thousands of Dollars)

	Balance at beginning of period	Additions at cost: Publishing companies acquired	Additions at cost: Other	Retirement or sales	Other changes—reclassification	Balance at close of period
Year ended December 31, 1980:						
Land and improvements	$ 12,652	$ 709	$ 1,091	$ —		$ 14,452
Buildings and improvement	43,478	1,555	1,542	(103)		46,472
Broadcasting equipment	35,962	—	5,186	(991)		40,157
Printing machinery and equipment	53,794	4,203	4,014	(1,164)		60,847
Other	12,057	489	11,778	(542)		23,782
	$157,943	$6,956	$23,611	$(2,800)		$185,710
Year ended December 31, 1979:						
Land and improvements	$ 12,554		$ 128	$ (30)		$ 12,652
Buildings and improvement	41,912		2,195	(629)		43,478
Broadcasting equipment	29,846		6,842	(726)		35,962
Printing machinery and equipment	46,871		8,159	(1,236)		53,794
Other	11,360		854	(157)		12,057
	$142,543		$18,178	$(2,778)		$157,943
Year ended December 31, 1978:						
Land and improvements	$ 12,024	$ 171	$ 913	$ (554)	$ —	$ 12,554
Buildings and improvement	35,901	998	5,770	(757)	—	41,912
Broadcasting equipment	27,139	—	3,776	(1,069)	—	29,846
Printing machinery and equipment	40,841	2,084	3,058	(112)	1,000	46,871
Other	9,819	102	2,797	(358)	(1,000)	11,360
	$125,724	$3,355	$16,314	$(2,850)	$ —	$142,543

Depreciation is generally provided on a straight-line basis over their estimated useful lives; buildings and improvements—10 to 50 years; broadcasting equipment—4 to 8 years; printing machinery and equipment—5 to 10 years; cable television plant—10 years.

CAPITAL CITIES COMMUNICATIONS, INC. AND SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(Thousands of Dollars)

	Balance at beginning of period	Publishing company acquired	Charged to income	Retirements or sales	Other changes—reclassification	Balance at close of period
Year ended December 31, 1980:						
Land and improvements	$ 443		$ 54	$ —		$ 497
Buildings and improvement	17,591		1,595	(86)		19,100
Broadcasting equipment	21,454		3,420	(910)		23,964
Printing machinery and equipment	31,224		5,056	(920)		35,360
Other	5,622		1,342	(393)		6,571
	$ 76,334		$11,467	$(2,309)		$ 85,492
Year ended December 31, 1979:						
Land and improvements	$ 399		$ 44	$ —		$ 443
Buildings and improvement	15,998		1,811	(218)		17,591
Broadcasting equipment	19,148		2,891	(585)		21,454
Printing machinery and equipment	27,786		4,271	(833)		31,224
Other	4,903		977	(258)		5,622
	$ 68,234		$ 9,994	$(1,894)		$ 76,334
Year ended December 31, 1978:						
Land and improvements	$ 362	$ —	$ 39	$ (2)	$ —	$ 399
Buildings and improvement	14,126	711	1,554	(393)	—	15,998
Broadcasting equipment	17,456	—	2,680	(988)	—	19,148
Printing machinery and equipment	22,072	1,462	4,362	(198)	88	27,786
Other	4,368	58	850	(285)	(88)	4,903
	$ 58,384	$2,231	$ 9,485	$(1,866)	$ —	$ 68,234

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

(Thousands of Dollars)

	Balance at beginning of period	Charged to income	Deductions from reserves (A)	Balance at close of period
Deducted from accounts and notes receivable:				
Year Ended December 31, 1980	$3,282	$3,929	$(3,312)	$3,899
Year Ended December 31, 1979	$2,429	$3,150	$(2,297)	$3,282
Year Ended December 31, 1978	$2,355	$2,064	$(1,990)	$2,429

(A) Accounts written-off, net.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL CITIES COMMUNICATIONS, INC.
(Registrant)

By ....
Gerald Dickler, Secretary

March 18, 1981

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 and on the dates indicated:

Principal Executive Officer:	
.... **(Thomas S. Murphy)**	March 9, 1981
Principal Financial Officer:	
.... **(Ronald J. Doerfler)**	March 9, 1981
Controller:	
.... **(Robert W. Gelles)**	March 9, 1981
Directors:	
.... **(Daniel B. Burke)**	March 9, 1981
.... **(Amon G. Carter, Jr.)**	March , 1981
.... **(Gerald Dickler)**	March 18, 1981
.... **(Joseph P. Dougherty)**	March 9, 1981
.... **(John B. Fairchild)**	March 9, 1981
.... **(William S. Landon)**	March 18, 1981
.... **(Thomas S. Murphy)**	March 9, 1981
.... **(John H. Muller, Jr.)**	March 9, 1981
.... **(John B. Sias)**	March 9, 1981
.... **(William I. Spencer)**	March 18, 1981
.... **(Lowell Thomas)**	March 9, 1981

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.... **(Thomas S. Murphy)**	March , 1981

Principal Financial Officer:

.... **(Ronald J. Doerfler)**	March , 1981

Controller:

.... **(Robert W. Gelles)**	March , 1981

Directors:

.... **(Daniel B. Burke)**	March , 1981
Amon G. Carter Jr. **(Amon G. Carter, Jr.)**	March 18, 1981
.... **(Gerald Dickler)**	March , 1981
.... **(Joseph P. Dougherty)**	March , 1981
.... **(John B. Fairchild)**	March , 1981
.... **(William S. Lasdon)**	March , 1981
.... **(Thomas S. Murphy)**	March , 1981
.... **(John H. Muller, Jr.)**	March , 1981
.... **(John B. Sias)**	March , 1981
.... **(William I. Spencer)**	March , 1981
.... **(Lowell Thomas)**	March , 1981

RESTATED CERTIFICATE OF INCORPORATION
OF
CAPITAL CITIES BROADCASTING CORPORATION

(Under Section 807 of the Business Corporation Law)

Filed 5/16/68

1. The name of the Corporation is CAPITAL CITIES BROADCASTING CORPORATION.

2. The nature of the business, or objects or purposes to be transacted, promoted or carried on shall be:

To engage in the business of broadcasting by means of radio and television, and any or all other means of wireless communication including facsimile, and both amplitude and frequency modulation; to own and operate a radio and/or television station or stations; to employ, engage, train, present, or otherwise utilize, artists, performers, singers, speakers, lecturers, musicians, actors, specialty performers, entertainers, experts, technicians, or such other talent and assistants as may be necessary, useful or advantageous in the conduct of any business of this corporation; upon its own behalf or upon behalf of others, to arrange, present, produce and to broadcast through its own radio and/or television station or stations and/or through other radio and/or television stations, or by or through or as a part of a chain of radio and/or television stations, programs of entertainments, amusement, education, or otherwise, and to make any and all contracts or arrangements and to provide all facilities necessary, useful or advantageous in the operation of a radio and/or television station or stations.

To manufacture, construct, purchase, sell, lease, install, own, operate, repair, maintain and otherwise deal in and deal with radio broadcasting apparatus, television, transmitting or receiving apparatus, and equipment, sets, accessories, parts, and instruments of all kinds and descriptions, and any and all things used or capable of being used in connection with radio transmission, broadcasting, reception and communication of any kind or description.

To manufacture, design, lay out, construct, develop, improve, install, own, operate, repair, maintain and otherwise deal in and with, radio broadcasting apparatus and equipment, television transmitting or receiving apparatus broadcasting stations, sound producing or reproducing apparatus, transmitting and receiving apparatus of all kinds, for the transmission or reception of signals, sound, intelligence, images, or energy, either by radio, wireless, wired wireless, wire, telephone, telegraph or by any other method or combination of methods not known or hereafter discovered.

To print, publish, buy, sell, deal in and deal with, trade papers, journals, magazines, directories and any and all publications and papers of whatsoever nature; to carry on the business of publishers and to prepare, edit, print, buy, publish and sell, or otherwise distribute news and trade papers, news-ideas services, journals, magazines, books, directories, pamphlets, circulars and other printed matter in any form whatsoever; to conduct a general advertising business, both as principal and agent, including the preparation and arrangement of advertising and the manufacture and construction of advertising devices and novelties; to carry on the business of news gathering and distribution.

To carry on the business of manufacturing and selling magazines, newspapers, journals, periodicals, books, lists, pamphlets, maps, reports and documents of every kind, nature and description; to make contracts with authors, publishers, individuals, corporations, or firms that may do business with the corporation; to contract for printing, reprinting, stereotyping, paper binding or for anything entering into the manufacture of magazines, newspapers, journals, periodicals, books, lists, pamphlets, maps, reports and documents; to purchase and own, buy, sell, deal in and deal with stereotype plates, books and sheets, bound or in course of manufacture, and to purchase the right

Exhibit (3)

to print, and issue magazines, newspapers, journals, periodicals, books, lists, pamphlets, maps, reports and documents, and to dispose of the same as well as all rights acquired by such purchase or purchases, and to have the right to lease any such rights on such terms as may be agreed upon, or to employ agents, firms or corporations to sell all such publications manufactured or acquired by the corporation, and to make any contracts or leases carrying out the intention of the corporation and to have all the rights, powers, privileges and franchises necessary for the carrying out of the above.

To carry on all or any part of the business of printers, stationers, lithographers, type-founders, stereotypers, electrotypers, photographic printers, photo-lithograhers, chromo-lithographers, engravers, die sinkers, bookbinders, designers, tradesmen, paper and ink manufacturers, book sellers, and dealers in or manufacturers of similar or analogous articles or things.

To manufacture, purchase or otherwise acquire, own, mortgage, pledge, sell, assign and transfer, or otherwise dispose of, to invest, trade, deal in and deal with goods, wares and merchandise and personal property of every class and description.

To acquire, and pay for in cash, stock or bonds of this corporation or otherwise, the good will, rights, assets, and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation, provided the business is of a kind herein stated.

To acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trade-marks and trade names, relating to or useful in connection with any business of this corporation.

To guarantee, purchase, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of shares of capital stock of, or any bonds, securities or evidence of indebtedness created by any other corporation or corporations organized under the laws of this state or any other state, country, nation or government, and while the owner thereof to exercise all the rights, powers and privileges of ownership, including the right to vote thereon.

To enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, country, state, body politic or government or colony or dependency thereof, provided they are necessary and incidental to the business of the corporation.

To borrow or raise moneys for any of the purposes of the corporation and, from time to time, without limit as to amount, to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation, either at the time owned or thereafter acquired and to sell, pledge or otherwise dispose of such bonds or other obligations of the corporation for its corporate purposes.

To buy, sell or otherwise deal in notes, open accounts, and other similar evidences of debt, or to loan money and take notes, open accounts, and other similar evidences of debt as collateral security therefor.

To purchase, hold, sell and transfer the shares of its own capital stock; provided it shall not use its funds or property for the purpose of its own shares of capital stock when such use would cause any impairment of its capital except as otherwise permitted by law, and provided further that shares of its own capital stock belonging to it shall not be voted upon directly or indirectly.

To have one or more offices, to carry on all or any of its operations and business and without restrictions or limit as to amount to purchase or otherwise acquire, hold, own, mortgage, sell, convey, or otherwise dispose of real and personal property of every class and description in any of the states, and in any and all foreign countries, subject to the laws of such State, District, Territory, Colony or Country.

In general, to carry on any other business in connection with the foregoing, and to have and exercise all the powers conferred by the laws of New York upon corporations formed and existing under its laws and to do any and all of the things hereinbefore set forth to the same extent as natural persons might or could do.

The objects and purposes specified in the foregoing clauses shall, except where otherwise specified, be in nowise limited or restricted by reference to, or inference from, the terms of any other clause in this certificate, but the objects and purposes specified in each of the foregoing clauses of this Article shall be regarded as independent objects and purposes.

3. A. **Authorized Shares.** The aggregate number of shares which the Corporation shall have the authority to issue is 6,200,000. 600,000 of said shares shall be of the par value of $1.00 each and shall be designated $.50 Cumulative Convertible Preferred Stock (hereinafter called the *"Preferred Stock"*) and 5,600,000 of said shares shall be of the par value of $1.00 each and shall be designated Common Stock.

B. **$.50 Cumulative Convertible Preferred Stock.** Subject to the limitations provided by law and to the provisions of this Article 3, the relative rights, preferences and limitations of the shares of the Preferred Stock are as follows:

I. *Dividends.* The holders of the Preferred Stock shall be entitled to receive, when and as declared by the Board of Directors of the Corporation, cash dividends at the rate of $.50 per share per annum, and no more, payable for each quarterly dividend period ending on September 30, December 31, March 31 or June 30 in each year. Such dividends shall accrue and be cumulative with respect to shares issued on May 15, from such date and shall accrue and be cumulative with respect to shares issued subsequent to such date from the first day of the quarterly dividend period next succeeding the quarterly dividend period in which such shares are issued. Dividends on the Preferred Stock shall be paid in full for all prior dividend periods and shall be paid or declared and set apart for payment in full for the current dividend period before the payment of any dividends, other than the dividends payable in shares of the Common Stock, on the Common Stock or on any other class of stock ranking junior to the Preferred Stock as to dividends. Accumulations of dividends on the Preferred Stock shall not bear interest.

II. *Redemption.*

(a) The Corporation, at the option of its Board of Directors, may on or at any time and from time to time subsequent to May 15, 1975, redeem all or less than all of the shares of the Preferred Stock then outstanding at a redemption price of $60 per share, together with the amount of all dividends accrued and unpaid thereon to the date fixed for redemption.

(b) In the case of the redemption of less than all of the shares at the time outstanding, the Corporation shall effect such redemption *pro rata* or shall designate by lot in such manner as the Board of Directors shall determine, the shares to be redeemed.

(c) Notice of redemption shall be given by the Corporation by causing a notice thereof to be mailed to the Transfer Agent for the Preferred Stock and by mailing a copy of such notice to each holder of record (as of the date of mailing) of the shares to be redeemed or as of a record date fixed for the determination of the holders entitled to such notice, addressed to such holder of such address appearing on the books of the Corporation or given by him to the Corporation for the purpose of notice, or, if no such address appears or is given, at the place where the principal office of the Corporation is located, not less than 30 or more than 90 days before the date fixed for redemption. Such notice for redemption shall set forth the date fixed for redemption, the redemption price, the shares, and the total number thereof, to be redeemed and the place (in the Borough of Manhattan, The City of New York), at which the shareholders may obtain payment of the redemption price upon the surrender of the certificates representing their shares. No failure to mail any such notice or any defect therein shall affect the validity of the proceeding for such redemption except as to a holder to whom the Corporation has failed to mail said notice or except as to holder whose notice was defective.

(d) On or after the date fixed for redemption and stated in such notice, each holder of shares called for redemption shall, upon surrender of his certificate or certificates representing such shares to the Corporation at the place designated in such notice, be entitled to receive payment of the redemption price thereof. In case less than all of the shares represented by any such surrendered certificate or certificates are redeemed, a new certificate shall be issued representing the unredeemed shares.

(e) If, on or prior to the date fixed for redemption of any shares, the Corporation shall deposit with the bank or trust company organized under the laws of the United States or of the State of New York, having an office in the Borough of Manhattan, The City of New York, and having capital, surplus and undivided profits aggregating at least $5,000,000, as a trust fund, a sum sufficient to redeem, on the date fixed for redemption thereof, the shares called for redemption, with irrevocable instructions and authority to the bank or trust company to give the notice of redemption thereof, if such notice shall not previously have been given by the Corporation, or to complete the giving of such notice if theretofore commenced, and to pay, on and after the date fixed for redemption (or, at the election of the Corporation, prior thereto) the redemption price of such shares to the respective holders upon the surrender of their certificates representing such shares, then, (i) from and after the date of such deposit (although prior to the date fixed for redemption), such shares shall be deemed to be redeemed and dividends thereon shall cease to accrue after the date fixed for redemption, and (ii) from and after the date of such deposit, such shares shall be deemed to be no longer outstanding and the holders thereof shall cease to be shareholders with respect to such shares, and shall have no rights with respect thereto except the right to receive from the bank or trust company (or from the Corporation) payment of the redemption price of such shares, without interest, upon the surrender of the certificates representing such shares or the right (subject to paragraph IV of this Article 3) to convert said shares into shares of the Common Stock as provided in said paragraph IV. Any moneys so deposited by the Corporation which shall not be required for such redemption because of the exercise of such conversion right shall be repaid to the Corporation forthwith. Any moneys so deposited by the Corporation and unclaimed at the end of six years from the date fixed for redemption shall, upon the request of the Corporation, be repaid to it, in which event, the persons entitled thereto shall look only to the Corporation for payment thereof and may apply for and receive said moneys, without interest, from the Corporation; provided, however, that if the Corporation shall, as required or permitted by law, pay to the State of New York any unclaimed moneys so repaid to the Corporation, said persons shall thereafter look only to the State of New York for the payment thereof.

(f) Shares of the Preferred Stock so redeemed may be reissued as shall be determined by the Board of Directors of the Corporation.

III. *Liquidation.* In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of the Preferred Stock shall be entitled to receive from the assets of the Corporation the sum of $60.00 per share, together with the amount of all dividends accrued and unpaid thereon to the date that payment is made available to such holders, before the payment or declaration and setting apart for payment of any amount for, or the distribution of any assets of the Corporation to, the holders of shares of the Common Stock or the holders of shares of any other class of stock ranking junior to the Preferred Stock in connection with such liquidation, dissolution or winding up.

IV. *Conversion.*

(a) Subject to the provision for adjustment hereinafter in this paragraph IV set forth, each share of the Preferred Stock shall be convertible at the option of the holder thereof upon surrender to the Corporation, or to any Transfer Agent of the Corporation, of the certificate for the share or shares so to be converted, into fully paid and non-assessable shares of Common Stock, at the rate of one share of the Common Stock for each share of Preferred Stock so surrendered. Any shares so surrendered for conversion shall be duly endorsed, or accompanied by proper instruments of transfer, to the Corporation or in blank, together with a written notice to the Corporation of the election to make such conversion and of the name or names in which the certificate or certificates for shares of the Common Stock shall be issued. The Corporation shall make no payment or adjustment on account of any dividends accrued on the shares of the Preferred Stock surrendered for conversion, but all dividends accrued and unpaid on such shares up to the dividend date immediately preceding such surrender for conversion shall constitute a debt of the Corporation, payable to the converting stockholder, and no dividend shall be paid upon or set apart for stock of any other class until such debt has been fully paid or sufficient funds set apart for the payment thereof. The right to convert shares of the Preferred Stock called for redemption shall terminate at the close of business on the date fixed for such redemption or at the close of business on such earlier day, not earlier than the 5th day prior to the date fixed for such redemption, as shall be determined by the Board of Directors of the Corporation. The Corporation shall pay all taxes and other charges in respect of the issue of shares of the Common Stock upon any such conversion; provided, however, that the Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of shares of the Common Stock in a name other than that in which the shares of the Preferred Stock so converted were registered.

(b) The number of shares of the Common Stock and the number into which each share of the Preferred Stock is convertible shall be subject to adjustment from time to time as follows:

(1) Whenever the Corporation shall (i) take a record of the holders of the Common Stock for the purpose of determining the holders entitled to receive a dividend declared payable in stock of the Corporation, (ii) subdivide the outstanding shares of the Common Stock, (iii) combine the outstanding shares of the Common Stock into a smaller number of shares, or (iv) issue, by reclassification of the Common Stock, any shares of stock of the Corporation, the conversion ratio shall be adjusted so that the holder of each share of the Preferred Stock shall thereafter be entitled to receive upon the conversion of such share the number of shares of stock of the Corporation which he would own or be entitled to receive after the happening of any of the events described above had such share been converted immediately, prior to the happening of such event.

(2) Whenever the Corporation shall take a record of the holders of the Common Stock for the purpose of determining the holders entitled to subscribe for or purchase shares of the Common Stock at a price per share less than the current market price, the conversion ratio shall be adjusted so that the number of shares of the Common Stock into which each share of the Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of the Common Stock into which such share of the Preferred Stock was theretofore convertible by a fraction of which the numerator shall be the number of shares of the Common Stock outstanding immediately prior to the taking of such record plus the number of additional shares of the Common Stock offered for subscription or purchase and of which the denominator shall be the number of shares of the Common Stock outstanding immediately prior to the taking of such record plus the number of shares which the aggregate offering price (without deduction of any expenses, including commissions or discounts) of the total number of shares so offered would purchase at the current market price.

(3) Whenever the Corporation shall take a record of the holders of the Common Stock for the purpose of determining the holders entitled to receive any distribution of evidences of its in-

debtedness or assets, other than any distribution of cash, or rights to subscribe for or purchase any evidences of the Corporation's indebtedness or assets, other than rights referred to in subdivision (2) of this sub-paragraph (b), the conversion ratio shall be adjusted so that the number of shares of the Common Stock into which each share of the Preferred Stock shall thereafter be convertible shall be determined by multiplying the number of shares of the Common Stock into which such share of the Preferred Stock was theretofore convertible by a fraction of which the numerator shall be the current market price per share of the Common Stock and of which the denominator shall be the current market price per share of the Common Stock less the fair value on the date said record is taken (as determined by the Board of Directors of the Corporation and as described in a statement filed with each Transfer Agent) of the portion of the assets or evidences of indebtedness so distributed or of such subscription or purchase rights applicable to one share of the Common Stock.

The certificate of any independent firm of public accountants of recognized standing selected by the Board of Directors of the Corporation shall be presumptive evidence of the correctness of any computation made under this sub-paragraph (b).

(c) For the purposes of any computation under sub-paragraph (b) of this paragraph IV, the current market price per share of the Common Stock at any date shall be deemed to be the average of the daily closing prices for the 14 consecutive business days commencing 30 business days before the day in question, and the closing price for each day shall be the last sales price or, in case no sale takes place on such day, the average of the closing bid and asked prices, in either case as officially quoted by the New York Stock Exchange, or, if the Common Stock should not then be listed or admitted to trading on such Exchange, the average of the closing bid and asked prices as furnished by any New York Stock Exchange firm selected from time to time by the Board of Directors of the Corporation for the purpose.

(d) Anything in the provisions of sub-divisions (2) and (3) of sub-paragraph (b) of this paragraph IV and of sub-paragraph (c) of this paragraph IV to the contrary notwithstanding, no adjustment in the number of shares of the Common Stock into which each share of the Preferred Stock is convertible shall be required under such provisions unless such adjustment would require an increase or decrease in the conversion ratio of at least 1%; provided, however, that any adjustments which by reason of this sub-paragraph (d) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. If the Corporation shall take a record of the holders of the Common Stock for the purpose of determining the holders entitled to receive any dividend, subscription, purchase or distribution rights and shall, thereafter and before the delivery to shareholders of any such dividend, subscription, purchase or distribution rights, legally rescind the authorization or abandon its plan to pay or deliver such dividend, subscription, purchase or distribution rights, then no adjustment in the number of shares of the Common Stock or of other stock of the Corporation into which each share of the Preferred Stock is convertible shall be required by reason of the taking of such record. In the event such subscription, purchase or distribution rights are not exercised, then no such adjustment shall be required by the issuance thereof.

(e) Whenever any adjustment is required in respect of the shares of the Common Stock into which each share of the Preferred Stock is convertible, the Corporation shall forthwith (i) file with each Transfer Agent a statement describing in reasonable detail the adjustment and the method of calculation used, and certified by an independent firm of public accountants of recognized standing selected by the Board of Directors of the Corporation and (ii) cause a copy of such notice to be mailed to the holders of record of the Preferred Stock at the close of business on the day preceding the effective date of such adjustment.

(f) No fraction of shares of stock of any class of the Corporation at any time authorized shall be issuable upon any conversion of the Preferred Stock. In lieu of any such fraction of a share, the person entitled to an interest in respect of such fraction shall be entitled, as determined from time to time by the Board of Directors of the Corporation, to either (i) a scrip certificate for a fraction of a share, with such terms and conditions as the Board of Directors of the Corporation shall prescribe, or (ii) the cash equivalent of such fraction based upon the market value thereof on the date of such conversion, which for the purpose of this sub-paragraph (f) shall be the selling price of the last sale of said stock on the last business day preceding the date of such conversion, or, in case no sale shall take place on such day, the average of the closing bid and asked prices, in either case as officially quoted by the New York Stock Exchange, or, if said stock should not then be listed or admitted to trading on said Exchange, the average of the closing bid and asked prices as furnished by any New York Stock Exchange firm selected from time to time by the Board of Directors of the Corporation for the purpose.

(g) The number of shares of the Common Stock outstanding at any time shall, for the purposes of sub-paragraph (b) of this paragraph IV, include shares of the Common Stock issuable in respect to outstanding scrip certificates at the time still exchangeable for full shares of the Common Stock.

(h) The Corporation shall at all times reserve and keep available out of its authorized but unissued stock of each class the full number of shares of such stock into which all shares of the Preferred Stock from time to time outstanding are convertible.

(i) Shares of the Preferred Stock surrendered for conversion may be reissued as shall be determined by the Board of Directors of the Corporation.

V. *Voting.*

(a) The holders of Shares of the Preferred Stock shall be entitled to vote on all matters at all meetings of the shareholders of the Corporation and shall be entitled to one vote for each share of the Preferred Stock entitled to vote at such meeting, and, except as provided in sub-paragraphs (b) and (c) of this paragraph V, shall vote together with the holders of shares of the Common Stock and the holders of shares of any other class of stock who are entitled to vote in such manner, and not as a separate class; provided, however, that the holders of shares of the Preferred Stock shall not be entitled to participate in the election of any directors, other than as provided in sub-paragraph (b) of this paragraph V, with the holders of shares of any other class or classes of stock who are entitled to vote.

(b) The holders of the shares of Preferred Stock, voting as a class, shall, so long as 300,000 or more of the shares of the Preferred Stock are outstanding, be entitled to elect two directors of the Corporation, and so long as less than 300,000 but 150,000 or more shares of the Preferred Stock are outstanding, be entitled to elect one director of the Corporation. Futhermore, if and whenever accrued dividends on the Preferred Stock shall not have been paid or declared and set apart for payment in an amount equivalent to six or more quarterly dividends on all of the shares of the Preferred Stock at the time outstanding and if less than two members of the then existing Board of Directors of the Corporation were elected by the holders of the shares of Preferred Stock, the holders of shares of the Preferred Stock, voting separately as a class, shall be entitled to elect one or two directors, whichever shall be necessary to provide two members of the Board of Directors of the Corporation which have been elected by the holders of the shares of the Preferred Stock. Such director or directors shall be in addition to the then existing Board of Directors of the Corporation. Such right of the holders of shares of the Preferred Stock who are entitled to vote in such manner to elect such director or directors may be exercised until all dividends in default on the Preferred Stock shall have been paid or declared and set apart for payment in full; when said dividends shall have been so paid or declared and set apart, the right of the holders of shares of the Preferred Stock who are entitled to vote in such manner so to elect such director or directors shall terminate, subject to the same provisions for the vesting of such voting rights in the event of any such future default or defaults in the payment of dividends. At any time after such voting rights shall so have vested in the holders of shares of the Preferred Stock who are entitled to vote in such manner, the Secretary of the Corporation may, and upon the written request of the holders of record of not less than 10% of the outstanding shares of such Preferred Stock, addressed to him at the principal office of the Corporation, shall, call a special meeting of the holders of shares of the Preferred Stock who are entitled to vote in such manner for the election of the director or directors to be elected by them, to be held within forty (40) days after such call or after the delivery of such request and at the place and upon the notice provided in the By-laws of the Corporation for the holding of meetings of stockholders, except that the Secretary of the Corporation shall not be required to call such a special meeting if the request for such call is received less than 90 days prior to the date fixed for the next annual meeting of shareholders. Whenever the holders of shares of the Preferred Stock who are entitled to vote in such manner shall be divested of such voting rights by reason of the payment or declaration and setting apart for payment in full of the dividends then in default, the term of office of the director or directors so elected by the holders of shares of the Preferred Stock shall forthwith terminate and the number of the directors of the Corporation shall be reduced accordingly.

(c) The Corporation shall not at any time, except with the affirmative vote of the holders of at least two-thirds of the shares of the Preferred Stock at the time outstanding, (i) authorize any class of stock ranking prior to the Preferred Stock either as to rights on liquidation or as to dividends or (ii) amend the Certificate of Incorporation or the By-laws of the Corporation so as to affect adversely the relative rights, preferences or limitations of the shares of the Preferred Stock. No vote or consent shall be required in connection with the authorization of, or the increase of the total number of authorized shares of, any class of stock ranking pari passu with or junior to the Preferred Stock as to rights on liquidation and as to dividends.

C. Common Stock.

I. *Dividends.* Subject to the preferential dividend rights applicable to shares of the Preferred Stock, the holders of shares of the Common Stock shall be entitled to receive such dividends as may be declared by the Board of Directors.

II. *Liquidation.* In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, after distribution in full of the preferential amounts to be distributed to the holders of shares of the Preferred Stock, the holders of shares of the Common Stock shall be entitled to receive all of the remaining assets of the Corporation available for distribution to its shareholders, ratably in proportion to the number of shares of the Common Stock held by them.

III. *Voting Rights.* Except as otherwise provided in paragraph V of the part B of this Article 3, the holders of shares of the Common Stock shall be entitled to vote on all matters at all meetings of the shareholders of the Corporation, and shall be entitled to one vote for each share of the Common Stock entitled to vote at such meeting, voting together with the holders of shares of the Preferred Stock and the holders of shares of any other class of stock who are entitled to vote, and not as a separate class.

D. Restrictions Upon Voting Rights of Aliens.

Any provisions herein to the contrary notwithstanding, except as otherwise provided by law, not more than twenty percent of the aggregate number of shares outstanding entitled to vote on any matter shall at any time be voted by or for the account of aliens or their representatives, or by or for the account of a foreign government or representative thereof, or by or for the account of any corporation organized under the laws of a foreign country.

The Board of Directors shall make such rules and regulations as it shall deem necessary or appropriate to enforce the provisions of this paragraph D.

E. Transfer of Shares to Aliens. Except as otherwise provided by law, not more than twenty percent of the aggregate number of shares of stock outstanding shall at any time be owned of record by or for the account of aliens or their representatives or by or for the account of a foreign government or representative thereof, or by or for the account of any corporation organized under the laws of a foreign country.

Shares of stock shall be transferable on the books of the Corporation to aliens and their representatives, foreign governments and representatives thereof, and corporations organized under the laws of foreign countries, or to any persons holding for the account of aliens and their representatives, foreign governments and representatives thereof, and corporations organized under the laws of foreign countries, only, if, after giving effect to such transfer, the aggregate number of shares of stock owned by or for the account of aliens and their representatives, foreign governments and representatives thereof, and corporations organized under the laws of foreign countries, would be not more than twenty percent of the number of shares of stock then outstanding.

The Board of Directors shall make such rules and regulations as it shall deem necessary or appropriate to enforce the foregoing provisions of this paragraph E.

4. Neither the holders of the shares of the Common Stock nor the holders of the shares of the Preferred Stock shall have preemptive rights to purchase any shares of stock of any class or any other securities of the Corporation.

5. The office of the Corporation is to be located in the City of New York, County of New York, State of New York. The address to which the Secretary of State shall mail a copy of process in any action or proceeding against the Corporation which may be served on him is: c/o Gerald Dickler, 122 East 42nd Street, New York, New York.

6. The Secretary of State of the State of New York is hereby designated as the agent of the Corporation upon whom process in any action or proceeding against it may be served.

7. The duration of the Corporation shall be perpetual.

8. The business and property of the Corporation shall be managed by a Board of no less than seven nor more than fifteen directors who shall be elected by the stockholders except as otherwise provided in the By-laws of the Corporation. Directors need not be stockholders.

9. The Board of Directors of the Corporation shall have power by vote of the majority of all the directors and without the assent of the stockholders to make, alter, amend and rescind the By-laws of the Corporation.

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CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

CAPITAL CITIES BROADCASTING CORPORATION

Filed 5/14/69

(Under Section 805 of the Business Corporation Law)

FIRST: The name of the corporation is Capital Cities Broadcasting Corporation. The name under which the corporation was formed is Hudson Valley Broadcasting Company, Inc., which by virtue of a Certificate of Consolidation filed pursuant to Section 91 of the Stock Corporation Law on October 22, 1957, was changed to Capitol Cities Television Corporation. The name of the corporation was further changed by Certificate of Change of Name filed November 8, 1957, to Capital Cities Television Corporation and thereafter the name was changed by Certificate of Change of Name filed December 23, 1959 to Capital Cities Broadcasting Corporation.

SECOND: The Certificate of Incorporation of the corporation was filed by the Department of State under the name Hudson Valley Broadcasting Company, Inc. on April 5, 1946 and the Certificate of Consolidation was filed by the Department of State as aforesaid on October 22, 1957. A Restated Certificate of Incorporation of the corporation was filed by the Department of State on May 16, 1968.

THIRD: The amendment of the certificate of incorporation effected by this certificate of amendment is as follows:

To increase the aggregate number of shares which the corporation shall have authority to issue from 6,200,000 to 10,600,000, 600,000 of which shares shall be Preferred Stock and 10,000,000 of which shares shall be Common Stock.

FOURTH: To accomplish the foregoing amendment, Article 3. A. of the Certificate of Incorporation, relating to the capital of the corporation and the total number of shares which the corporation is authorized to issue, is hereby stricken out in its entirety and the following new Article is substituted in lieu thereof:

"3. A. Authorized Shares. The aggregate number of shares which the Corporation shall have the authority to issue is 10,600,000. 600,000 of said shares shall be of the par value of $1.00 each and shall be designated $.50 Cumulative Convertible Preferred Stock (hereinafter called the "Preferred Stock") and 10,000,000 of said shares shall be of the par value of $1.00 each and shall be designated Common Stock."

FIFTH: The manner in which the aforesaid amendment of the certificate of incorporation was authorized is as follows: By the vote of the holders of at least a majority of all of the outstanding shares of the corporation entitled to vote on the aforesaid amendment of the certificate of incorporation.

Thomas S. Murphy

Thomas S. Murphy,
Chairman of the Board

Gerald Dickler

Gerald Dickler,
Secretary

EXHIBIT 3(b)

Filed 5/4/72

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

CAPITAL CITIES BROADCASTING CORPORATION

(Under Section 805 of the Business Corporation Law)

We, the undersigned, the President and Secretary, respectively, of Capital Cities Broadcasting Corporation, do hereby certify as follows:

FIRST: The name of the corporation is Capital Cities Broadcasting Corporation. The name under which the corporation was incorporated is Hudson Valley Broadcasting Company, Inc. Pursuant to a Certificate of Consolidation filed under Section 91 of the Stock Corporation Law, on October 22, 1957, the name of the corporation was changed to Capitol Cities Television Corporation. The name of the corporation was further changed, pursuant to a Certificate of Change of Name, filed on December 23, 1959 to its present name, Capital Cities Broadcasting Corporation.

SECOND: The Certificate of Incorporation of the corporation was filed by the Department of State under the name Hudson Valley Broadcasting Company, Inc. on April 5, 1946 and a Certificate of Consolidation was filed by the Department of State as aforesaid on October 22, 1957. A Restated Certificate of Incorporation of the corporation was filed by the Department of State on May 16, 1968.

THIRD: The Restated Certificate of Incorporation is hereby amended to increase the aggregate number of shares which the corporation is authorized to issue from 10,600,000 to 20,600,000, 600,000 of which shares shall be Preferred Stock and 20,000,000 of which shares shall be Common Stock.

FOURTH: To accomplish the foregoing amendment, Article 3.A. of the Restated Certificate of Incorporation, relating to the capital of the corporation and the total number of shares which the corporation is authorized to issue, is hereby stricken out in its entirety and amended to read as follows:

"3. A. Authorized Shares. The aggregate number of shares which the Corporation shall have the authority to issue is 20,600,000. 600,000 of said shares shall be of the par value of $1.00 each and shall be designated $.50 Cumulative Convertible Preferred Stock (hereinafter called the "Preferred Stock") and 20,000,000 of said shares shall be of the par value of $1.00 each and shall be designated Common Stock."

FIFTH: The foregoing amendment to the Restated Certificate of Incorporation does not reduce the stated capital of the corporation.

SIXTH: The manner in which the aforesaid amendment to the Restated Certificate of Incorporation was authorized was by the vote of the holders of at least a majority of all of the outstanding shares of the corporation entitled to vote thereon.

IN WITNESS WHEREOF, the undersigned have hereunto signed this certificate, this 4th day of May, 1972, and affirm that the statements made hereon are true under penalty of perjury.

Thomas S. Murphy

Thomas S. Murphy,
Chairman of the Board of Directors
and President

Gerald Dickler

Gerald Dickler,
Secretary

CERTIFICATE OF CHANGE

of

CAPITAL CITIES BROADCASTING CORPORATION

POST OFFICE ADDRESS OF
AGENT FOR SERVICE OF PROCESS

Filed 6/1/72

Under Section 805-A of the
Business Corporation Law

Pursuant to the provisions of Section 805-A of the Business Corporation Law, the undersigned hereby certify:

FIRST: That the name of the corporation is CAPITAL CITIES BROADCASTING CORPORATION. The name under which the Corporation was formed is HUDSON VALLEY BROADCASTING COMPANY, INC., which by virtue of a Certificate of Consolidation filed pursuant to Section 91 of the Stock Corporation Law on October 22, 1957, was changed to Capitol Cities Television Corporation. The name of the Corporation was further changed by Certificate of Change of Name filed November 8, 1957, to Capital Cities Television Corporation and thereafter the name was changed by Certificate of Change of Name filed December 23, 1959 to Capital Cities Broadcasting Corporation.

SECOND: The Certificate of Incorporation of the Corporation was filed by the Department of State under the name Hudson Valley Broadcasting Company, Inc. on April 5, 1946 and the Certificate of Consolidation was filed by the

Department of State as aforesaid on October 22, 1957. The Restated Certificate of Incorporation of the Corporation, under Section 807 of the Business Corporation Law, was duly filed on May 16, 1968. A Certificate of Amendment, under Section 805 of the Business Corporation Law, was duly filed on May 18, 1972.

THIRD: That the change to the Certificate of Incorporation effected by this Certificate is as follows:

To change the post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him, so that such address shall hereafter be c/o Gerald Dickler, 460 Park Avenue, New York City, New York 10022.

FOURTH: That the change of the Certificate of Incorporation was authorized by the vote of a majority of the Board of Directors present at a meeting of the Board held on May 10, 1972 at which a quorum was present.

IN WITNESS WHEREOF, we hereunto sign our names and affirm that the statements made herein are true under the penalties of perjury, this 31st day of May, 1972.

CAPITAL CITIES BROADCASTING CORPORATION

Joseph P. Dougherty

Joseph P. Dougherty, Vice President

Gerald Dickler

Gerald Dickler, Secretary

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CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

CAPITAL CITIES BROADCASTING CORPORATION

(Under Section 805 of the Business Corporation Law)

Filed 5/4/73

We, the undersigned, the President and Secretary, respectively, of Capital Cities Broadcasting Corporation, do hereby certify as follows:

FIRST: The name of the corporation is Capital Cities Broadcasting Corporation. The name under which the corporation was incorporated is Hudson Valley Broadcasting Company, Inc. Pursuant to a Certificate of Consolidation filed under Section 91 of the Stock Corporation Law, on October 22, 1957, the name of the corporation was changed to Capitol Cities Television Corporation. The name of the corporation was further changed, pursuant to a Certificate of Change of Name, filed on December 23, 1959 to its present name, Capital Cities Broadcasting Corporation.

SECOND: The Certificate of Incorporation of the corporation was filed by the Department of State under the name Hudson Valley Broadcasting Company, Inc. on April 5, 1946 and a Certificate of Consolidation was filed by the Department of State as aforesaid on October 22, 1957. A Restated Certificate of Incorporation of the corporation was filed by the Department of State on May 16, 1968.

THIRD: The Restated Certificate of Incorporation is amended as authorized by Section 801 of the Business Corporation Law to change the corporate name.

FOURTH: To accomplish the foregoing amendment, Article 1 of the Restated Certificate of Incorporation, which sets forth the name of the corporation is amended to read:

"1. The name of the Corporation is Capital Cities Communications, Inc."

FIFTH: The manner in which the aforesaid amendment to the Restated Certificate of Incorporation was authorized was by the vote of the holders of at least a majority of all of the outstanding shares of the corporation entitled to vote thereon.

IN WITNESS WHEREOF, the undersigned have hereunto signed this certificate, this 4th day of May, 1973, and affirm that the statements made hereon are true under penalty of perjury.

Daniel B Burke

Daniel B. Burke, President

Gerald Dickler

Gerald Dickler, Secretary

CERTIFICATE OF AMENDMENT

OF

CERTIFICATE OF INCORPORATION

OF

CAPITAL CITIES COMMUNICATIONS, INC.

Filed 5/17/80

(Under Section 805 of the Business Corporation Law)

We, the undersigned, the Executive Vice President and Secretary, respectively, of Capital Cities Communications, Inc., do hereby certify as follows:

FIRST: The name of the corporation is Capital Cities Communications, Inc. The name under which the corporation was incorporated is Hudson Valley Broadcasting Company, Inc. Pursuant to a Certificate of Consolidation filed under Section 91 of the Stock Corporation Law, on October 22, 1957, the name of the corporation was changed to Capitol Cities Television Corporation. The name of the corporation was further changed, pursuant to a Certificate of Change of Name, filed on December 23, 1959 to Capital Cities Broadcasting Corporation. The name of the corporation was thereafter changed, pursuant to a Certificate of Amendment of Certificate of Incorporation, filed on May 4, 1973 to its present name, Capital Cities Communications, Inc.

SECOND: The Certificate of Incorporation of the corporation was filed by the Department of State under the name Hudson Valley Broadcasting Company, Inc. on April 5, 1946 and a Certificate of Consolidation was filed by the Department of State as aforesaid on October 22, 1957. A Restated Certificate of Incorporation of the corporation was filed by the Department of State on May 16, 1968.

THIRD: The Restated Certificate of Incorporation is hereby amended to increase the aggregate number of shares which the corporation is authorized to issue from 20,600,000 to 40,600,000, 600,000 of which shares shall be Preferred Stock and 40,000,000 of which shares shall be Common Stock.

FOURTH: To accomplish the foregoing amendment, Article 3.A. of the Restated Certificate of Incorporation, relating to the capital of the corporation and the total number of shares which the corporation is authorized to issue, is hereby stricken out in its entirety and amended to read as follows:

> "3. A. Authorized Shares. The aggregate number of shares which the Corporation shall have the authority to issue is 40,600,000. 600,000 of said shares shall be of the par value of $1.00 each and shall be designated

$.50 Cumulative Convertible Preferred Stock (hereinafter called the "Preferred Stock") and 40,000,000 of said shares shall be of the par value of $1.00 each and shall be designated Common Stock."

FIFTH: The foregoing amendment to the Restated Certificate of Incorporation does not reduce the stated capital of the corporation.

SIXTH: The manner in which the aforesaid amendment to the Restated Certificate of Incorporation was authorized was by the vote of the holders of at least a majority of all of the outstanding shares of the corporation entitled to vote thereon.

IN WITNESS WHEREOF, the undersigned have hereunto signed this certificate, this 12th day of May, 1980, and affirm that the statements made hereon are true under penalty of perjury.

John B. Sias

John B. Sias,
Executive Vice President

Gerald Dickler

Gerald Dickler,
Secretary

As Amended

March, 198[illegible]

CAPITAL CITIES COMMUNICATIONS, INC.

BY-LAWS

ARTICLE I

Name and Location

Section 1. The name of this corporation shall be CAPITAL CITIES COMMUNICATIONS, INC.

Section 2. Its principal office shall be located in the City of New York, State of New York.

Section 3. Other offices for the transaction of business shall be located at such places as the Board of Directors may from time to time determine.

ARTICLE II

Capital Stock

Section 1. The aggregate number of shares which the Corporation shall have the authority to issue is 20,600,000. 600,000 of said shares shall be of the par value of $1.00 each and shall be designated $.50 Cumulative Convertible Preferred Stock and 20,000,000 of said shares shall be of the par value of $1.00 each and shall be designated Common Stock.

Section 2. All certificates of stock shall be signed by the Chairman of the Board or the President and the Secretary, and shall be sealed with the Corporate Seal.

Section 3. Treasury stock shall be held by the Corporation subject to the disposal of the Board of Directors, and shall neither vote nor participate in dividends.

Section 4. The Corporation shall have a first lien on all shares of its capital stock, and upon all dividends declared upon the same, for any indebtedness of the respective stockholders thereof to the Corporation.

Section 5. Transfers of stock may be made and old certificates, properly endorsed, shall be surrendered and cancelled before a new certificate is issued. The stock transfer books shall not be closed before the date on which a dividend is declared, the Board of Directors in its discretion fixing a record date upon which the transfer agent shall, without actually closing the books for the transfer of stock, take a record of all stockholders entitled to the dividend.

Section 6. In case of loss or destruction of a certificate of stock, no new certificate shall be issued in lieu thereof except upon satisfactory proof to the Board of Directors of such loss or destruction; and upon such conditions as it may impose; except that upon the giving of satisfactory security by bond or otherwise against loss to the Corporation, a new certificate may be issued upon written authorization of the President, Secretary or Treasurer of the Corporation.

ARTICLE III

Stockholders Meetings

Section 1. The Annual Meeting of Stockholders shall be held on any business day during the month of May in each year at the principal office of the corporation, or at such other place in the United States. At such meeting the stockholders shall elect directors to serve until their successors be elected and qualified.

Section 2. A special meeting of the stockholders to be held at the same place as the annual meeting, may be called at any time by the President, or in his absence by the Vice President, or by the directors. It shall be the duty of the directors, President, or Vice President to call such meeting whenever so requested by stockholders holding fifty percent or more of the capital stock.

Section 3. For the purpose of determining the stockholders entitled to notice of or to vote at any annual or special meeting of stockholders or any adjournment thereof, or for the purpose of any other action, the Executive Committee shall fix, in advance, a date as the record date for any such determination of stockholders. Notice of the time and place of annual or special meetings shall be mailed by the Secretary of the Corporation to each stockholder of record on the date as determined by the Executive Committee at least ten (10) days before the date of such annual or special meeting.

Section 4. The President, or in his absence, the Vice President, shall preside at all such meetings.

Section 5. At every such meeting each stockholder shall be entitled to cast one vote for each share of voting stock held in his name, which vote may be cast by him either in person or by proxy. All proxies may be in writing and shall be filed with the Secretary and by him entered of record in the minutes of the meeting.

Section 6. Every holder of Common Stock of the Corporation shall have the right to vote, in person or by proxy, for the number of shares of stock owned by him, for as many persons as there are directors to be elected. Every holder of Preferred Stock shall have the right to vote for directors as provided in Article V of the Restated Certificate of Incorporation of the Corporation, as filed by the Department of State of the State of New York on May 16, 1968.

Section 7. A quorum for the transaction of business at any such meeting shall consist of a number of members representing a majority of the shares of stock issued and outstanding; but the stockholders present at any meeting though less than a quorum may adjourn the meeting to a future date.

ARTICLE IV

Directors

Section 1. The business, property and affairs of the Corporation shall be managed by a Board of Directors of not less than three nor more than fifteen in number. Directors need not be stockholders.

Section 2. The Directors shall be elected by stockholders at the annual meeting and shall hold office for one year or until their successors are duly elected and qualified. Notwithstanding the aforesaid, the Board of Directors, by a vote of a majority thereof, at a duly constituted meeting, shall have the right to increase the membership of the Board, subject to the limitation in number provided in Section 1 of ARTICLE IV.

Section 3. Regular meetings of the Board of Directors shall be held in such place in the City of Albany, the City of Troy, or the City of New York, as the President may designate in the notice of meeting immediately after the adjournment of each Annual Meeting of the Stockholders; and also on the first day of every third month, commencing July 1, 1946, at 10 o'clock A.M., provided, however, that whenever such day shall fall upon a legal holiday, the meeting shall be held on the next succeeding business day.

Section 4. Special meetings of the Board of Directors shall be held in such place in the City of Albany, the City of Troy, or the City of New York, as the Chairman of the Board or the President may designate in the notice of such meeting; and may be called by the Chairman of the Board, the President (or in his absence, the Vice President), or by any three members of the Board. By unanimous consent of the directors, special meetings of the Board may be held without notice, at any time and place.

Section 5. Notice of all regular and special meetings, except those specified in the second sentence of this Article in Section 4, shall be mailed to each director, by the Secretary, at least three days previous to the time fixed for the meeting. All notices of special meetings shall state the purpose thereof.

Section 6. A quorum for the transaction of any regular or special meeting shall have power to adjourn the meeting to a future date; and no business of the Corporation shall be transacted except by a majority vote of the full Board of Directors at any such regular or special meeting of the directors.

Section 7. The directors shall elect the officers of the Corporation; and fix their salaries; such election to be held at the directors' meeting following each Annual Stockholders' Meeting.

Section 8. Any vacancy in the Board of Directors occurring by reason of an increase in the number of Directors pursuant to Section 2 of ARTICLE IV, or by reason of death, resignation, disqualification or for any other reason, shall be filled for the unexpired portion of the term by a majority vote of the remaining Directors at any regular or special meeting of the Board of Directors.

Section 9. Between the meetings of the Board, the powers of the Board shall be exercised by an Executive Committee of not less than three (3) members appointed by a majority of the Board at any meeting at which a quorum is present which shall meet at such intervals as the Board may by resolution determine, and the Executive Committee shall be permitted to take any action required or permitted to be taken by the Executive Committee if all members of the Executive Committee consent in writing to the adoption of a resolution authorizing the action.

Section 10. At each Annual Stockholders' Meeting the directors shall submit a statement of the business done during the preceding year, together with a report of the general financial condition of the Corporation and of the condition of its tangible property.

ARTICLE V

Officers

Section 1. The officers of this Corporation shall be a Chairman of the Board, a President, one or more Vice Presidents, a Secretary, one or more Assistant Secretaries, a Treasurer and an Assistant Treasurer, who shall be elected for a term of one year, or for such shorter period as the Board of Directors may designate, and shall hold office until their successors are duly elected and qualified. The offices of Vice President and Treasurer may be held by one person. The offices of Secretary and Treasurer may be held by one person.

Section 2. The President shall have general supervision and management of the business of the Corporation and its officers and agents; shall sign all stock certificates and shall have the power to make, sign and/or direct the making and signing of all contracts, checks, drafts, warrants and orders for the payment of money, and shall perform all such other duties as are incident to his office. In case of the absence or disability of the President, his duties shall be performed by the Vice President.

Section 3. The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors at which he is present and shall be the chief executive officer of the Company. In said capacity he shall have the power to make, sign and/or direct the making and signing of all stock certificates, contracts, checks, drafts, warrants and orders for the payment of money, and shall perform all such other duties as are incident to his office.

Section 4. The Secretary shall issue notices of all directors' and stockholders' meetings, and shall attend and keep the minutes of the same; shall have charge of the corporate books, records and papers; shall be custodian of the corporate seal; shall attest with his signature, and impress with the corporate seal, all stock certificates and written contracts of the Corporation; and shall perform all other duties as are incident to his office. Any and all duties of the Secretary may be delegated to an Assistant Secretary in whole or in part as the President or Board of Directors may direct.

Section 5. The Treasurer shall have the care of and custody of and be responsible for all the funds and securities of the Corporation and shall deposit all such funds in the name of the Corporation in such bank or banks, trust company or trust companies, or safe deposit vaults as the Board of Directors may designate. Under the direction of the Chairman of the Board, the President, or the Board of Directors, he shall make, sign and endorse in the name of the Corporation all checks, drafts, warrants and orders for the payment of money and pay out and dispose of same and receipt therefor. He shall keep at the office of the Corporation correct books of account of all its business and transactions and such other books of account as the Board of Directors may require. Any and all administrative duties of the Treasurer may be delegated to the Assistant Treasurer, Comptroller, or other employee of the Corporation in whole or in part, as the President or Board of Directors may direct.

ARTICLE VI

Dividends and Finances

Section 1. Dividends, to be paid out of the surplus earnings of the Corporation, may be declared from time to time by resolution of the Board of Directors; but no dividends shall be paid that will impair the capital of the Corporation.

Section 2. The funds of the Corporation shall be deposited in such bank or trust company as the directors may designate and shall be drawn only upon the signature of persons authorized to do so under these By-Laws or by resolution of the Board of Directors.

ARTICLE VII

Amendments

Section 1. Amendments to these By-Laws may be made, by a vote of the stockholders representing a majority of all of the stock issued and outstanding, at any Annual Stockholders' Meeting; or at any Special Stockholders' Meeting when the proposed amendment has been set out in the notice of such meeting; or by a majority vote of the full Board of Directors, at any Special Meeting of the Board of Directors called for such purpose.

Capital Cities/ABC, Inc.

ANNUAL REPORT AND FORM 10-K

Decentralization is the cornerstone of our management philosophy. Our goal is to hire the best people we can possibly find and give them the responsibility and authority they need to perform their jobs. All decisions are made at the local level, consistent with the basic legal and moral responsibilities of corporate management. Budgets, which are set yearly and reviewed quarterly, originate with the general managers and publishers who are responsible for them. We expect a great deal from our operating managers. We expect them to be forever cost-conscious and to recognize and exploit sales potential. But above all, we expect them to manage their operations as good citizens and to use their facilities to further the community welfare.

Operating Highlights

	1980	1979
Net Revenues	$472,108,000	$414,890,000
Income Before Extraordinary Gain	$ 70,783,000	$ 63,758,000
Income Per Share Before Extraordinary Gain	$5.38	$4.68
Return on Equity (Before Extraordinary Gain)	21.4%	22.8%

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To Our Shareholders

Capital Cities Communications achieved its twenty-sixth consecutive year of record financial performance in 1980. Net revenue rose 14 percent in 1980, to $472,108,000, and income before extraordinary gain was up from $63,758,000 in 1979 to $70,783,000 in 1980, or 11 percent. Earnings per share, also before extraordinary gain, increased 15 percent to $5.38, aided by a 3 percent reduction in average shares outstanding.

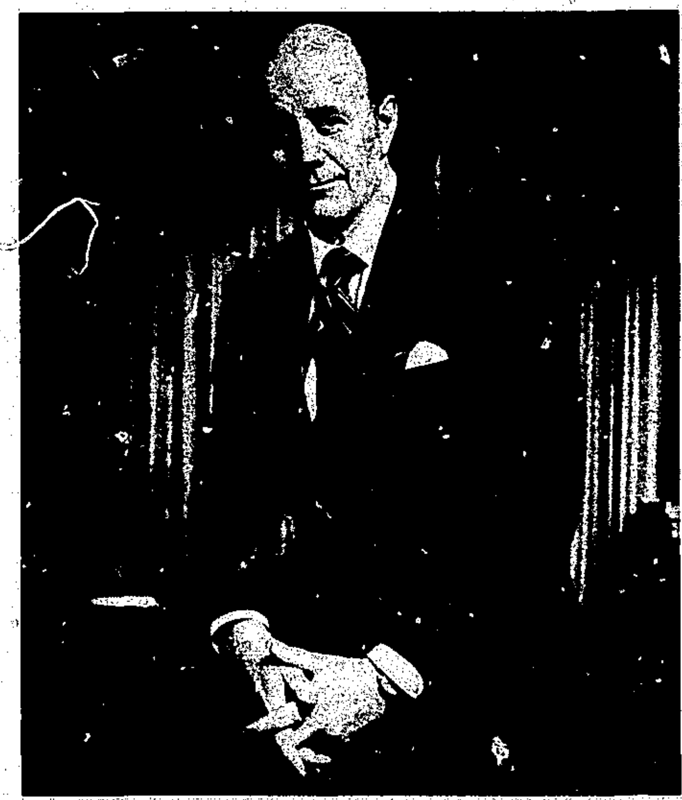
Earnings from our operations rose only 9 percent—a somewhat disappointing result considering the national rate of inflation; however, the 9 percent reflects $5,400,000 in start-up losses of new publications and the Cable Television Division. Excluding this investment spending and 1980 publishing acquisitions, operating earnings for 1980 would have risen 12 percent. We will discuss these development activities later in this report.

Highlights of continuing operations during the year were:

- Sales gains somewhat under the publicized national rate of inflation, with some softening in the second six months.
- Continuing cost increases, slightly below plan levels and below the rate of inflation.
- Good earnings gains for television and the daily newspapers.
- A moderate increase in earnings for specialized publications.
- A slight profit decline on a modest increase in sales for the combined radio group.

In terms of acquisitions and investments for the future, 1980 was a most significant year. For the second time in the history of your Company, a decision was made to move into a new area of business, and the Cable Television Division was formed, with William R. James, formerly Vice President and General Manager of WJR-AM/FM, as President. Mr. James joined the Company in Detroit in 1969 and over the years has handled a number of important responsibilities in addition to his duties at WJR.

For its first thirteen years, Capital Cities operated exclusively as a broadcasting company. In 1968, after acquiring almost the maximum number of radio and television stations allowed by the FCC, we moved into the publishing business. The move was logical because both businesses are advertiser-supported and both provide news, information, and entertainment services. We decided that we wanted publications which had, or could achieve, dominant positions with their audiences—not unlike the positions our television stations have been able to attain. Generally, businesses like these are better able to withstand the difficulties of operating in an inflationary environment and are more likely to



THOMAS S. MURPHY, *Chairman & Chief Executive Officer*

maintain their relative levels of profitability. Equally important, net income of such properties is almost entirely converted into available cash, which can be used for debt reduction, new acquisitions, dividends and, when appropriate, stock repurchase.

There are several reasons for going into a third business at this time and for selecting cable television:

- It is increasingly difficult for the Company to invest prudently in broadcasting and publishing acquisitions at the multiples now being asked for such properties.
- The cable television business changed radically with the development of satellite retransmission of television signals. Cable system access to these signals has made economically possible the instantaneous distribution of many program services and has led to the dramatic growth of pay cable television.
- Cable television is similar to broadcasting and publishing in that it distributes news, information and entertainment, and is not labor-intensive. It is also a business in which earnings and asset values can, with diligent management, be maintained in periods of inflation.
- We believe our organization can become as professional and efficient in the cable television business as it now is in our existing operations.
- Cable television will have an impact on traditional broadcasting and is likely to affect newspaper

DANIEL B. BURKE, *President & Chief Operating Officer*

publishing in evolutionary ways in the years ahead. Under these circumstances, we consider it prudent to be involved in all aspects of cable television as it grows and evolves.

Capital Cities first entered the cable television business early in 1980 with the acquisition of an 80 percent interest in Omnicom of Michigan, Inc. At that time, Omnicom held franchises to build and operate cable television systems in several suburban areas west of Detroit, and we assumed the obligation to fully fund this construction. Over the past twelve months, this work has proceeded and acquisitions similar to Omnicom have been made in six other locations. These are described in detail in the Cable Television Division section of this report. When completed, all seven systems are expected to pass (make service available to) approximately 100,000 homes and should enroll upwards of 50,000 subscribers for basic and pay cable service. Virtually all of these installations will be made in homes which currently receive adequate over-the-air signals from local television stations; therefore, these systems must provide additional services. These new multi-tier systems will succeed on the basis of public willingness to pay monthly fees to receive sports, news, and all manner of entertainment programming being distributed to cable systems, largely via satellite.

These new systems will represent a total capital investment by Capital Cities of $28,000,000. To put this amount in perspective, the Company's capital spending, excluding cable television, was only $15,000,000 in 1980. Clearly then, the capital intensity of cable television contrasts sharply with broadcasting and publishing.

On November 13, 1980, Capital Cities entered into an agreement to acquire all of the stock of Cablecom-General, Inc., for $139,200,000. Cablecom is a major operator in the cable television industry, with over 250,000 basic subscribers. We now expect to complete this acquisition in the second quarter of 1981, subject to receipt of the required approvals from the Federal Communications Commission.

The cable systems operated by Cablecom are quite different from those we are presently constructing, in that most of the homes served in the 43 different cable franchise areas do not receive adequate over-the-air television service. As a result, cable television was developed in these communities to bring in the three major networks and, generally, at least one educational and several distant independent stations. The recent development of satellite services has supplemented the program offerings of these traditional systems and improved their economic circumstances at the same time.

In the cable television industry, reported net income expressed as a percentage of revenue or as a return on assets employed will generally be lower than the returns Capital Cities has historically achieved in broadcasting and publishing. This is principally a result of the substantial level of depreciation expense involved in cable television. In terms of cash flow (net income plus depreciation and amortization of intangibles), however, attractive returns can be achieved in relationship both to revenues and to assets employed.

The acquisition of Cablecom is expected to dilute the Company's reported earnings for the first several years of ownership. Based on a reasonable projection of Cablecom's net income, and after deduction of amortization of intangibles and the Company's financing costs, we would estimate a reduction in net income in the range of $4,700,000 to $5,300,000 ($.35 to $.40 per share) for the first twelve months following acquisition, with substantial declines in dilution thereafter. Cash flow from Cablecom operations (projected net income plus depreciation and amortization) is estimated to be $13,000,000 in the first full year and would be expected to increase substantially in subsequent years. Despite this negative effect on the Company's reported earnings in the first several years following acquisition, we believe that the growth in cash flow from Cablecom operations in future years will be sufficient to provide a reasonable return on our investment.

Profitability and, more important, the level of cash flow of multi-tier systems will be entirely dependent on continued public willingness and ability to pay for satellite programming and other services. Profits, cash flow, and the growth of traditional systems, such as most of those operated by Cablecom, will also be enhanced by the appeal of additional services; but the original basic business of these systems—providing good reception of commercial and educational television stations—seems sound into the indefinite future.

To summarize, our current cable television commitments call for investment of approximately $28,000,000 in new systems, with construction completion schedules running into 1982, plus $139,200,000 for the purchase of Cablecom. We currently expect to fund all of the new system construction and approximately $40,000,000 of the Cablecom purchase price out of retained earnings. The Company has entered into a $100,000,000 bank revolving credit agreement, to be available to finance the balance of the Cablecom acquisition. Should there be an improvement in the public credit markets, the Company would anticipate replacing such bank debt with long-term debentures.

Expansion in publishing during 1980 through the acquisition and start-up of new publications is discussed in the Publishing Division section of this report.

For 1980, Capital Cities continued its nominal dividend of $.20 per share. In the present environment of double taxation of dividends, the Company believes that its profits can be reinvested at higher rates of return than the aftertax dividend its shareholders would receive. Such dividends are reduced by income taxes, which at ordinary income tax rates may exceed 70 percent of the amounts received.

In December 1979, the Board of Directors of Capital Cities approved the repurchase of up to an additional 600,000 shares of the Company's common stock. Purchases were made under this authorization from time to time during early 1980, until market conditions and the impending acquisition of Cablecom halted the program. In 1980, 327,760 shares were purchased at an average price of $45.01.

We believe that Capital Cities' policy of periodic repurchases of its own common stock has benefited all of its shareholders. After such repurchases, the value of the shares retained by shareholders is enhanced by spreading the earning power of the Company's operating assets over a smaller number of shares.

During 1980, 1,454 employees purchased 93,080 shares of the Company's common stock at an aggregate price of $3,075,000 under the Employee Stock Purchase Plan. Since its inception in 1977, the Plan has extended favorable purchase terms for Company stock to all employees except corporate officers covered by option plans. We believe the opportunity to achieve equity ownership in the Company has helped to stabilize and motivate our very valuable employee group.

In September 1980, John E. Shuff, Jr., Vice President and Chief Financial Officer, regrettably found it necessary to resign the latter responsibility for reasons of health. Ronald J. Doerfler, who joined Capital Cities in 1969 and was most recently Treasurer of the Company, was named to succeed Mr. Shuff as Chief Financial Officer.

In July, we were pleased to welcome William I. Spencer to our Board of Directors. Mr. Spencer is President and Chief Administrative Officer of Citicorp and its principal subsidiary, Citibank.

William J. Casey resigned from the Company's Board of Directors in January 1981 when he became Director of Central Intelligence. Mr. Casey was one of the original investors in Capital Cities and had been a Director since 1957, except for the period from 1971 to 1976 when he served in Washington as Chairman of the Securities and Exchange Commission, Under Secretary of State for Economic Affairs, and then President and Chairman of the Export-Import Bank. We shall miss his wise counsel and unfailing support.

With the death in June of Glenn L. Jackson, of Portland, Oregon, we lost a business partner and friend. We valued our association with him and are gratified by his selection of Capital Cities to carry on the fine traditions established by his publications. The acquisition of the remaining interest in the Democrat-Herald Publishing Company is discussed in the Publishing Division section of this report.

During the year, the Company produced, sponsored or financed a number of significant public service programs at both national and local levels. We are proud of these efforts, some of which are described in other sections of this report.

The year 1980 was stimulating, although in some ways difficult, as we entered a major new business and were faced with a volatile and worrisome business environment. We appreciate your support; we welcome at any time any inquiries you might have; and we especially wish to commend and thank the Company's employees for their outstanding contribution.

Thomas S. Murphy

THOMAS S. MURPHY
Chairman

Daniel B. Burke

DANIEL B. BURKE
President

Publishing Division

JOHN B. SIAS, *President*

Capital Cities' Publishing Division attained record sales and profits in 1980. Total revenues of $305,098,000 were 16 percent ahead of 1979. Operating income of $58,186,000 increased 15 percent from 1979. Excluding new publication start-ups and 1980 acquisitions, revenues and operating income would have risen 9 percent and 18 percent, respectively. In 1980, the Company invested almost $3,000,000 in the start-up losses of new publications. Properties acquired during the year contributed revenues of $14,500,000 and operating income of $1,500,000.

The year's results reflect the uncertain nature of the national economy in 1980. Sluggish demand for classified and retail display advertising space reduced overall linage 3 percent, but price increases and strong cost controls resulted in operating income gains in excess of the national rate of inflation.

The year 1980 started very strongly, with first quarter publishing revenue, excluding start-ups and acquisitions, increasing 18 percent. Sharp declines in classified linage reduced second quarter revenue gains to 8 percent. Third and fourth quarter revenue increased 5 percent and 6 percent, respectively, reflecting continued softness in classified and weakening demand for retail advertising. Costs, also excluding start-ups and acquisitions, were up 12 percent in the first quarter. Volume-related cost reductions for the balance of the year held expense increases to 6 percent in each of the second and third quarters and to 4 percent in the fourth quarter.

Newspapers

In its 100th anniversary year, The Kansas City Star Company achieved records in both revenues and operating profit, which increased 7 percent and 6 percent, respectively, over 1979. These gains were attained despite a Kansas City economy beset by long auto assembly plant shutdowns, a record heat wave and drought, and the commercial consequences of the grain embargo.

Among the highlights of the *Star's* centennial year were: a community leader luncheon featuring Vice President Walter Mondale as speaker; three parties honoring the paper's current and retired employees, and advertisers; publication of a special 192-page section detailing the growth of Kansas City and the *Star;* publication of a commemorative book comprised of reproductions of 100 memorable *Star* front pages—one from each of the last hundred years; and finally, the *Star* pledged a contribution of $1,000,000, payable over 10 years, in memory of its founder, Colonel William Rockhill Nelson, to the art gallery which bears his name.

During the year, the newspaper launched four tabloid-size, zoned editions of the Wednesday afternoon *Star.* These sections serve Johnson and Wyandotte counties in Kansas, and north and south Kansas City, Missouri. The sections, called *Wednesday Extra,* contain highly localized news and information of relevance to residents of these particular zones.

In Kansas City, 1980 circulation declined by 17,000 for the morning *Times;* by 22,000 for the afternoon *Star;* and by 4,000 for the Sunday *Star.* These losses were attributable to a number of factors:

- A retail price increase.
- A change in wholesale pricing policies.
- Planned reduction of circulation in outlying areas because of high fuel costs.
- Intermittent service difficulties encountered while implementing changes in the company's distribution systems.

The antitrust suit brought against The Kansas City Star Company was tried in February 1981. The trial was concluded, with the decision to be rendered at a later date. A description of the proceedings is contained under Item 3 in the Form 10-K section of this report.

The *Fort Worth Star-Telegram* had an outstanding year in 1980. Revenues increased 14 percent; operating income, 19 percent. The Fort Worth/Dallas area experienced a relatively mild economic slowdown compared to most other sections of the country. This, together with the paper's improved editorial product and circulation position, set the stage for this strong performance.

Record circulation growth achieved in the preceding two years was consolidated during 1980. Morning and weekend circulation levels remained flat, and evening circulation was reduced slightly as distant deliveries were cut back in the face of rapidly escalating delivery costs.

In August, two more zoned editions, serving the west and southwest portions of Fort Worth, were added to the two successful zoned editions started in late 1978 in eastern Tarrant County. These four zoned sections, called *Neighborhood Extra,* cover approximately 150,000 subscriber households in Tarrant County each week.

During the fourth quarter of 1980, a circulation information system, which took more than three years to develop, was brought fully on stream, permitting the paper for the first time to identify nonsubscribers of the *Star-Telegram.* This system enabled the paper to launch a weekly *Extra Plus* tabloid section, containing local news and advertising, which is mailed to 30,000 nonsubscriber households in west and southwest Fort Worth simultaneously with the delivery of the new neighborhood zoned editions. This combination gives our advertisers 100 percent coverage of these areas.

The Oakland Press is published in Pontiac, Michigan, which was one of the most economically troubled markets in the nation during 1980. As a consequence, the newspaper incurred significant losses of classified advertising linage, and total revenue increased less than 1 percent. Through stringent cost controls, the newspaper was able to maintain profits at 1979 levels with a slightly reduced profit margin.

Paid circulation increased during the year. The Sunday edition, started in September 1978, gained 4 percent to 78,000.

The Press won more awards than any daily in its class in the Michigan Press Association's 1980 editorial contest. It received the United Way of America's first-place communication award nationally for its coverage of local United Way activities. In conjunction with the Capital Cities Foundation, it was honored for its assistance to fund-raising activities of the financially troubled Pontiac public school district.

The *News-Democrat,* in Belleville, Illinois, achieved a year of record sales and profits despite a slowed economy that adversely impacted retail and classified advertising. Revenues increased 12 percent; operating earnings, 7 percent.

The newspaper completed a major alteration of its mailroom, which will substantially improve operating efficiency in this area. A newsprint storage building and other construction programs were completed to accommodate the additional circulation now being delivered by the *News-Democrat.*

The newspaper received several awards in 1980 for its editorial efforts. In United Press International competition, the *News-Democrat* received a first-place award for column writing, second places for public service and sports, and third place for editorial writing in its circulation category. From the Southern Illinois Editorial Association, the paper received first-place awards for overall makeup and for the best editorial page.

During the year, the newspaper maintained its active role in community affairs. The *News-Democrat* Sports Hall of Fame was established, and the newspaper arranged and sponsored a debate between two residents of Belleville who were the principal candidates in the race for the United States Senate in Illinois. The debate was televised on statewide educational TV and received wide editorial coverage throughout the state.

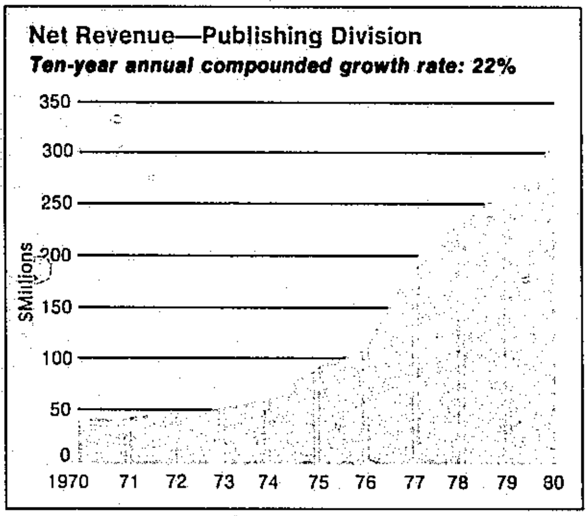
The Wilkes-Barre Times Leader continues to operate under strike conditions that have existed since October 1978, when a number of union-represented employees walked off their jobs and began to publish a strike newspaper. A 30 percent increase in revenues, together with a 20 percent drop in costs, resulted in a substantial 50 percent reduction in the loss experienced in 1979—the first full year of the strike. Paid circulation rose almost 20 percent in 1980, but is still well below the pre-strike level. Four new weekly sections were introduced during the year.

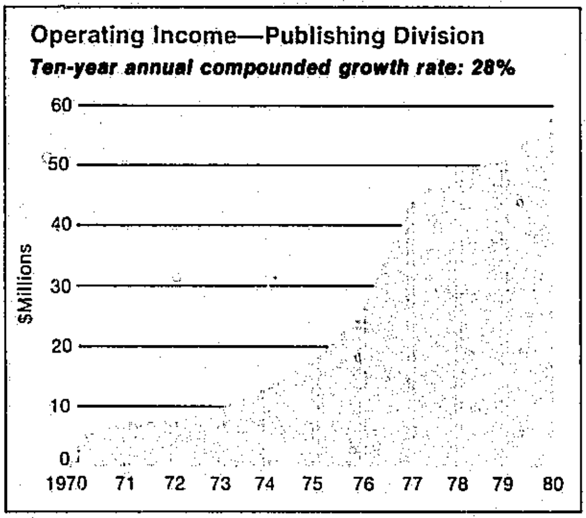
The progress in Wilkes-Barre during 1980 is most gratifying. The management and staff of the *Times Leader* overcame numerous obstacles in achieving this performance, and additional improvement is anticipated during 1981.

In July 1980, the Democrat-Herald Publishing Company, headquartered in Albany, Oregon, became a wholly-owned subsidiary of Capital Cities. A minority investment of 25 percent was acquired in 1977, for approximately $2,500,000, from a member of the family of the late Glenn L. Jackson, of Portland, Oregon. Since then, the Democrat-Herald has acquired a number of additional publications and developed the original newspapers substantially. With the death of Mr. Jackson in 1980, Capital Cities acquired the remaining 75 percent interest from his estate and heirs for $20,500,000 in cash.

The Democrat-Herald Publishing Company now operates daily newspapers in Albany and Ashland, Oregon, and weekly or semiweekly papers in Gresham, Cottage Grove, Lebanon, Sandy, Newport and Springfield, Oregon, and also publishes the nationally distributed *Stamp Collector* and *Stamp Wholesaler.* These operations will continue under the able leadership of Glenn Cushman, President and Chief Operating Officer of the group.

Revenues for the full year of 1980 were almost $13,000,000, up approximately 10 percent over 1979; operating earnings increased a comparable percentage. This represents a decline in the group's revenue and earnings growth rates, which was mainly a result of a temporary economic slowdown throughout the Pacific Northwest, caused mostly by reduced demand for forest products. We expect that all of these newspapers will continue to participate in the orderly and above-average growth which we anticipate Oregon will experience.





The Oregon newspapers enjoy well-deserved reputations for outstanding performance. They collectively won 27 of 46 awards for excellence in various categories of competition with other Oregon newspapers and also won several national awards in the National Newspaper Assocation competition. For the third time in seven years, the *Albany Democrat-Herald* won a general excellence award for dailies under 25,000 circulation from the Association in competition with some of the best smaller daily newspapers in the United States.

In August 1980, Capital Cities purchased Shore Line Newspapers, Inc., a centrally printed group of nine weekly or semiweekly publications in communities along the Connecticut coastline between New Haven and New London, for approximately $4,200,000 in cash. The group generated revenues of more than $3,500,000 in 1980, and revenues have been growing at an annual rate in excess of 15 percent.

Several factors recommended this acquisition. The area served is solid economically, and the penetration of daily newspapers in most of the communities involved is low by traditional standards. We also see benefits to our publishing organization from a better understanding of weekly newspaper operations. Finally, Shore Line will provide expanded opportunities for the continued development of young editorial and publishing executives.

In 1980, Capital Cities decided to enter a new area—free-circulation publications—by acquiring and starting shopping guides. These shopping guides are generally prepared in 8½" by 11" booklet size (quarter-fold), home delivered, and consist almost entirely of display or classified advertising placed by merchants serving a particular geographic portion of a much larger metropolitan area. Shopping guide operations also provide for the targeted distribution of advertising inserts and promotional items, such as samples. The rapid growth of this medium and its potential impact on revenues of daily newspapers, such as our own, convinced us that we should develop a meaningful presence in this business and, hopefully, commensurate profit performance in the years ahead.

In March 1980, the Company purchased, for $5,500,000, Pennypower Shopping News, Inc., headquartered in Wichita, Kansas, which publishes and distributes shopping guides via carriers to virtually all households in Wichita and Topeka, Kansas, and in Springfield, Missouri. In July, Pennypower expanded into a new market—Tulsa, Oklahoma. Total distribution in the four markets is approximately 480,000 copies per week.

In early 1980, Capital Cities established *Texas Pennypower*, which was initially mailed to 80,000 households in northern Dallas County, Texas. In 1981, *Texas Pennypower* switched from mail to carriers and increased its distribution to 160,000 copies per week.

Advertising revenue for the Pennypower Shopping News Group was almost $7,000,000 in 1980. Substantial start-up expenses in Texas and Tulsa made the operations marginally unprofitable.

Specialized Publications Group

Combined operating profit for the Specialized Publications Group was just under 1979 levels, making 1980 the second most profitable year in the group's history. Excluding 1980 acquisitions and new publication start-ups, revenues were up 8 percent and operating earnings increased 5 percent, resulting in a slight decline in operating margin. This performance is deemed very satisfactory in light of general business conditions and rapidly escalating publishing costs, especially for postage and newsprint. Several of the group's publications experienced reduced or flat operating earnings, but we are pleased to note that *Women's Wear Daily*, *W*, *Electronic News*, and *American Metal Market* all produced excellent operating results.

In recent years, the Company has expanded its Specialized Publications Group through start-ups and acquisitions of a number of publications. We are pleased to report on their progress as follows:

- *Energy User News,* started in late 1976, improved its revenues by 38 percent and reduced its operating losses to virtually zero in 1980. It is budgeted to be a solid profit contributor in 1981.
- *SportStyle,* a biweekly tabloid for the retail sporting goods industry, started in late 1978, doubled its revenues and cut its losses by more than half in 1980. It is anticipated that *SportStyle* will reach the break-even point in 1981.
- *Entrée,* a monthly tabloid directed at the gourmet cooking and housewares trade, was profitable in its first full year of operation; and *Home Fashions Textiles,* a monthly magazine for the textile industry, broke even in 1980, its first full year. Both of these publications, which evolved out of *Home Furnishings,* have met with immediate acceptance in their respective markets and will be profit contributors in 1981.
- *MIS Week,* a weekly newspaper for the rapidly growing management information systems market, commenced publication in May 1980, and initial reactions of readers and advertisers to the editorial content and advertising potential are very encouraging. The start-up of this publication, with an initial controlled circulation of 100,000, required substantial investment spending. While losses will continue in 1981, we are forecasting significant progress and are confident this publication will make an important contribution to our operations in the years ahead.
- *Multichannel News,* a weekly tabloid newspaper, was started in September 1980, to cover the rapidly expanding cable television industry. Initial reaction to the format and content is excellent, and while losses are anticipated in 1981, substantial progress is expected.
- *Aches & Pains,* a monthly clinical medical magazine focusing on treatment by physicians of pain-related conditions, began publication in October 1980. This magazine required modest funding in 1980, and we expect some additional investment spending in 1981.
- In January 1980, *Heat Treating,* a monthly magazine for the metals heat treating industry, was acquired. The publication was modestly profitable in 1980 and is expected to grow satisfactorily in 1981.
- The Professional Press, Inc., publisher of four ophthalmic magazines and the *Journal of Learning Disabilities,* was acquired in May 1980.

This group of publications is currently marginally profitable, and increased editorial and sales expenditures are now being made in anticipation of higher revenues and improved earnings.

In May 1980, Daniel Newman, who had been Executive Vice President of Fairchild Publications since January 1977, was named President and Chief Operating Officer of the Specialized Publications Group, which consists of Fairchild Publications, the International Medical News Group, and the Professional Press Group.

Publishing Division

John B. Sias, *President*

NEWSPAPERS

THE KANSAS CITY STAR/TIMES (Kansas City, MO)
James H. Hale, *President & Publisher*
THE OAKLAND PRESS (Pontiac, MI)
Bruce H. McIntyre, *President & Publisher*
NEWS-DEMOCRAT (Belleville, IL)
Darwin C. Wile, *President & Publisher*
THE WILKES-BARRE TIMES LEADER (Wilkes-Barre, PA)
Richard L. Connor, *Publisher*
THE ARLINGTON CITIZEN-JOURNAL (Arlington, TX)
R. Thomas Cronk, *Publisher*
SHORE LINE NEWSPAPERS (Guilford, CT)
John Coots, *Publisher*

Carter Publications
FORT WORTH STAR-TELEGRAM (Fort Worth, TX)
Amon G. Carter, Jr., *Chairman of the Board & Publisher*
Phillip J. Meek, *President & Editorial Chairman*

Democrat-Herald Group
ALBANY DEMOCRAT-HERALD (Albany, OR)
THE DAILY TIDINGS (Ashland, OR)
GRESHAM OUTLOOK (Gresham, OR)
NEWPORT NEWS-TIMES (Newport, OR)
SPRINGFIELD NEWS (Springfield, OR)
COTTAGE GROVE SENTINEL (Cottage Grove, OR)
LEBANON EXPRESS (Lebanon, OR)
SANDY POST (Sandy, OR)
STAMP COLLECTOR (Albany, OR)
STAMP WHOLESALER (Albany, OR)
Glenn Cushman, *President*

SHOPPING GUIDES

PENNYPOWER SHOPPING NEWS
(Wichita and Topeka, KS; Springfield, MO; Tulsa, OK)
William Kurz, *Vice President*
TEXAS PENNYPOWER (Dallas, TX)

SPECIALIZED PUBLICATIONS GROUP
John B. Fairchild, *Chairman & Chief Executive Officer*
Daniel Newman, *President & Chief Operating Officer*
Philip L. McGovern, *Senior Vice President & Treasurer*
Richard J. Lynch, *Senior Vice President-Operations*
George T. Groh, *Vice President-General Services*
Ann L. Regan, *Secretary*

Fairchild Publications (New York, NY)

Merchandising
WOMEN'S WEAR DAILY
W
Michael F. Coady, *Senior Vice President*
Rudolph J. Millendorf, *Vice President & Art Director*
Eugene F. Fahy, *Vice President & Advertising Director*

DAILY NEWS RECORD
MEN'S WEAR
FOOTWEAR NEWS
SPORTSTYLE
Stephen G. Stoneburn, *Senior Vice President*
Herbert Blueweiss, *Vice President & Publisher, DNR*
Nathan R. Abelson, *Vice President & Associate Publisher, DNR*
Clara Hancox, *Vice President & Director of Publishing, DNR*
Robert J. Dowling, *Publisher, MW*

HFD—RETAILING HOME FURNISHINGS
ENTRÉE
HOME FASHIONS TEXTILES
SUPERMARKET NEWS
David S. Branch, *Senior Vice President*
Ernest D. Obermeyer, *Vice President & Publisher, SN*
Robert Freeman, *Vice President & Publisher, Entrée*

Industrial/Professional
AMERICAN METAL MARKET
METALWORKING NEWS
METAL/CENTER NEWS
HEAT TREATING
Kenneth Share, *Senior Vice President*
James M. Lamoree, *Publisher, M/CN & HT*

ENERGY USER NEWS
ELECTRONIC NEWS
MIS WEEK
Martin P. Rosenblum, *Senior Vice President*
James J. Lydon, *Vice President & Editor, EN*

MULTICHANNEL NEWS
Paul Maxwell, *Publisher, MN*

Services
FAIRCHILD NEWS SERVICE
FAIRCHILD BOOK DIVISION

International Medical News Group (Rockville, MD)
FAMILY PRACTICE NEWS
INTERNAL MEDICINE NEWS
OB. GYN. NEWS
PEDIATRIC NEWS
SKIN & ALLERGY NEWS
CLINICAL PSYCHIATRY NEWS
ACHES & PAINS
MERCURY PRESS
Charles J. Siegel, *Vice President & Publisher, IMNG*
Meadie E. Pace, *Manager, Washington Operations, IMNG & Mercury Press*
William Rubin, *Editor, IMNG*

Professional Press Group (Chicago, IL)
OPTOMETRIC MONTHLY
OPTICAL INDEX
M.O.R.E.
INTERNATIONAL CONTACT LENS CLINIC
JOURNAL OF LEARNING DISABILITIES
William Topaz, *President & Publisher*

Cable Television Division

William R. James, *President*

Capital Cities entered the cable television business in 1980 by acquiring seven companies with unbuilt franchises in six different states. All seven systems are now under construction at a projected total capital cost of $28,000,000.

Omnicom of Michigan, which was acquired in January 1980, had been granted franchises in Plymouth, Plymouth Township, Northville and Northville Township (all in suburban Detroit, Michigan). Subsequently, Omnicom has been awarded franchises in contiguous Canton Township, as well as in nearby Hamtramck. Total homes passed will be approximately 36,000 when construction is completed by the end of 1981. The first phase of the system was activated last fall. Additional franchises are being sought in suburban Detroit.

Clear Cablevision, which was acquired in May, had been granted franchises in Milan, Saline, Dundee, Dexter and Manchester (all near Ann Arbor, Michigan). Later, franchises for Chelsea and Clinton were awarded, and additional franchises in Washtenaw County are being pursued. Initial subscriber service is scheduled for spring 1981, with system completion by late fall. Homes passed will total about 9,000.

Satellite Cablevision, with franchises in Greenwood, Whiteland and New Whiteland, Indiana (all suburban Indianapolis), was acquired in June. A franchise for the remainder of Johnson County was awarded in August. Service will begin in March 1981; and completion of the system, passing 13,000 homes, is scheduled for late 1981.

Marks Cablevision, in suburban Akron, Ohio, was acquired in July. Marks held franchises for Green, Coventry and Franklin Townships; and an additional franchise for Springfield Township was granted in November. The system will pass approximately 18,000 homes. Ohio law with respect to cable television franchises in unincorporated townships was changed in late 1979. Prior to the new law, the local utilities had granted another cable company first pole attachment position in the franchised areas. Various legal actions are being pursued to secure proper recognition of Marks' franchises by the local utilities. A favorable resolution of the matter will permit construction to begin.

Omnicom Cablevision of Illinois started with the grant of the franchise for Highwood, Illinois, a small city north of Chicago. The contiguous cities of Highland Park and Deerfield have since voted to award franchises to Omnicom of Illinois, and specific terms of these franchises are currently being negotiated. Total homes passed will be 18,000. Construction of the Highwood system is almost complete, with first service scheduled for March 1981. Additional franchises are being sought in contiguous communities.

In July, Capital Cities acquired Sandoval County Cable Television. The area being developed is the planned community of Rio Rancho, a rapidly growing suburb of Albuquerque, New Mexico. First subscriber service is expected in April; and construction, passing 5,000 homes, should be completed by the fall of 1981.

Coastal Bend Cablevision, with franchises near Corpus Christi, Texas, was acquired in August. Construction in Taft, Ingleside, Aransas Pass and Gregory will pass 6,500 homes. Service to subscribers will start in April, and the system will be completed by the fall of 1981.

When completed, the seven systems will pass more than 100,000 homes in the existing franchises, and total cable plant will exceed 1,100 miles. All systems except Coastal Bend are being constructed as 52-channel (400 MHz) systems, although the original franchise agreements did not require this capacity. The modest incremental cost of the added potential is, in our opinion, justifiable. While initially, service will be provided on 23 to 31 channels, these systems will have capacity for the expansion of services and revenues that we envision in the years ahead.

In 1980, the Cable Television Division showed an operating loss of $2,531,000, as a result of division start-up costs, together with franchising and initial system development expenses. Capital expenditures for 1980 exceeded $8,000,000.

In July, Capital Cities announced an agreement to acquire Cablecom-General, Inc., for $139,200,000. A definitive agreement was signed in November and, subject to receipt of the required approvals from the Federal Communications Commission, the acquisition is expected to be completed by midyear. Cablecom is the 14th largest cable television operator in the United States, with 250,000 basic subscribers on 43 systems in 12 states, mostly west of the Mississippi. In fiscal 1980 (ended November 30), Cablecom reported earnings of $6,300,000 on revenues of $46,800,000. Aftertax cash flow (net income plus depreciation and amortization of intangibles) totaled $11,700,000.

Given the substantial commitment to cable television by Capital Cities in 1980, we are obviously optimistic about its prospects. To date, industry experience with cable penetration in urban markets is encouraging, and acceptance of pay services in multi-tier systems appears to be greater than originally expected. We believe that the additional entertainment, information and other services which are becoming available on cable television will make it more valuable to its subscribers and will provide for substantial revenue growth in the years ahead. It is our observation, however, that overly optimistic revenue projections have led to competing franchise applications containing construction and rate proposals inadequate to provide acceptable rates of return on the substantial amounts of capital required to build such systems.

By and large, the systems we are now constructing have reasonable subscriber rates and forecast good rates of return. Reasonable subscriber rates will enable us to provide good customer service, a full range of cable programming from all available sources, and the best possible local origination services. Accordingly, we plan to pursue a franchising policy that will show sufficient rates of return to make cable television investments comparable to broadcasting and publishing acquisition alternatives.

We believe our first year in cable television has been a good one. We have built a small organization which is functioning well in franchising, construction and marketing activities. We grow increasingly convinced of the soundness of cable television and its suitability as a third major business for Capital Cities.

Cable Television Division

William R. James, *President*
Harcharan S. Suri, *Vice President & Director of Engineering*
Peter J. Christiano, *Vice President & Director of Corporate Development*

CABLE TELEVISION SYSTEMS

OMNICOM OF MICHIGAN
(western Detroit, MI, suburbs)
Peter C. Newell, *President*

OMNICOM CABLEVISION OF ILLINOIS
(northern Chicago, IL, suburbs)
Allan I. Grafman, *Vice President & General Manager*

CLEAR CABLEVISION
(Ann Arbor, MI, area)
Wilbur J. Benckendorf, *Vice President & General Manager*

COASTAL BEND CABLEVISION
(Corpus Christi, TX, area)
Robert Versace, *Vice President & General Manager*

SANDOVAL COUNTY CABLE TELEVISION
(northern Albuquerque, NM, suburbs)
Robert J. Oltman, *Vice President & General Manager*

SATELLITE CABLEVISION
(southern Indianapolis, IN, suburbs)
Gregory deF. Islan, *Vice President & General Manager*

MARKS CABLEVISION
(southern Akron, OH, suburbs)

Broadcasting Division

JOSEPH P. DOUGHERTY, *President*

In 1980, the Broadcasting Division achieved operating income of $87,925,000, a 9 percent increase over 1979. Net revenue increased 10 percent to $166,980,000.

Revenues were up 16 percent in the first quarter. While advertiser demand during the remainder of the year was somewhat uneven, the Division was able to generate revenue increases of 9 percent in each of the following three quarters. Costs increased 20 percent in the first quarter, 10 percent in each of the second and third quarters, and 7 percent in the fourth quarter.

Overall, our television stations achieved record levels of revenue and operating income. Radio operations showed moderate sales gains, with a small decline in operating income.

Our television stations continued to hold dominant audience positions—all six were first in their markets—and most improved their audience shares during the year. The CBS network enjoyed its strongest November audience ratings in the last five years, and our CBS-affiliated stations in Durham-Raleigh and Fresno were first in prime time. Despite some audience erosion for the ABC television network, particularly in the evening hours, we are pleased to report that all four of our ABC-affiliated stations were also first in prime time. We believe this is attributable to the continuing excellence of all our stations in the development and presentation of local news and public affairs programs.

During 1980, our television stations continued to expand both their news departments and their on-the-air news offerings, and each station improved its audience position in this area. In the November rating period, as detailed below, our stations continued to maintain leadership positions in their news programming, ranking first or second in all time periods.

	No. of stations in market	News Program Rank: A.M. or Noon	Early evening	Late evening
WPVI-TV (Philadelphia)	6	1	1	1
KTRK-TV (Houston)	5	1	1	1
WKBW-TV (Buffalo)	4	1	1	1
WTNH-TV (New Haven-Hartford)	4	2	2	2
WTVD (Durham-Raleigh)	3	1	2	1
KFSN-TV (Fresno)	6	2	1	1

Source: ARB, November 1980

We remain committed to providing the personnel and financial resources necessary to maintain the highest standards of news programming in all of our markets.

The Federal Communications Commission has voted to eliminate several rules which limit the importation of distant television signals by cable television and which also provide exclusivity for syndicated programs in the top 100 television markets. Since the Commission vote has been challenged and the case is pending before the U. S. Court of Appeals, implementation has been postponed. If restrictions on the importation of distant signals and protection for program exclusivity are eventually eliminated, the emphasis on outstanding local programming at our television stations will become even more important.

As part of our continuing efforts to improve our broadcast facilities, we have planned for several years to construct a 2,000-foot tower for KTRK-TV, in Houston. In late 1980, the Federal Communications Commission and the Federal Aviation Administration granted the necessary approvals. We have entered into a joint venture with Metromedia, Inc., operator of an independent UHF station in Houston, to construct in 1981 a two-tower facility which will also accommodate the public television station operated by the University of Houston, as well as a number of FM stations.

Most of our radio stations continued to hold strong audience positions in their markets. KSCS-FM, in Fort Worth, was ranked the number one major market country and western radio station in the country.

KZLA-AM/FM in Los Angeles, where we have had audience problems for a number of years, changed formats in September 1980, from adult-contemporary to country and western music. We believe this will improve our audience position in this highly competitive market. Norman S. Schrutt, formerly General Manager of

WKBW-AM, in Buffalo, is now General Manager of these stations.

The Federal Communications Commission has voted to deregulate several aspects of commercial AM and FM radio—eliminating community ascertainment procedures, guidelines limiting commercial time, rules requiring comprehensive program logs, and non-entertainment program obligations. This action has been appealed, and it is now anticipated that the appeal will be considered later this year. We agree with the Commission's determination that its rules have become largely unnecessary in the highly competitive environment of commercial radio and with its expectation that broadcasters will use their new programming flexibility to offer more diverse programming choices for the radio audience. We support this effort to reduce the burdens of extensive paperwork for the FCC and for the broadcaster, and if upheld, we anticipate no reduction in our commitment to news and public affairs.

In Fort Worth, a plan has been approved to rehabilitate an existing transmitter building on our own property and add studios and offices. The new facilities for WBAP-AM and KSCS-FM will be completed in late 1981.

Prices for broadcasting properties are still very high, but we will continue to seek out opportunities to acquire an additional UHF television station and an FM radio station.

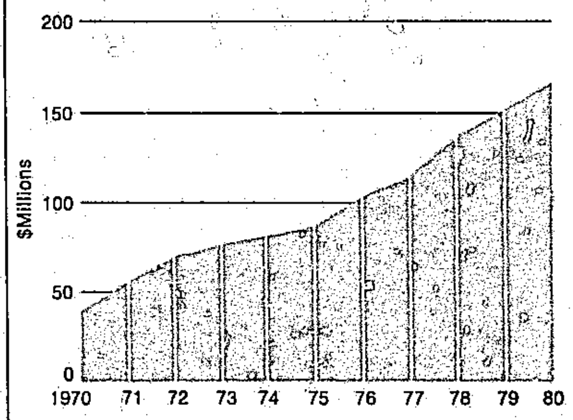
During the year, all of our stations once again emphasized the Company's commitment to quality programming. In addition to producing news features and investigative reports on subjects of interest to our audiences, our stations actively sponsored fund-raising events for numerous charitable causes.

One example of the investigative reporting done at our stations, and the meaningful community results which often are achieved, is the series on child abuse which was produced by WKBW-TV, in Buffalo. In the five-part special news report (aired Monday through Friday), Nolan Johannes, Public Affairs Director, defined the problem of child abuse and interviewed experts from medical, social service and volunteer agencies. This report was followed by an hour-long special on Saturday, in prime time, which brought these experts into the studios to underline the complexity and pervasiveness of society's child abuse problem and to answer questions phoned in by viewers. Public service announcements then reminded viewers of the statewide hot line telephone number for anonymous reporting of suspected cases of child abuse. Other announcements urged viewers to volunteer their services to programs which offer help to families with a child abuse problem.

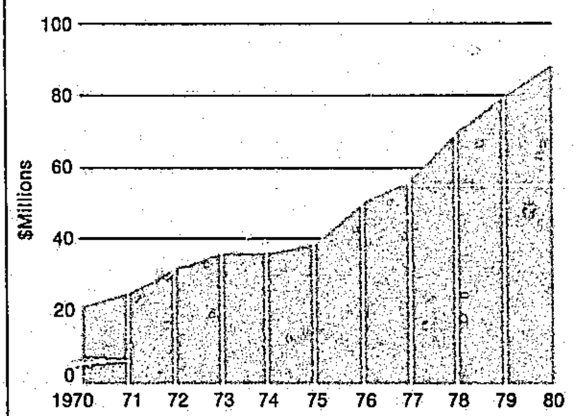
Child abuse case reports and investigations in Erie County increased by 1,200 over 1979, partly as a result of these broadcasts. Also, this special series prompted a major investigation and audit of county procedures and social service management by the New York State Department of Social Services. A specific result of all this activity is a closer working relationship between the county commissioner, the county executive, and a citizen's child protection advisory board which had openly admitted frustration prior to the state audit and written report.

Numerous industry awards were presented to our stations during 1980 in recognition of their programming achievements and participation in local community affairs. WJR-AM, Detroit, received the Sigma Delta Chi National Public Service Award for its series on the credit life insurance business and also the National Headliners Award for general excellence in reporting. WKBW-AM's report, *Hard Drugs Kill*, was selected by Catholic Broadcasters of America for their Gabriel Award for outstanding public service. Action for Children's Television honored WPVI-TV's *Captain Noah's Adventure Series* for achievement in children's programming.

Net Revenue—Broadcasting Division
Ten-year annual compounded growth rate: 14%



Operating Income—Broadcasting Division
Ten-year annual compounded growth rate: 15%



In April, James P. Arcara, who has been Vice President and General Manager of WPAT-AM/FM since 1970, was named Executive Vice President—Radio. Three new General Managers were appointed during 1980: Ronald R. Pancratz, at WJR-AM, Detroit; Robert J. Longwell, WJR-FM, Detroit; and Frank R. Woodbeck, WKBW-AM, Buffalo.

Broadcasting Division

Joseph P. Dougherty, *President*
James P. Arcara, *Executive Vice President—Radio*
Robert O. Niles, *Vice President & Director of Engineering*

TELEVISION

WPVI-TV (Philadelphia, PA) • CHANNEL 6 • ABC
Lawrence J. Pollock, *Vice President & General Manager*
KTRK-TV (Houston, TX) • CHANNEL 13 • ABC
Kenneth M. Johnson, *Vice President & General Manager*
WKBW-TV (Buffalo, NY) • CHANNEL 7 • ABC
Philip R. Beuth, *Vice President & General Manager*
WTNH-TV (New Haven-Hartford, CT) • CHANNEL 8 • ABC
Peter K. Orne, *Vice President & General Manager*
WTVD (Durham-Raleigh, NC) • CHANNEL 11 • CBS
Richard F. Appleton, *Vice President & General Manager*
KFSN-TV (Fresno, CA) • CHANNEL 30 • CBS
Walter C. Liss, Jr., *Vice President & General Manager*

RADIO

WPAT-AM/FM (Paterson, NJ-Metropolitan NYC) • 930/93.1
James P. Arcara, *Vice President & General Manager*
KZLA-AM/FM (Los Angeles, CA) • 1540/93.9
Norman S. Schrutt, *Vice President & General Manager*
WJR-AM (Detroit, MI) • 760 • NBC
Ronald R. Pancratz, *Vice President & General Manager*
WJR-FM (Detroit, MI) • 96.3 • NBC
Robert J. Longwell, *Vice President & General Manager*
WBAP-AM/KSCS-FM (Fort Worth-Dallas, TX) • 820/96.3 • NBC
Warren Potash, *Vice President & General Manager*
WKBW-AM (Buffalo, NY) • 1520
Frank R. Woodbeck, *Vice President & General Manager*
WPRO AM/FM (Providence, RI) • 630/92.3
Aaron M. Daniels, *Vice President & General Manager*
WROW-AM/FM (Albany, NY) • 590/95.5 • CBS
Robert M. Peebles, *Vice President & General Manager*

CAPITAL CITIES TELEVISION PRODUCTIONS

Charles Keller, *General Manager*

We Talk to People

(Our corporate commitment to the nation and the communities we serve)

Capital Cities Television Productions' public affairs and children's programming reached more viewers in 1980 than ever before and also received significant recognition.

Our "network" of independent and affiliated stations, which carries both the Capital Cities Special Reports and the Capital Cities Family Specials, again increased in 1980. An average of more than 165 stations, representing coverage of more than 93 percent of the television homes in the United States, preempted their regular prime time or prime access time programming to carry Capital Cities Specials. We believe this continuing relationship with our fellow broadcasters to be a unique development in the field of independently produced documentary and children's programming. We estimate that a total of 96 million viewers watched these Capital Cities Specials during 1980.

We are pleased to report that effective with the Capital Cities Family Special, *Soup Man*, which aired in February 1981, all of our programs will be captioned for the hearing-impaired using the closed-caption technique. This method makes the captioning available to the hearing-impaired through a converter on their TV sets, but the captioning is not visible on sets without the converter.

Our programs continue to be produced at budget levels equal to network presentations of similar types, and while our investment in these efforts is far from the only criterion by which to judge them, we can report that our 1980 costs exceeded $1,200,000. We retained half of the commercial time for sale to national advertisers, which enabled us to generate net revenues of $800,000. Thus, the Company underwrote approximately $400,000 of the total expense.

Capital Cities Special Reports

The tragic consequences for teenagers running away from home and the reasons for their running were the subject of our Capital Cities Special Report entitled *Runaway*. Hosted by Robert MacNeil, of the PBS *MacNeil/Lehrer Report*, the show examined the circumstances behind the alarming fact that more than one million teenagers run away from their homes every year.

Our producers filmed on location from the Port Authority Bus Terminal in New York to the Runaway Hot Line in Houston, Texas, to document the causes and consequences of this major development in our youthful society.

Father Bruce Ritter, of New York's Covenant House, described the degrading life most runaways are forced into when they arrive in New York without friends or contacts; officers from a special police runaway unit reported on their findings; and life inside a Youth Shelter—often the only refuge from the streets available to runaways—was documented.

The program was telecast May 29 over 195 stations, representing 96 percent of the television homes in the United States, which was our largest network to date. Furthermore, more than 30 of those stations, in some cases using materials we supplied, prepared supplementary programming as an additional service to their viewers. That programming ranged from a heavy campaign of public service announcements on behalf of local youth shelters and hot line services to locally produced programs telecast in conjunction with our documentary. One such program, which featured a phone-in service to allow viewers to talk directly with the experts in the studio, had to keep its phones open until midnight, long after the show was over, to accommodate all the calls.

Runaway achieved a 12.4 national rating, representing a 25 percent share of audience. That was the best rating for any of our news documentaries and, in fact, tied for fifth among *all* documentaries produced by the three major networks during the period January to June 1980. We estimate that almost 20 million viewers saw the show.

Capital Cities Family Specials

Capital Cities Family Specials finished their second season in 1980, and received distinguished honors from two national organizations. This series of half-hour original dramas focuses on the complex problems faced by teenagers and their families as the young people pass through this transition stage in their lives.

The entire series was singled out by Action for Children's Television for its Special Achievement Award. Headquartered in Boston, ACT is a national organization whose charge is to improve television for children. The citation from ACT read: "To Capital Cities for *Family Specials*, original dramas that illuminate with candor and perception the problems of young adults."

In competition with all network and nationally syndicated programs in the category of Programming for Young People, one of the shows, *A Friend In Deed*, was selected by Catholic Broadcasters of America for its prestigious Gabriel Award. The citation read in part: "The true value of self-worth and real friendship is portrayed. . . . Believable characters in a situation that nearly everyone faces in their struggle toward maturity. . . . Excellent casting and acting are combined with an artful script. . . ."

Our second season (1979-1980) of Family Specials was carried by a network of 150 stations, representing 90 percent of the television homes in the United States, which was a meaningful improvement over the previous season. We estimate that more than 76 million people

Capital Cities Special Reports and Family Specials produced over the past year included (left to right): *Runaway*, hosted by Robert MacNeil: *A Girl on the Edge of Town*, featuring Patty Duke Astin; and *Who Loves Amy Tonight?* with Laura Dern and Marshall Thompson.

saw our Family Specials series in 1980, and we were gratified at the continuing support of national advertisers for these programs.

Our third season began in December 1980 and will continue through the summer of 1981. These programs will explore such themes as the lack of communication between a son and his father, a daughter whose parents gave her everything but love, and a charming allegory involving a street-wise young man faced with the choice of resisting the pressure of his peers in his gang when his instincts and emotions lead him to protect the old people who are the gang's victims.

These half-hour dramas, written, directed and performed by seasoned screen professionals, will be seen during prime access or prime time on a network of 164 stations, representing 92 percent of the United States television homes. This improvement over our previous year's coverage and the continued support of national advertisers is testimony to the success of this series and the service it performs.

We have produced our first hour-long Family Special. *A Girl on the Edge of Town* features Patty Duke Astin and Sherry Hursey in a moving story about teenage pregnancy. The extraordinary performances of the actors and the alarming fact that more than one million teenage girls become pregnant every year encouraged us to make this a one-hour special. We will provide stations with support material for additional local programming which addresses this major national concern. *A Girl on the Edge of Town* will be telecast this spring.

Response to this series from stations, advertisers and viewers has encouraged us to authorize production of a fourth series to be telecast during the 1981-1982 season.

We recognize our responsibilities as a group broadcaster to our communities and to our nation. We intend to continue, as a matter of policy, to produce programming of distinction and value to a national audience.

Capital Cities TV Reading Program

We completed the final phase of the evaluation of the TV Reading Program in 1980.

The Television Reading Program, pioneered by Dr. Michael McAndrew, uses scripts from popular network television programs as the basis for a supplementary reading program for grades 4 through 12. The appeal of the scripts, along with the specially prepared exercises in vocabulary and comprehension skills, helps inspire children to read.

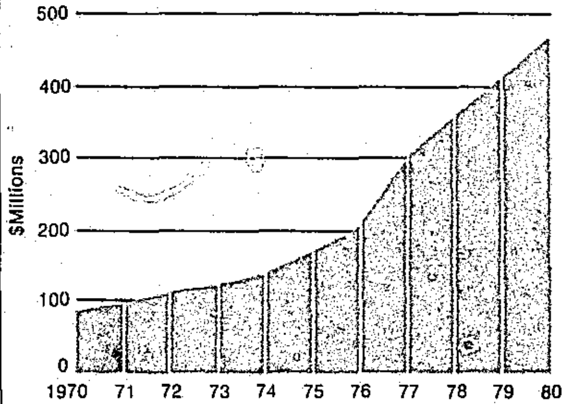
In the first phase of the evaluation, the Center for Educational Research and Evaluation at Penn State University tested the effect of the TV Reading Program materials on approximately 12,000 students. The study showed that children using the materials performed 10 percent better in tests of reading skills than students not using them. Furthermore, nearly all of the teachers who used the materials in the tests said they would continue using them.

In the second phase of our evaluation we test-marketed the materials to schools on a nonprofit basis. Teachers and administrators responding to our test mailing ordered materials for 25,000 students. The indications are that a modestly priced, nonprofit approach to the distribution of the materials provides sufficient school participation to make the program self-sustaining.

We are now supporting Dr. McAndrew in his effort to establish the TV Reading Program as an independent, self-supporting entity.

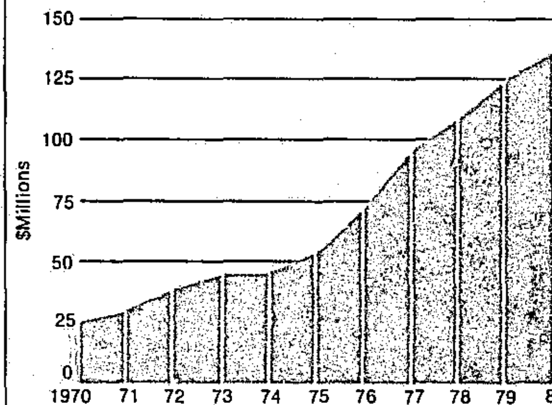
Financial Highlights

Net Revenues
Ten-year annual compounded growth rate: 19%



Net revenues for 1980 increased to $472,108,000, or 14% over the $414,890,000 reported in 1979. Broadcasting Division revenues rose $15,653,000, or 10%, to $166,980,000 in 1980, while revenues for the Publishing Division increased $41,535,000, or 16%, to $305,098,000. On a pro forma basis, excluding 1980 acquisitions and start-ups, the Company's revenues increased by 10%, while Publishing Division revenues rose 9%.

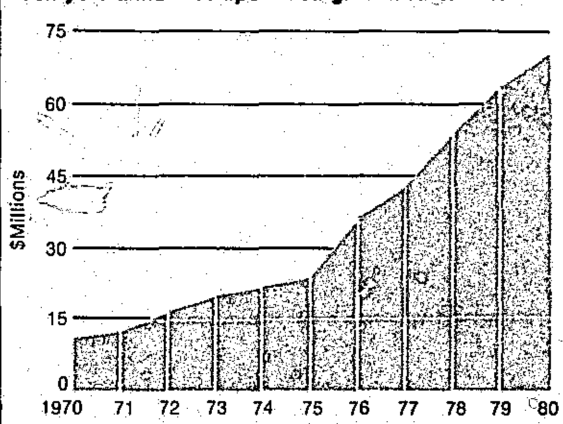
Operating Income
Ten-year annual compounded growth rate: 18%



Operating income in 1980 rose 9%, to $137,375,000, from $125,653,000 in 1979. Broadcasting Division operating income increased to $87,925,000 in 1980, or 9%, from $80,319,000, while Publishing Division operations reported $58,186,000, a gain of 15% from the $50,668,000 reported in 1979. On a pro forma basis, excluding the 1980 start-up losses of the Cable Television Division and new publication start-ups and 1980 acquisitions, the Company's operating income increased 12% over the prior year. The Publishing Division operating income, on a pro forma basis, was up 18%.

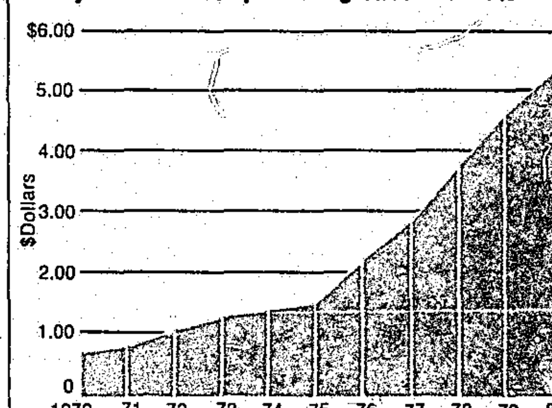
Net income before extraordinary gain for 1980 increased 11%, to $70,783,000, from the $63,758,000 reported in 1979.

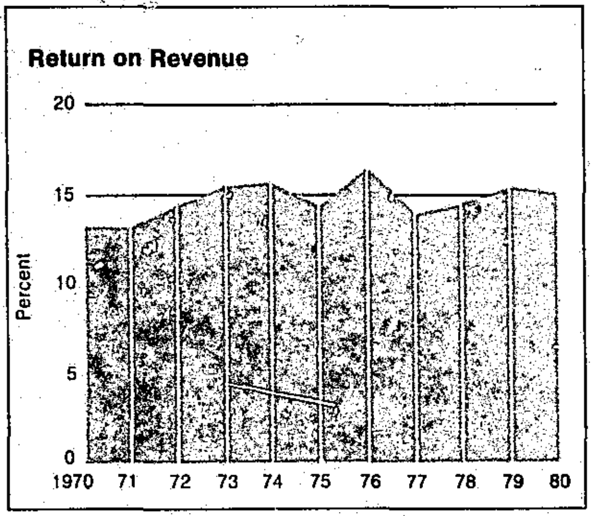
Net Income Before Extraordinary Gains
Ten-year annual compounded growth rate: 20%

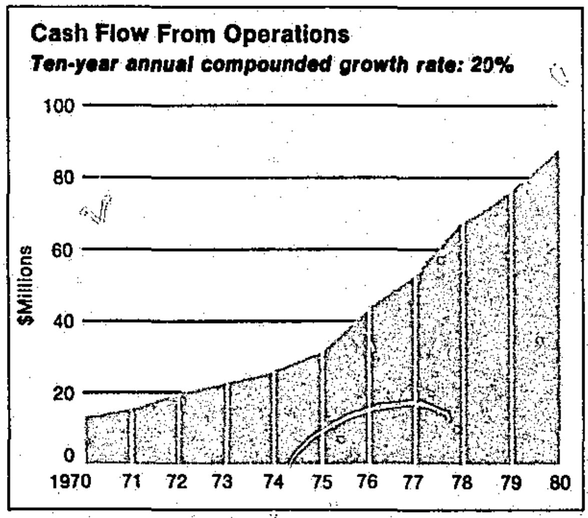


Income per share before extraordinary gain in 1980 increased 15%, to $5.38, from the $4.68 reported in the prior year.

Income Per Share Before Extraordinary Gains
Ten-year annual compounded growth rate: 21%



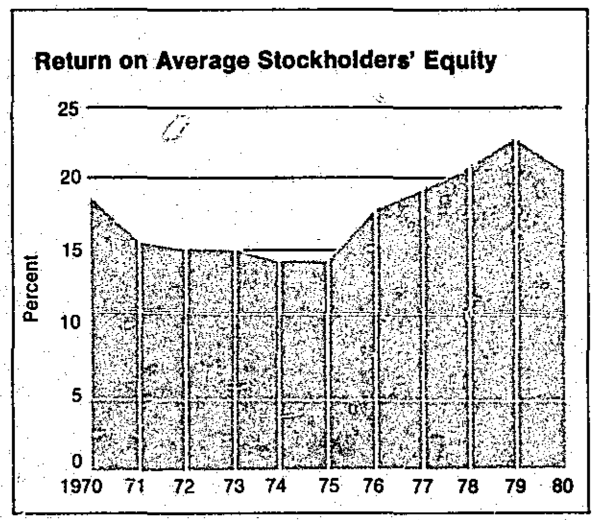




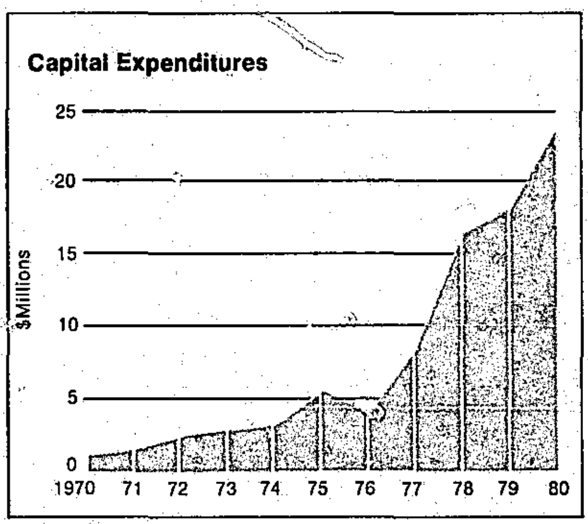
Return on revenue, the percentage relationship of net income to net revenue, was 15.0% for 1980, compared to 15.4% reported in 1979. Capital Cities' return on revenue has remained relatively constant since 1970, with periodic minor downturns resulting from acquisitions and start-up activity.

Cash flow from operations is defined as funds provided from operations. It consists of net income plus depreciation, amortization of intangibles and other non-cash items. In 1980, cash flow from operations increased 11%, to $86,589,000, from $77,888,000 in 1979.

Return on average stockholders' equity for 1980 was 21.4%, compared to 22.8% in 1979.



Capital expenditures in 1980 amounted to $23,611,000, up 30% from $18,178,000 in 1979.



Financial Overview

Results of Operations

Management's discussion of the results of operations for 1980 compared to 1979, and 1979 compared to 1978, is included on pages 25 and 26 of this report.

Capital Expenditures

In 1980, capital expenditures amounted to $23,611,000, up from the $18,178,000 spent in 1979. For 1981, the Company's capital budget anticipates expenditures of approximately $40,000,000. This 1981 estimate does not include capital expenditures for Cablecom-General, the acquisition of which is anticipated to take place before midyear 1981.

The largest portion of the 1981 capital budget will be spent for the completion of construction of new systems by the Cable Television Division. The Company anticipates the systems currently under development will cost $28,000,000 to construct, of which $8,300,000 was spent in 1980 and $18,000,000 will be spent in 1981.

Broadcasting Division capital expenditures for 1981 will include a new 2,000-foot tower and transmitter facility for KTRK-TV in Houston; the start of a new studio building in New Haven for WTNH-TV; and the completion of studio facilities for WBAP-AM and KSCS-FM in Fort Worth.

Publishing Division capital expenditures in 1981 are primarily for the continuing upgrade and expansion of electronic data processing systems for production, circulation and business office requirements.

Capital Structure

Capital Cities' capital structure is made up of three components: stockholders' equity, interest-bearing debt and deferred income taxes.

Stockholders' equity at December 31, 1980, amounted to $360,763,000, an increase of $60,584,000 from the 1979 year-end total of $300,179,000.

Interest-bearing debt, both current and long-term, totaled $58,667,000 at the end of 1980. At December 31, 1980, it consisted primarily of term bank loans and notes due to former stockholders of acquired companies, maturing through 1985. All interest rates are fixed and at the end of 1980 averaged approximately 8%.

Deferred taxes amounted to $9,425,000 and are included in the capital structure, as they are considered to be essentially a permanent liability.

Capital Cities' relationship of debt to total capital at December 31, for the last five years was as follows:

(dollars in millions)

	1980	1979	1978	1977	1976
Debt	$ 58.7	$ 78.0	$103.0	$126.3	$ 59.4
Total capital	$428.9	$388.6	$372.5	$372.7	$276.3
Debt to total capital ratio	14%	20%	28%	34%	21%

In 1981, the Company expects to borrow approximately $100,000,000 to finance part of its $139,200,000 acquisition of Cablecom-General, either through an existing bank revolving credit agreement or in the long-term public debt market. If this borrowing were to have taken place at December 31, 1980, the Company's debt to total capital ratio would have been a conservative 30%, which would still allow for a substantial additional increase in debt should attractive investment opportunities appear.

Return on Equity

Return on equity is an important measurement of the effectiveness with which the stockholders' equity is being employed. It is expressed as the percentage relationship that net income (before extraordinary items) bears to stockholders' equity. Capital Cities' return on equity has benefited both from the Company's program of repurchasing its common stock over the past five years and from its ability to finance its growth from internally generated capital and debt rather than new equity capital.

Capital Cities' return on average stockholders' equity for the last five years was:

(dollars in millions)

	1980	1979	1978	1977	1976
Average stockholders' equity	$330.5	$280.0	$248.3	$222.7	$198.7
Net income	$ 70.8	$ 63.8	$ 54.0	$ 43.2	$ 35.6
Rate of return	21.4%	22.8%	21.8%	19.4%	17.9%

Return on Total Capital

Another measure of management performance is the rate of return derived from total capital employed in the business. Total capital is defined as the sum of stockholders' equity, interest-bearing debt and deferred income taxes. Return is defined as the sum of net income plus interest expense after taxes. By including the aftertax cost of interest in calculating this return, the performance of a business is measured without being affected by its financing policies.

The Company believes this is as important a measure of the profitability of a business as is return on equity.

Capital Cities' return on average total capital over the last five years was:

(dollars in millions)

	1980	1979	1978	1977	1976
Average total capital.	$408.7	$380.6	$372.6	$324.5	$274.5
Return	$ 73.6	$ 67.2	$ 58.3	$ 48.0	$ 37.6
Rate of return	18.0%	17.7%	15.6%	14.8%	13.7%

A refinement of this approach to performance measurement is the return on operating capital. This calculation removes from total capital the nonoperating assets (short-term cash investments, marketable equity securities and other assets) and from the return the aftertax income associated with these assets. The table below indicates Capital Cities' return on average operating capital for the last five years:

(dollars in millions)

	1980	1979	1978	1977	1976
Average operating capital	$348.4	$321.3	$309.5	$254.6	$209.8
Return	$ 70.2	$ 64.2	$ 55.7	$ 46.4	$ 35.8
Rate of return	20.1%	20.0%	18.0%	18.2%	17.1%

Intangible Assets

At December 31, 1980, Capital Cities' intangible assets, before accumulated amortization, totaled $280,770,000—$116,367,000 in broadcasting, and $164,403,000 in publishing. Together, these intangible assets accounted for more than 50% of the Company's total assets.

Intangible assets represent the excess of the purchase price over the value of tangible assets. In accordance with *Accounting Principles Board Opinion No. 17,* Capital Cities amortizes intangible assets acquired since 1970 over periods of 40 years. This practice is arbitrarily mandated by *Opinion No. 17* without regard to whether these assets have or have not declined in value.

All of Capital Cities' intangible assets have resulted from the acquisition of broadcasting and publishing properties. Historically, such intangible assets have tended to increase in value and have long and productive lives. We believe that the Company's intangible assets have appreciated substantially in value since they were acquired and that the requirements of *Opinion No. 17* when applied to such publishing and broadcasting assets significantly understate net income and stockholders' equity.

Of total intangible assets, $152,971,000 was subject to amortization. This had the effect of reducing net income by $3,464,000, or $.26 a share, in 1980. This amortization of intangible assets is not a deductible item in computing income taxes.

Stock Repurchase

In late 1976, the Company began a program of repurchasing its common stock. As of December 31, 1980, 2,952,000 shares of common stock had been acquired for an aggregate purchase price of $102,555,000, or an average price of $34.74.

In December 1979, the Board of Directors authorized the purchase of an additional 600,000 shares. To date, 328,000 shares have been purchased.

These shares are held in the treasury to be issued under the Capital Cities Employee Stock Purchase Plan, for Employee Stock Options, or for other corporate purposes.

The repurchases of stock have contributed to the earnings per share gains of the last five years. The Company continues to believe that stock repurchase is one of the better opportunities to reinvest its earnings effectively for the benefit of its stockholders.

Financial Summary 1970-1980

(Dollars in Thousands Except Per Share Data)

	1980	1979	1978
RESULTS FOR THE YEAR			
Net revenues			
Broadcasting	$166,980	$151,327	$133,360
Cable Television	30		
Publishing	305,098	263,563	234,116
Total	472,108	414,890	367,476
Operating income (loss)			
Broadcasting	$ 87,925	$ 80,319	$ 70,080
Cable Television	(2,531)		
Publishing	58,186	50,668	48,781
Income from operations	143,580	130,987	118,861
General corporate expense	6,205	5,334	4,563
Total	137,375	125,653	114,298
Net income (a)	$ 70,783	$ 63,758	$ 54,033
Net income per share—Fully diluted (a) (b)	$5.38	$4.68	$3.80
Average shares—Fully diluted (000's omitted) (b)	13,165	13,615	14,220
Return on average stockholders' equity (c)	21.4%	22.8%	21.8%
MAJOR CHANGES IN FINANCIAL POSITION			
Funds provided			
Operations	$ 86,589	$ 77,888	$ 66,811
Increase in notes payable	3,834	1,900	2,696
Sale of operating properties			15,526
Funds applied			
Acquisitions	$ 32,890		$ 9,622
Purchases of common stock for treasury	14,753	$ 24,736	31,097
Capital expenditures	23,611	18,178	16,314
Reduction of notes payable	21,667	21,585	26,928
Dividends on common stock	2,573	2,669	2,438
AT YEAR-END			
Working capital	$ 37,099	$ 36,110	$ 18,980
Notes payable	58,667	77,955	102,983
Stockholders' equity	360,763	300,179	259,691
Number of shares outstanding (000's omitted) (b)	12,902	13,058	13,514
Closing market price of common stock (b)	$58¾	$48⅝	$39⅝
Price range of common stock (b)	$40-72	$36¾-49⅞	$27⅛-47¾

(a) Income before extraordinary gains of $2,430,000 ($.18 per share) in 1980, $3,320,000 ($.22 per share) in 1977, $18,168,000 ($1.19 per share) in 1971 and extraordinary loss of $2,036,000 ($.14 per share) in 1970.

(b) All per share information has been adjusted for two-for-one stock split in 1978.

(c) Income before extraordinary items divided by average stockholders' equity.

1977	1976	1975	1974	1973	1972	1971	1970
$112,522	$104,307	$ 86,820	$ 78,576	$ 76,066	$ 69,885	$ 56,219	$ 44,649
193,624	107,860	88,066	60,009	51,432	48,603	41,857	41,209
306,146	212,167	174,886	138,585	127,498	118,488	98,076	85,858
$ 56,757	$ 50,277	$ 39,184	$ 36,359	$ 36,469	$ 31,553	$ 23,912	$ 21,464
43,681	25,592	17,699	12,752	9,800	8,192	7,695	4,872
100,438	75,869	56,883	49,111	46,269	39,745	31,607	26,336
3,673	2,826	2,748	2,492	1,704	1,659	1,299	1,051
96,765	73,043	54,135	46,619	44,565	38,086	30,308	25,285
$ 43,234	$ 35,620	$ 25,402	$ 22,025	$ 20,146	$ 17,015	$ 13,129	$ 11,511
$2.91	$2.30	$1.64	$1.43	$1.30	$1.11	$ .86	$ .78
14,852	15,478	15,466	15,376	15,438	15,394	15,250	14,698
19.4%	17.9%	14.4%	14.4%	15.2%	15.3%	15.7%	18.9%
$ 53,763	$ 43,309	$ 32,098	$ 25,833	$ 23,215	$ 20,167	$ 16,324	$ 13,804
90,628			40,500			82,297	
14,389						32,032	791
$125,877	$ 6,099		$ 61,602	$ 1,136	$ 1,300	$103,834	$ 3,979
17,111	14,858						
8,209	4,049	$ 5,546	3,206	2,859	2,465	1,351	939
33,470	16,275	16,275	11,663	12,125	17,913	25,073	4,442
1,467	1,524	384					
$ 8,998	$ 38,058	$ 34,547	$ 23,864	$ 33,028	$ 22,075	$ 14,816	$ 12,708
126,257	59,404	75,679	87,342	56,967	75,092	101,797	23,500
236,834	208,501	188,921	163,860	141,906	121,620	100,166	66,090
14,212	14,832	15,374	15,368	15,364	15,356	14,524	14,170
$30	$28¼	$21⅜	$11¼	$15⅞	$30½	$24¼	$14¾
$22⅛-30½	$21⅛-28¼	$11-21¾	$8⅜-19⅝	$15-31¼	$24-32⅛	$14½-24⅞	$9¾-18¼

Selected Financial Data

(Dollars in Thousands Except Per Share Data)

	Years Ended December 31,				
	1980	**1979**	**1978**	**1977**	**1976**
Results of Operations					
Net revenues	**$472,108**	$[illegible]4,890	$367,476	$306,146	$212,167
Income before extraordinary gain	**$ 70,783**	$ 63,758	$ 54,033	$ 43,234	$ 35,620
Extraordinary gain, net of taxes	**2,430**	—	—	3,320	—
Net income	**$ 73,213**	$ 63,758	$ 54,033	$ 46,554	$ 35,620
Income per share					
Income before extraordinary gain	**$5.38**	$4.68	$3.80	$2.91	$2.30
Extraordinary gain	**.18**	—	—	.22	—
Net income	**$5.56**	$4.68	$3.80	$3.13	$2.30
Cash dividends declared per common share	**$ .20**	$.20	$.175	$.10	$.10
At Year-End					
Total assets	**$519,958**	$473,134	$444,797	$435,096	$328,522
Notes payable due after one year	**$ 38,537**	$ 56,370	$ 76,055	$100,287	$ 43,129
Average Shares					
Shares of stock used in calculation of income per share are as follows (000's omitted)					
Average common shares and common share equivalents outstanding during year					
Common shares	**12,883**	13,358	13,993	14,710	15,332
Stock options	**282**	257	227	142	146
Total common shares and common share equivalents	**13,165**	13,615	14,220	14,852	15,478

All per share information has been adjusted for the two-for-one stock split in 1978

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

1980 Compared to 1979

Results of Operations

Net revenues in 1980 increased $57,218,000, or 14% over 1979. Broadcasting Division revenues were up $15,653,000, a 10% increase over 1979, with television operations showing an increase of 12% and radio operations an increase of 5%. Publishing Division revenues, excluding new publication start-ups and 1980 acquisitions, increased 9% primarily as a result of higher advertising and circulation rates offsetting a 3% decrease in newspaper advertising linage. Specialized publications and daily newspapers showed revenue gains of 8% and 10%, respectively.

Costs and expenses for 1980 were up $45,496,000, or 16% over 1979. Expenses for the Broadcasting Division were up $8,047,000, or 11%, reflecting higher television programming and news costs and general and administrative expenses. Publishing Division costs and expenses, excluding new publication start-ups and 1980 acquisitions, were up 7% over 1979, with favorable cost comparisons resulting from lower volume together with substantially reduced expenses at the Company's Wilkes-Barre newspaper, which has been operating under strike conditions since October 1978. Excluding the publishing start-ups and the 1980 acquisitions and investment spending at the Company's new Cable Television Division, total Company costs and expenses rose $24,066,000, or 8% from 1979.

Operating income for 1980 increased $11,722,000, or 9%, from 1979, with broadcasting and publishing operations showing gains of 9% and 15%, respectively. Excluding the Company's Cable Television Division start-up losses, and Publishing Division start-ups and 1980 acquisitions, operating income increased 12% over 1979.

Net financial expense (interest expense less interest income) for 1980 declined $1,773,000 compared to 1979 as a result of the reduction in long-term debt and higher rates realized on short-term investments. The Company's effective tax rate was 49% in both 1980 and 1979.

Income before extraordinary gain for 1980 was up $7,025,000, or 11%, while income per share before extraordinary gain increased $.70, or 15%. The higher percentage increase in income per share resulted from a 3% reduction in average shares outstanding as a result of stock repurchases by the Company in 1980 and 1979.

Impact of Inflation

For information on the impact of inflation on the Company, see Note 13 to the Consolidated Financial Statements.

Liquidity and Capital Resources

Working capital increased $980,000 to $37,090,000 at December 31, 1980. Internally generated funds from operations increased $8,701,000 from 1979. The 1980 funds from operations of $86,589,000 represented 87% of the Company's total sources of funds and, along with the $12,808,000 from other sources, was sufficient to provide $23,611,000 for capital expenditures, $32,890,000 for publishing acquisitions, $14,753,000 for treasury stock repurchases, $21,667,000 for debt reduction and $2,573,000 for dividends to stockholders.

At December 31, 1980, total interest-bearing debt was $58,667,000, a decrease of $19,288,000, or 25% from 1979. At year-end, such interest-bearing debt represented 14% of total capitalization as compared to 20% at the end of 1979.

Capital expenditures in 1980 of $23,611,000 increased $5,433,000, or 30%, from 1979. The Company anticipates 1981 capital expenditures for property, plant and equipment will be approximately $40,000,000, of which $12,000,000 was firmly committed at December 31, 1980.

During 1981, the Company expects to complete the acquisition of Cablecom-General, Inc., for approximately $139,200,000. The purchase will require approximately $100,000,000 of new borrowings with the balance of funds to be provided from internally generated sources.

1979 Compared to 1978

Results of Operations

Net revenues in 1979 increased $47,414,000, or 13% over 1978, with the Broadcasting and Publishing Division both showing significant gains.

Broadcasting Division revenues were up $17,967,000, a 13% increase over 1978. Television station revenues rose 17% from the prior year, reflecting substantial gains in both local and national business. Radio station revenues increased 3% for the year.

Revenues for the Publishing Division increased $29,447,000, or 13% over 1978. Newspaper revenues were up 13%, with advertising and circulation revenues up 15% and 7%, respectively. Advertising linage rose 6% in 1979, with the largest gains coming from classified advertising. Revenues for the Company's specialized publications increased 12% over the prior year, with advertising and circulation revenues up 12% and 15%, respectively. Average unit advertising rates increased moderately in 1979, 8% and 4.5% for the newspapers and specialized publications, respectively, reflecting the Company's compliance with the voluntary price control standards begun in October 1978.

Total costs and expenses for 1979 were up $36,059,000, or 14% from 1978.

Broadcasting Division expenses increased $7,728,000, or 12%, in 1979. These increases resulted primarily from higher television programming and news department costs, together with increased selling, general and administrative expenses.

Publishing Division expenses rose $27,560,000, or 15%, from 1978. These cost increases resulted principally from higher volume-related production and distribution costs, newsprint price increases, investment spending for the substantially expanded editorial and distribution efforts at the Kansas City and Fort Worth newspapers, and the inclusion of the Wilkes-Barre newspaper for a full year in 1979 compared to seven months in 1978.

Operating income for 1979 was $11,355,000, or 10% higher than 1978. *The Wilkes-Barre Times Leader,* which has been published under strike conditions since October 6, 1978, incurred a 1979 operating loss of $6,400,000 (approximately $3,450,000 after taxes, or $.25 per share). This compares to a $3,600,000 operating loss (approximately $1,800,000 after taxes, or $.13 per share) for the seven months of ownership in 1978. Excluding the Wilkes-Barre results from 1979 and 1978, operating income increased $14,155,000, or 12%, in 1979, and operating income margins were unchanged at 32%.

Net financial expense (interest expense less interest income) for 1979 declined $2,430,000 from 1978, principally due to the decrease in outstanding debt, together with significantly higher interest rates earned on the Company's portfolio of short-term investments.

Income taxes in 1979 decreased from 51% to 49% of income before taxes. The lower effective tax rate for 1979 resulted from the decrease in federal income tax rate (48% to 46%) and an increase in investment tax credit from $800,000 in 1978 to $1,500,000. The reduced tax rate contributed approximately $2,900,000 to net income in 1979, or $.21 per share.

Net income for 1979 was up $9,725,000, or 18%, with the corresponding net income per share up $.88, or 23%. The greater percentage gain in net income per share was due primarily to a 4% reduction in average shares outstanding, as a result of stock repurchases by the Company in 1979 and late 1978.

Liquidity and Capital Resources

Working capital increased $17,130,000 to $36,110,000 at December 31, 1979. Internally generated funds from operations increased $11,077,000 from 1978. The 1979 funds from operations of $77,888,000 represented 91% of the Company's total sources of funds and, along with the $7,429,000 of other sources, was sufficient to provide $18,178,000 for capital expenditures, $24,736,000 for treasury stock repurchases, $21,585,000 for debt reduction and $2,669,000 for dividends to stockholders.

At December 31, 1979, total interest-bearing debt was $77,955,000, a decrease of $25,028,000, or 24% from 1978. At year-end, such interest-bearing debt represented 20% of total capitalization as compared to 28% at the end of 1978.

Capital expenditures in 1979 of $18,178,000 increased $1,864,000, or 11% from 1978.

Segment Information

The Company is engaged in television and radio broadcasting, the publishing of newspapers and specialized publications and providing cable television service to subscribers. Operations are identified into three business segments, Broadcasting, Publishing and Cable Television.

Broadcasting operations consist of six network affiliated television stations, five of which are VHF and one UHF, seven AM radio stations and six FM radio stations.

Publishing operations consist of nine daily newspapers in seven communities (four of which have Sunday editions), 21 weekly community newspapers and shopping guides and 30 business and specialized newspapers, 16 of which are paid circulation and 14 of which are controlled circulation.

Cable Television consists of seven systems under construction, one of which is partially operational.

There are no product transfers between segments of the Company, and virtually all of the Company's business for all segments is conducted within the United States.

(Dollars in Thousands)	1980	1979	1978	1977	1976
Broadcasting					
Net revenues	**$166,980**	$151,327	$133,360	$112,522	$104,307
Direct operating costs	**74,457**	67,018	59,619	52,317	50,763
Depreciation	**4,366**	3,758	3,429	3,216	3,035
Amortization of intangible assets	**232**	232	232	232	232
Total	**79,055**	71,008	63,280	55,765	54,030
Income from operations	**$ 87,925**	$ 80,319	$ 70,080	$ 56,757	$ 50,277
Assets at December 31	**$191,039**	$188,314	$178,739	$167,019	$164,320
Capital expenditures	**6,032**	7,472	8,157	4,559	2,876
Publishing					
Net revenues	**$305,098**	$263,563	$234,116	$193,624	$107,860
Direct operating costs	**236,932**	204,260	176,909	142,713	79,030
Depreciation	**6,748**	5,790	5,665	4,823	2,650
Amortization of intangible assets	**3,232**	2,845	2,761	2,407	588
Total	**246,912**	212,895	185,335	149,943	82,268
Income from operations	**$ 58,186**	$ 50,668	$ 48,781	$ 43,681	$ 25,592
Assets at December 31	**$257,998**	$215,576	$209,255	$190,810	$ 92,014
Capital expenditures	**6,527**	10,185	7,818	2,835	1,064
Consolidated					
Net revenues	**$472,108**	$414,890	$367,476	$306,146	$212,167
Income from operations	**$143,580**	$130,987	$118,861	$100,438	$ 75,869
General corporate expense	**6,205**	5,334	4,563	3,673	2,826
Operating income	**137,375**	125,653	114,298	96,765	73,043
Interest expense	**(5,446)**	(6,835)	(8,603)	(9,545)	(3,992)
Other income	**6,454**	6,040	5,138	3,014	3,599
Income before income taxes	**$138,383**	$124,858	$110,833	$ 90,234	$ 72,650
Assets employed by segments	**$458,045**	$403,890	$387,994	$357,829	$256,334
Investments and corporate assets	**61,913**	69,244	56,803	77,267	72,188
Total assets at December 31	**$519,958**	$473,134	$444,797	$435,096	$328,522

The Cable Television segment which was formed during 1980 is not separately listed above. However, included in the Company's 1980 consolidated totals are Cable Television net revenues of $30,000; loss from operations of $2,531,000 and identifiable assets at December 31, of $9,008,000. Cable Television direct operating costs were $2,504,000, depreciation was $57,000 and 1980 capital expenditures were $8,319,000.

Consolidated Statement of Income

Years Ended December 31, 1980, 1979 and 1978
(Dollars in Thousands Except Per Share Amounts)

	1980	1979	1978
Net revenues	**$472,108**	$414,890	$367,476
Costs and expenses			
Direct operating expenses	**205,152**	185,234	158,965
Selling, general and administrative	**114,650**	90,932	81,735
Depreciation	**11,467**	9,994	9,485
Amortization of intangible assets	**3,464**	3,077	2,993
	334,733	289,237	253,178
Operating income	**137,375**	125,653	114,298
Other income (expense)			
Interest expense	**(5,446)**	(6,835)	(8,603)
Interest income	**4,191**	3,807	3,145
Miscellaneous, net	**2,263**	2,233	1,993
	1,008	(795)	(3,465)
Income before income taxes	**138,383**	124,858	110,833
Income taxes			
Federal	**59,700**	53,100	50,200
State and local	**7,900**	8,000	6,600
	67,600	61,100	56,800
Income before extraordinary gain	**70,783**	63,758	54,033
Extraordinary gain on sale of investment in affiliate, net of taxes	**2,430**	—	—
Net income	**$ 73,213**	$ 63,758	$ 54,033
Income per share			
Income before extraordinary gain	**$5.38**	$4.68	$3.80
Extraordinary gain	**.18**	—	—
Net income	**$5.56**	$4.68	$3.80

See accompanying notes

Consolidated Statement of Changes in Financial Position

Years Ended December 31, 1980, 1979 and 1978
(Dollars in Thousands)

	1980	1979	1978
Funds provided			
Operations			
Income before extraordinary gain	**$ 70,783**	$ 63,758	$ 54,033
Depreciation	**11,467**	9,994	9,485
Amortization of intangible assets	**3,464**	3,077	2,993
Other, net	**875**	1,059	300
Total funds from operations	**86,589**	77,888	66,811
Common stock issued under Employee Stock Plans	**4,697**	4,135	2,359
Notes payable issued or assumed on acquisitions	**3,834**	1,900	2,696
Increase in unearned subscription revenue	**505**	1,394	2,579
Proceeds from sale of investment in affiliates, net of taxes	**3,772**	—	15,526
	99,397	85,317	89,971
Funds applied			
Purchases of common stock for treasury	**14,753**	24,736	31,097
Additions to fixed assets	**23,611**	18,178	16,314
Reduction of notes payable	**21,667**	21,585	26,928
Acquisitions of publishing properties	**32,890**	—	9,622
Dividends	**2,573**	2,669	2,438
Other, net	**2,923**	1,019	(6,410)
	98,417	68,187	79,989
Increase in working capital	**$ 980**	$ 17,130	$ 9,982
Working capital changes			
Cash and short-term cash investments	**$ (3,047)**	$ 11,534	$ (4,928)
Accounts and notes receivable	**5,048**	4,704	19,584
Inventories	**1,964**	2,157	258
Film contract rights and other current assets	**1,602**	978	1,827
Taxes on income	**57**	(5,529)	(1,378)
Notes payable due within one year	**1,455**	5,343	(958)
Film contracts and other current liabilities	**(6,099)**	(2,057)	(4,423)
Increase in working capital	**$ 980**	$ 17,130	$ 9,982

See accompanying notes

Consolidated Balance Sheet

December 31, 1980 and 1979
(Dollars in Thousands)

ASSETS	1980	1979
Current assets		
Cash	$ 6,741	$ 6,240
Short-term cash investments	33,340	36,888
Accounts and notes receivable (less allowance for doubtful accounts of $3,899 in 1980 and $3,282 in 1979)	71,625	66,577
Inventories	8,715	6,751
Film contract rights	4,128	4,714
Other current assets	4,138	1,950
Total current assets	128,687	123,120
Property, plant and equipment, at cost		
Land	14,452	12,652
Buildings	46,472	43,478
Broadcasting, printing, cable television and other equipment	124,786	101,813
	185,710	157,943
Less accumulated depreciation	85,492	76,334
Property, plant and equipment, net	100,218	81,609
Intangible assets (net of accumulated amortization of $14,025 in 1980 and $10,561 in 1979)	266,745	240,305
Marketable equity securities	11,649	11,649
Film contract rights	2,025	2,781
Other assets	10,634	13,670
	$519,958	$473,134

See accompanying notes

LIABILITIES AND STOCKHOLDERS' EQUITY

	1980	1979
Current liabilities		
Accounts payable	**$ 15,929**	$ 14,085
Accrued compensation	**8,622**	6,603
Other accrued expenses	**14,021**	12,754
Film contracts	**4,661**	3,692
Taxes on income	**28,234**	28,291
Notes payable due within one year	**20,130**	21,585
Total current liabilities	**91,597**	87,010
Deferred compensation	**6,084**	4,048
Deferred income taxes	**9,425**	10,463
Unearned subscription revenue	**12,157**	11,399
Film contracts	**1,395**	3,665
Notes payable due after one year	**38,537**	56,370
Total liabilities	**159,195**	172,955
Stockholders' equity		
Convertible preferred stock, $1 par value (600,000 shares authorized)	**—**	—
Common stock, $1 par value (40,000,000 shares authorized in 1980)	**15,394**	15,394
Additional paid-in capital	**463**	362
Retained earnings	**435,421**	364,781
	451,278	380,537
Less common stock in treasury, at cost (2,491,350 shares in 1980 and 2,335,233 shares in 1979)	**90,515**	80,358
Total stockholders' equity	**360,763**	300,179
	$519,958	$473,134

Consolidated Statement of Stockholders' Equity

Years Ended December 31, 1980, 1979 and 1978
(Dollars in Thousands)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
Balance January 1, 1978	$ 7,697	$ 8,371	$252,097	$(31,331)	$236,834
Net income for 1978	—	—	54,033	—	54,033
Two-for-one stock split	7,697	(7,697)	—	—	—
823,800 shares purchased for treasury	—	—	—	(31,097)	(31,097)
102,744 shares issued under Employee Stock Purchase Plan	—	(588)	—	2,578	1,990
22,557 shares issued on exercise of employee stock options	—	(86)	(119)	574	369
Cash dividends	—	—	(2,438)	—	(2,438)
Balance December 31, 1978	15,394	—	303,573	(59,276)	259,691
Net income for 1979	—	—	63,758	—	63,758
592,800 shares purchased for treasury	—	—	—	(24,736)	(24,736)
116,977 shares issued under Employee Stock Purchase Plan	—	177	—	3,112	3,289
20,851 shares issued on exercise of employee stock options	—	185	119	542	846
Cash dividends	—	—	(2,669)	—	(2,669)
Balance December 31, 1979	15,394	362	364,781	(80,358)	300,179
Net income for 1980	—	—	73,213	—	73,213
327,760 shares purchased for treasury	—	—	—	(14,753)	(14,753)
93,080 shares issued under Employee Stock Purchase Plan	—	729	—	2,476	3,205
78,563 shares issued on exercise of employee stock options	—	(628)	—	2,120	1,492
Cash dividends	—	—	(2,573)	—	(2,573)
Balance December 31, 1980	$15,394	$ 463	$435,421	$(90,515)	$360,763

See accompanying notes

Notes to Consolidated Financial Statements

1. ACCOUNTING POLICIES

Principles of Consolidation—The consolidated financial statements include the accounts of all significant subsidiaries.

Property, Plant and Equipment-Depreciation—Depreciation has generally been computed on the straight-line method for financial accounting purposes and on accelerated methods (declining balance at 150% and 200% of straight-line rates) for tax purposes. Estimated useful lives for major categories are as follows:

	Years
Buildings and improvements	10-50
Broadcasting equipment	4-8
Printing machinery and equipment	5-10
Cable television plant	10

Leaseholds and improvements are amortized over the terms of the leases. Maintenance and repairs are charged to income as incurred, and expenditures for renewals and betterments are capitalized.

The cost of property retired or otherwise disposed of and the accumulated depreciation thereon are eliminated from the property and related accumulated depreciation accounts; the resulting gain or loss is reflected in income.

Cable Television—Certain preoperating costs incurred by cable television systems have been deferred in accordance with the policy prescribed by the *American Institute of Certified Public Accountants in Statement of Position 79-2*, "Accounting by Cable Television Companies." Such deferrals have been capitalized as part of cable television plant.

Intangible Assets—Intangible assets consist of amounts by which the cost of acquisitions exceeded the values assigned to net tangible assets. In accordance with *Accounting Principles Board Opinion No. 17*, certain intangible assets are being amortized over 40-year periods.

Marketable Equity Securities—Marketable equity securities are carried at the lower of cost or aggregate market value. Temporary unrealized declines in aggregate market value below cost would be charged to stockholders' equity; permanent declines would be charged to income.

Film Contract Rights—Film contract rights and the related liabilities are recorded at full contract prices when available for use. The costs are charged to income on accelerated bases related to the terms of the contracts or the usage of the films.

Unearned Subscription Revenue—Subscription revenue is recorded as earned over the life of the subscriptions. Costs in connection with the procurement of subscriptions are charged to expense as incurred.

Investment Tax Credit—The investment tax credit is taken into income currently as a reduction of the provision for Federal income tax.

Inventories—Inventories, primarily of newsprint and other paper stock, are valued at the lower of cost (last-in first-out) or market.

2. ACQUISITIONS

Publishing

During 1980, the Company acquired all of the outstanding stock of Pennypower Shopping News, Inc., publisher of three weekly shopping guides; Shore Line Newspapers, Inc., publisher of nine weekly newspapers and shopping guides; The Professional Press, Inc., publisher of five ophthalmic journals; and the remaining 75% of the Democrat-Herald Publishing Company (Democrat-Herald) which publishes two daily newspapers, six weekly newspapers and two stamp collector publications in Oregon. In a prior year the Company had acquired 25% of the Democrat-Herald.

The aggregate purchase price for the 1980 publishing acquisitions was $32,890,000; $29,358,000 in cash, and $3,834,000 in notes issued and assumed. Included in the purchases were $6,956,000 of fixed assets, $29,505,000 of intangibles and $148,000 of other net long-term liabilities. The 1980 purchase price excludes the carrying value of the 25% equity investment in the Democrat-Herald previously acquired, in the amount of $3,423,000.

Cable Television

During 1980, the Company entered the cable television business by acquiring majority interests in seven cable television companies with undeveloped franchises. At December 31, 1980, a portion of one system had begun service with the others still under construction. On November 13, 1980, the Company entered into an agreement to acquire all of the outstanding common stock and other equity securities of Cablecom-General, Inc., a subsidiary of RKO-General, Inc., for approximately $139,200,000. Cablecom-General, Inc., owns and operates 43 cable television systems in 12 states. Unless otherwise extended, and subject to receipt of the required approvals of the Federal Communications Commission, the closing date of the merger will be not later than July 15, 1981.

Consolidated Notes to Financial Statements—(Continued)

3. EMPLOYEES' PROFIT SHARING AND PENSION PLANS

The Company has qualified profit-sharing plans for certain employees. The plans provide for contributions by the Company in such amounts as the Board of Directors may annually determine. Such contributions charged to expense in 1980, 1979 and 1978 were $3,174,000, $2,530,000 and $2,370,000, respectively.

Other employees, not covered by the profit-sharing plans, are covered by Company noncontributory pension plans. In connection with these plans, contributions of $1,735,000, $1,503,000 and $1,235,000 were charged to expense in 1980, 1979 and 1978, respectively. Provision is made for normal cost and amortization of prior service costs over periods of 30 years. The Company's policy is to fund the amounts expensed.

A comparison of accumulated plan benefits and plan net assets for the Company's pension plans is presented below (000's omitted):

	January 1, 1980	January 1, 1979
Actuarial present value of accumulated plan benefits:		
Vested	$36,072	$34,829
Nonvested	1,126	991
	$37,198	$35,820
Net assets available for benefits	$37,310	$34,542

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 6½% for 1980 and 1979.

4. INCOME TAXES

The provision for income taxes differs from the amount of tax determined by applying the Federal statutory rate for the following reasons (000's omitted):

	1980 Amount	1980 %	1979 Amount	1979 %	1978 Amount	1978 %
Income before taxes multiplied by statutory Federal income tax rate	$63,656	46.0%	$57,434	46.0%	$53,200	48.0%
State and local income taxes, net of Federal income tax benefit	4,266	3.1	4,320	3.5	3,432	3.1
Amortization of intangible assets	1,594	1.2	1,415	1.1	1,437	1.3
Investment tax credit	(1,100)	(.8)	(1,500)	(1.2)	(800)	(.7)
Other, net	(816)	(.6)	(569)	(.5)	(469)	(.5)
	$67,600	48.9%	$61,100	48.9%	$56,800	51.2%

Pursuant to Section 1071 of the Internal Revenue Code, the Federal Communications Commission issued a tax certificate to the Company in connection with the 1971 sale of television station WTEN, Albany, New York, deferring taxes of approximately $5,100,000 until disposition of the replacement television station. In 1977, an extraordinary gain on an exchange of securities gave rise to a provision for deferred income taxes of $1,700,000. The remaining deferred taxes of approximately $2,625,000 at December 31, 1980, result primarily from the excess of tax over financial accounting depreciation offset by deferred compensation.

5. EXTRAORDINARY GAIN

In August 1980, the Company sold its investment in New York Subways Advertising Co., Inc., an unconsolidated affiliate, which resulted in a gain of $4,130,000 less applicable taxes of $1,700,000, for an extraordinary gain of $2,430,000.

6. INCOME PER SHARE

The calculation of average shares of stock used in the computation of income per share for 1980, 1979 and 1978 is included in the Selected Financial Data on page 24.

On June 12, 1978, the Board of Directors declared a two-for-one stock split, effected in the form of a stock dividend to shareholders of record July 3, 1978.

7. MARKETABLE EQUITY SECURITIES

Marketable equity securities were carried at an aggregate cost of $11,649,000 and had an aggregate market value of $17,270,000 and $14,598,000 at December 31, 1980 and 1979, respectively. Included therein, at December 31, 1980 and 1979, were 394,570 shares of St. Regis Paper Company carried at a cost of $10,184,000 with a market value of $13,613,000 and $11,936,000, respectively.

8. INTANGIBLE ASSETS

The Company's intangible assets consist of the excess of purchase price paid over the fair market value of tangible assets of acquired broadcasting and publishing properties. These intangible assets represent broadcasting licenses, network affiliation contracts and effective economic publishing franchises, all of which may be characterized as scarce assets, with very long and productive lives. Such assets have historically increased in value with the passage of time. In accordance with *Accounting Principles Board Opinion No. 17*, those intangible assets acquired subsequent to 1970 are being amortized over periods of 40 years, even though, in the opinion of Management, there has been no diminution of value of the respective properties. At December 31, 1980, the Company's intangible assets were as follows (000's omitted):

	Total	Broadcasting	Publishing
Intangible assets not subject to amortization	$127,799	$107,083	$ 20,716
Intangible assets required to be amortized	152,971	9,284	143,687
	280,770	116,367	164,403
Accumulated amortization	(14,025)	(1,426)	(12,599)
	$266,745	$114,941	$151,804

The Publishing Division intangible assets required to be amortized includes $29,505,000 related to 1980 acquisitions.

9. NOTES PAYABLE

Notes payable at December 31, 1980, are as follows (000's omitted):

	Total	Banks	Other
Payable during:			
1981 (current year)	$20,130	$10,800	$ 9,330
1982	14,600	10,800	3,800
1983	11,269	10,800	469
1984	10,824	10,800	24
1985	1,844	1,800	44
	$58,667	$45,000	$13,667

Under terms of the bank loan agreement dated February 15, 1977, the Company is limited in paying cash dividends and purchasing its capital stock to $40,000,000 plus, in the aggregate, 33⅓% of consolidated income before extraordinary gains subsequent to January 1, 1977. As of December 31, 1980, unrestricted retained earnings under the loan agreement were $31,974,000. The loan agreement also provides that the Company must maintain a ratio of current assets to current liabilities of 1.0 to 1.0 and stockholders' equity of at least $250,000,000. The bank debt bears interest at 8.2% and all other notes payable bear interest at a weighted average of 6.9%.

In December 1980, the Company entered into a bank revolving credit loan agreement under which it may borrow up to $100,000,000 until January 1985, at which time the outstanding balance is convertible into a term loan payable over the following four years. The loan will bear interest approximating the prime rate. The agreement requires a commitment fee of ½ of 1% of the unused portion of the available credit. The agreement was entered into to finance the acquisition of Cablecom-General, Inc. (see Note 2).

10. BUSINESS SEGMENT DATA

The Company's business segment data for 1980, 1979 and 1978 is presented on page 27.

Consolidated Notes to Financial Statements—(Continued)

11. STOCK OPTION AND PURCHASE PLANS

The Company has stock option plans under which certain key personnel have been given the right to purchase shares of common stock over an 11-year period from the date of grant at prices equal to market value on the grant date. Each option is cumulatively exercisable as to 25% of the total shares represented thereby for each of the first four years after grant, provided that the individual remains in the employ of the Company.

The following information pertains to the Company's stock option plans:

	1980	1979	1978
Outstanding options, beginning of year	498,963	507,369	524,428
Authorized	—	—	—
Granted	133,250	14,000	6,000
Cancelled or expired	(7,500)	(1,555)	(502)
Exercised	(78,563)	(20,851)	(22,557)
Outstanding options, end of year	546,150	498,963	507,369
Average price of options exercised during the year	$14.36	$14.28	$14.52
Exercise price of outstanding options, end of the year	$9.13 to $63.88	$9.13 to $40.56	$9.13 to $28.31
Options exercisable, end of year	391,775	447,663	412,467
Options available for future grant	54	132,804	145,554

In May 1977, the Company's stockholders approved an Employee Stock Purchase Plan which provides for the issuance of a maximum of 600,000 shares during a five-year period ending in March 1982. The Plan provides that eligible employees, through contributions of up to 15% of their salary, may purchase shares at 85% of the lower of fair market value at the Grant Date or at the Purchase Date (normally one year subsequent). Employees purchased 93,080, 116,977 and 102,744 shares under the Plan in 1980, 1979 and 1978, respectively.

12. COMMITMENTS

The Company has entered into agreements for future delivery of syndicated and feature film programming for its television stations, which aggregate $5,570,000, payable from 1981 through 1991.

The Company anticipates 1981 capital expenditures for property, plant and equipment will be approximately $40,000,000, of which $12,000,000 was firmly committed at December 31, 1980.

The Company has no material lease commitments.

13. SUPPLEMENTARY INFORMATION ON THE EFFECTS OF CHANGING PRICES (Unaudited)

The following supplementary data is presented pursuant to the requirements of the *Financial Accounting Standards Board Statement No. 33 Financial Reporting and Changing Prices (FAS No. 33).* This statement requires two supplementary computations of operating results; one based on the effect of general inflation as measured by the Consumer Price Index for All Urban Consumers ("constant dollar") and the other based on the effect of the changes in specific prices of inventories and property, plant and equipment used in the operations of the Company ("current cost").

The constant dollar method measures the impact of general inflation by adjusting historical financial data to dollars of equal purchasing power (average 1980 dollars).

The current cost method reflects the changes in specific costs of the Company's assets from the dates they were originally acquired to the present. Current costs for the Company's property, plant, and equipment and inventories were determined by reference to recent vendors' quotations, invoice prices or independent appraisals. These current costs represent estimates for existing assets, without regard to technological improvements and efficiencies which generally result from normal replacement. The current costs reported, while believed to be reasonable, are subjective and do not necessarily represent amounts for which the assets could be disposed.

In the accompanying data, the 1980 Statement of Income restates depreciation expense for general inflation and changes in specific prices. The effect of revaluing inventories on the supplementary Statement of Income is not material. No adjustment has been made to the actual provision for income taxes because FAS No. 33 does not permit the recognition of tax benefit arising from the pro forma effects of general inflation.

During periods of inflation, a net monetary liability position results in a gain of purchasing power because obligations will be repaid with dollars having less purchasing power than when the liabilities were incurred. The Company's net monetary liabilities are the excess of its payables and other debt over certain assets which include cash, cash investments and receivables. The gain in purchasing power shown is part of the overall effect of inflation on the Company's operations. However, since this gain does not represent a receipt of funds, it should not be considered as providing funds in the current period for distribution or reinvestment.

The unaudited supplementary data presented must be viewed with caution, as must any other analytical data that subjectively attempts to reflect the inflationary factors affecting the Company. Therefore, the Company has not concluded that this presentation, made in compliance with FAS No. 33, is or is not a fair representation of the impact of inflation upon the Company.

STATEMENT OF INCOME ADJUSTED FOR CHANGING PRICES
Years ended December 31, 1980 and 1979
(in thousands of average 1980 dollars)

	1980	1979
Income before extraordinary gain	$70,783	$72,380
Adjustment to restate depreciation for the effect of general inflation	(5,391)	(4,298)
Income before extraordinary gain adjusted for general inflation	65,392	68,082
Adjustment to restate depreciation for the difference between general inflation and changes in specific prices (current cost)	(3,707)	(4,223)
Income before extraordinary gain adjusted for changes in specific prices	$61,685	$63,859
Gain from decline in purchasing power of net monetary liabilities	$ 5,605	$ 9,022
Increase in value of inventories and property, plant and equipment:		
Due to general inflation	$18,741	$19,610
Due to changes in current cost	14,755	20,080
Increase due to general inflation over (under) increase due to changes in current cost	$ 3,986	$ (470)

At December 31, 1980 and 1979, the current cost of inventories was $10,427 and $7,779 respectively, and the current cost of net property, plant and equipment was $164,321 and $140,448, respectively.

FIVE-YEAR COMPARISON OF SELECTED SUPPLEMENTARY FINANCIAL DATA ADJUSTED FOR EFFECTS OF CHANGING PRICES
(Average 1980 dollars in thousands except per share data)

	1980	1979	1978	1977	1976
Net revenues	$472,108	$470,997	$464,141	$416,291	$307,113
CONSTANT DOLLAR INFORMATION:					
Income before extraordinary gain	$65,392	$68,082			
Income per share before extraordinary gain	$4.97	$5.00			
Net assets at year-end	$410,949	$347,677			
CURRENT COST INFORMATION:					
Income before extraordinary gain	$61,685	$63,859			
Income per share before extraordinary gain	$4.69	$4.69			
Increase in value of inventories and property, plant, and equipment due to general inflation over (under) increase due to changes in current cost	$3,986	$(470)			
Net assets at year-end	$420,119	$370,290			
OTHER INFORMATION:					
Gain from decline in purchasing power of net monetary liabilities	$5,605	$9,022			
Cash dividends per share	$0.20	$0.22	$0.22	$0.14	$0.14
Market price per share at year-end	$56.11	$52.20	$48.20	$39.86	$39.92
Average Consumer Price Index (1967=100)	246.8	217.4	195.4	181.5	170.5
HISTORICAL FINANCIAL INFORMATION *(Dollars in thousands except per share data):*					
Net revenues	$472,108	$414,890	$367,476	$306,146	$212,167
Income before extraordinary gain	$70,783	$63,758	$54,033	$43,234	$35,620
Income per share before extraordinary gain	$5.38	$4.68	$3.80	$2.91	$2.30
Net assets at year-end	$360,763	$300,179	$259,691	$236,834	$208,501
Cash dividends per share	$0.20	$0.20	$0.175	$0.10	$0.10
Market price per share at year-end	$58.75	$48.63	$39.63	$30.00	$28.25

Consolidated Notes to Financial Statements—(Continued)

14. QUARTERLY FINANCIAL DATA (Unaudited)

The results for each quarter of 1980 and 1979 are as follows (000's omitted except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1980					
Net revenues	$106,726	$120,502	$113,886	$130,994	$472,108
Costs and expenses	77,236	80,817	84,958	91,722	334,733
Operating income	29,490	39,685	28,928	39,272	137,375
Interest expense	(1,452)	(1,497)	(1,194)	(1,303)	(5,446)
Other income	1,973	1,917	1,244	1,320	6,454
Income before income taxes	30,011	40,105	28,978	39,289	138,383
Income taxes	14,900	19,500	13,900	19,300	67,600
Income before extraordinary gain	15,111	20,605	15,078	19,989	70,783
Extraordinary gain, net of taxes	—	—	2,430	—	2,430
Net income	$ 15,111	$ 20,605	$ 17,508	$ 19,989	$ 73,213
Net income per share:					
Income before extraordinary gain	$1.14	$1.57	$1.15	$1.52	$5.38
Extraordinary gain	—	—	.18	—	.18
Net income	$1.14	$1.57	$1.33	$1.52	$5.56
1979					
Net revenues	$ 89,795	$108,447	$101,539	$115,109	$414,890
Costs and expenses	66,582	71,909	72,223	78,523	289,237
Operating income	23,213	36,538	29,316	36,586	125,653
Interest expense	(1,833)	(1,730)	(1,653)	(1,619)	(6,835)
Other income	1,990	1,344	1,237	1,469	6,040
Income before income taxes	23,370	36,152	28,900	36,436	124,858
Income taxes	11,400	17,800	14,100	17,800	61,100
Net income	$ 11,970	$ 18,352	$ 14,800	$ 18,636	$ 63,758
Net income per share	$.87	$1.33	$1.09	$1.39	$4.68

15. COMMON STOCK AND STOCKHOLDER INFORMATION (Unaudited)

	1980		1979	
Price Range	High	Low	High	Low
1st quarter	$49¾	$40	$44	$36¾
2nd quarter	54½	42	42	37
3rd quarter	72	51	49¼	39¼
4th quarter	67¾	57	49⅞	41⅜

As of January 31, 1981, the approximate number of holders of common stock was 4,400. Dividends of $.05 per share have been paid every quarter for the last two years. For restrictions on the Company's ability to pay dividends, see Note 9 of notes to the consolidated financial statements. The common stock is traded on the New York Stock Exchange.

ARTHUR YOUNG

ARTHUR YOUNG & COMPANY
277 PARK AVENUE
NEW YORK, NEW YORK 10172

The Board of Directors and Shareholders
Capital Cities Communications, Inc.

We have examined the accompanying consolidated balance sheet of Capital Cities Communications, Inc. at December 31, 1980 and 1979, and the related consolidated statements of income, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Capital Cities Communications, Inc. at December 31, 1980 and 1979, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1980, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

February 18, 1981

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 31, 1980 | **Commission file number 1-4278**

Capital Cities Communications, Inc.

(Exact name of registrant as specified in its charter)

New York State	**14-1284013**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
485 Madison Avenue, New York, N.Y.	**10022**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code (212) 421-9595

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

(Title of each class)	**(Name of each exchange on which registered)**
Common stock, $1.00 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

The aggregate market value of the voting stock held by non-affiliates of the registrant is $823,400,000 as of February 28, 1981.

The number of shares outstanding of the issuer's common stock as of March 16, 1981: 12,911,096 shares, excluding 2,482,400 treasury shares.

Portions of Part I are incorporated herein by reference to the 1980 Annual Report to Shareholders and a definitive Proxy Statement for the annual meeting of shareholders on May 6, 1981.

Part II and Part IV with the exception of certain schedules and exhibits are incorporated herein by reference to the 1980 Annual Report to Shareholders.

Part III is incorporated herein by reference to a definitive Proxy Statement for the annual meeting of shareholders on May 6, 1981.

PART I

Item 1. *Business.*

Capital Cities Communications, Inc. (the "Company") has been engaged in radio broadcasting since 1947, in television broadcasting since 1953, in publishing since 1968 and in cable television beginning in 1980. The Company has approximately 6,320 employees: 5,170 engaged in its publishing operations, 1,090 engaged in broadcasting and 60 engaged in cable television.

Industry Segments

Information relating to the industry segments of the Company's operations is included on page 27 of the Company's Annual Report to Shareholders and is hereby incorporated by reference. The Company derives all broadcasting revenues and more than 80% of its publishing revenues from the sale of advertising. Subscription and other circulation receipts from publishing constitute the only other material source of revenue.

Publishing

The Company publishes 30 business and specialized publications, nine daily newspapers in seven markets, and a number of weekly community newspapers and shopping guides. Following is a summary by type of publication of inches or pages of advertising, advertising revenue and circulation revenue for the five years ending December 31, 1980 (000's omitted except pages of advertising):

	Actual					Pro Forma(a)
	1980	1979	1978	1977	1976	1980
Inches or pages of advertising						
Newspapers (inches)(b)	16,729	14,899	14,113	12,048	8,054	14,419
Specialized newspapers (inches)	1,764	1,725	1,550	1,488	1,366	1,764
Specialized magazines (pages)	5,889	4,562	5,211	5,337	2,027	5,189
Advertising revenue						
Newspapers(c)	$168,651	$151,429	$132,118	$102,643	$42,493	$162,574
Specialized newspapers	67,402	60,955	52,338	45,785	39,666	67,402
Specialized magazines	11,827	9,681	10,680	10,320	3,514	11,264
Shopping guides	5,887	—	—	—	—	—
Circulation revenue						
Newspapers	$ 30,179	$ 23,424	$ 21,965	$ 18,761	$ 9,592	$ 29,289
Specialized publications	13,915	12,644	10,999	10,985	9,339	13,557

(a) Excludes 1980 acquisitions.

(b) Does not include inserts.

(c) Includes inserts.

Specialized Publications

The Specialized Publications Group is primarily engaged in gathering and publishing business news and ideas for industries covered by its various publications, all of which are printed by outside printing contractors. Following are the publications:

Title	Frequency	Circulation
Fairchild Publications		
Newspapers		
Women's Wear Daily	Daily	65,000
Daily News Record	Daily	25,000
American Metal Market	Daily	15,000
HFD—Retailing Home Furnishings	Weekly	36,000
Energy User News	Weekly	16,000
Footwear News	Weekly	23,000
Supermarket News	Weekly	59,000
Electronic News	Weekly	72,000
Metalworking News	Weekly	30,000
MIS Week	Weekly	104,000(1)
Multichannel News	Weekly	10,000(1)
W	Biweekly	185,000
SportStyle	Semimonthly	30,000(1)
Entrée	Monthly	14,000(1)
Magazines		
Men's Wear	Semimonthly	20,000
Metal/Center News	Monthly	13,000(1)
Home Fashions Textiles	Monthly	13,000(1)
Heat Treating	Monthly	21,000(1)
International Medical News Group		
Family Practice News	Semimonthly	69,000(1)
Internal Medicine News	Semimonthly	58,000(1)
Ob. Gyn. News	Semimonthly	25,000(1)
Pediatric News	Monthly	25,000(1)
Clinical Psychiatry News	Monthly	29,000(1)
Skin & Allergy News	Monthly	32,000(1)
Aches & Pains	Monthly	100,000(1)
Professional Press Group	Monthly	84,000

(1) Controlled circulation.

Daily Newspapers

		Year of Acquisition	Circulation(1) Daily	Sunday
The Oakland Press (Pontiac, Mich.)	Evening	1969	73,000	75,000
News-Democrat (Belleville, Ill.)	Afternoon	1972	41,000	43,000
Fort Worth Star-Telegram	Morning	1974	98,000	257,000
Fort Worth Star-Telegram	Evening	1974	135,000	
The Kansas City Times	Morning	1977	298,000	
The Kansas City Star	Evening	1977	256,000	399,000
The Wilkes-Barre Times Leader	All-day	1978	(2)	
Albany Democrat-Herald (Albany, Oregon)	Evening	1980	20,000	
The Daily Tidings (Ashland, Oregon)	Evening	1980	6,000	

(1) Total average paid circulation per the Audit Bureau of Circulation statement for the six months ended September 30, 1980.

(2) This paper was struck by various unions on October 6, 1978 and is currently being published under strike conditions. Circulation prior to the strike was 69,000.

Weekly Newspapers and Shopping Guides

The Company publishes weekly community newspapers and distributes shopping guides in six states. They include six weekly newspapers in Oregon, nine in Connecticut and *The Arlington Citizen-Journal*, in Arlington, Texas, with aggregate circulation of 43,000, 85,000 and 39,000, respectively. Five shopping guides are distributed in Wichita and Topeka, Kansas; Springfield, Missouri; Tulsa, Oklahoma; and Dallas, Texas, with an aggregate weekly circulation of 600,000.

In addition, the Company publishes, in Oregon, two magazines for stamp collectors with a combined circulation of 32,000.

Competition

The specialized publication business is highly competitive. In its various news publishing activities it competes with almost all other information media, and this competition may become more intense as communications equipment is improved and new techniques are developed. Many metropolitan general newspapers and small-city or suburban papers carry business news. In addition to special magazines in the fields covered by these publications, general news magazines publish substantial amounts of business material. Nearly all of these publications seek to sell advertising space and much of this effort is directly or indirectly competitive with the Company's specialized publications.

The Company's newspapers and shopping guides compete with other advertising media such as broadcasting stations, magazines and billboards. Additionally, *The Oakland Press,* the *News-Democrat,* the *Citizen-Journal,* the *Gresham Outlook* (Oregon) and the *Shore Line Times* (Connecticut) papers serve suburban areas adjacent to metropolitan centers and compete with newspapers published there.

Raw Materials

The primary raw material used by the publishing division is newsprint. Newsprint and other paper stock for the specialized publications is mostly furnished by the contract printers. Newsprint is readily available from numerous suppliers. The Company's newspapers purchase their newsprint from various suppliers as follows:

	Number of suppliers	Share furnished by largest supplier
The Kansas City Star/Times	7	22%
Fort Worth Star-Telegram	5	36%
The Oakland Press	3	36%
News-Democrat	4	40%
The Arlington Citizen-Journal	2	84%
The Wilkes-Barre Times Leader	6	27%
Shore Line Newspapers	2	67%
Democrat-Herald Group	4	41%

Broadcasting

The Company presently owns and operates five high frequency (VHF) television stations, one ultra high frequency (UHF) television station, seven standard (AM) radio stations and six frequency modulation (FM) radio stations. Market locations, frequencies, transmitter power and other station details are set forth below:

Television stations owned

Stations and locations	Channel	Expiration date of FCC authorization	Network affiliation	Expiration date of network affiliation(1)
WPVI-TV Philadelphia, Pennsylvania	6	(2)	ABC	Aug. 15, 1981
KTRK-TV Houston, Texas	13	Aug. 1, 1983	ABC	Apr. 2, 1981
WKBW-TV Buffalo, New York	7	June 1, 1981	ABC	July 2, 1982
WTNH-TV New Haven, Connecticut	8	Apr. 1, 1981	ABC	Jan. 1, 1983
WTVD Durham, North Carolina	11	Dec. 1, 1981	CBS	Sept. 11, 1981
KFSN-TV Fresno, California	30	Dec. 1, 1983	CBS	Feb. 28, 1982

Radio stations owned

Stations and locations	Frequency AM-Kilohertz FM-Megahertz	Power AM-Watts FM-Kilowatts	Expiration date of FCC authorization	Network affiliation(1)
KZLA Los Angeles, California	1540 K	50,000 Day 10,000 Night	(2)	None
WJR Detroit, Michigan	760 K	50,000	Oct. 1, 1982	NBC(3)
WPAT Paterson, New Jersey (Metropolitan New York)	930 K	5,000	(2)	None
WBAP Fort Worth, Texas	820 K	50,000	Aug. 1, 1983	NBC(3)
WKBW Buffalo, New York	1520 K	50,000	June 1, 1981	None
WPRO Providence, Rhode Island	630 K	5,000	Apr. 1, 1981	None
WROW Albany, New York	590 K	5,000 Day 1,000 Night	June 1, 1981	CBS(3)
WPAT-FM Paterson, New Jersey (Metropolitan New York)	93.1 M	12.5	June 1, 1981	None
WJR-FM Detroit, Michigan	96.3 M	50	Oct. 1, 1982	None(3)
KSCS-FM Fort Worth, Texas	96.3 M	100	Aug. 1, 1983	None(3)
WPRO-FM Providence, Rhode Island	92.3 M	39	(2)	None
WROW-FM Albany, New York	95.5 M	8.3	June 1, 1981	None(3)
KZLA-FM Los Angeles, California	93.9 M	49	Dec. 1, 1983	None

(1) Although FCC regulations prevent network contracts from having terms of more than two years, such regulations permit successive renewals which are routinely granted.

(2) Regular renewal of the license of these stations has been delayed as described under *Renewal Matters* on page K-7 of this report.

(3) Network affiliation agreements of WJR, WBAP and WROW expire on October 31, 1981, January 1, 1983 and December 30, 1982, respectively. CBS and NBC permit an FM station to duplicate programming covered under agreement with an associated AM station.

Competition

The Company's television and radio stations are in competition with other television and radio stations, as well as other advertising media such as newspapers, magazines and billboards.

Competition in the television broadcasting industry occurs primarily in individual market areas. Generally, a television broadcasting station in one market does not compete with other stations in other market areas, nor does a group of stations, such as those owned by the Company, compete with any other group of stations as such. While the pattern of competition in the radio broadcasting industry is basically the same, it is not uncommon for radio stations outside of a market area to place a signal of sufficient strength within that area (particularly during nighttime hours) to gain a share of the audience.

In addition to management and experience, factors which are material to competitive position include authorized power allowance, assigned frequency, network affiliation, and local program acceptance, as well as strength of local competition.

Under present regulations of the Federal Communications Commission ("FCC") no additional VHF television commercial stations may be constructed or operated in any of the cities where the Company's television stations are located. However, as discussed below, the FCC has initiated a proceeding which could result in the assignment of additional VHF channels to several of those cities.

There are sources of television service other than conventional television stations. The most common at present is community antenna television ("CATV"). CATV can provide more competition for a station by making additional signals available to its audience. In 1972, the FCC adopted rules intended to facilitate the development of CATV while avoiding undue competitive impact on the basic structure of television broadcasting. Those rules, and the policies underlying them, however, have been modified by the FCC in ways intended to eliminate restrictions on CATV, and the modifications themselves are being challenged in the courts. No prediction can be made as to the extent to which CATV systems bringing additional signals into the markets of the Company's stations will develop. In addition some CATV systems have begun supplying programming that is not available on conventional television stations. See "Licenses—Federal Regulation of Broadcasting—CATV and Other Television Services" for a discussion of CATV, pay cable and subscription television.

Licenses—Federal Regulation of Broadcasting

Television and radio broadcasting are subject to the jurisdiction of the FCC under the Communications Act of 1934, as amended (the "Communication Act"). The Communications Act empowers the FCC, among other things, to issue, revoke or modify broadcasting licenses, to determine the location of stations, to regulate the equipment used by stations, to adopt such regulations as may be necessary to carry out the provisions of the Communications Act and to impose certain penalties for violation of such regulations.

Renewal Matters

Broadcasting licenses may be granted for a maximum period of three years and are renewable for additional three-year periods upon application for renewal. During certain periods when a renewal application is pending, competing applicants may file for the frequency in use by the renewal applicant. Competing applicants may be entitled to a comparative hearing in competition with the renewal applicant. No competing applications have been filed against any of the Company's stations.

In addition, petitions to deny applications for renewal of license may be filed during certain periods following the filing of such applications. In recent years, representatives of various community groups and others have filed increasing numbers of petitions to deny renewal applications of broadcasting stations, including some of the Company's stations.

On June 30, 1978, the New Jersey Coalition for Fair Broadcasting petitioned the Federal Communications Commission to deny the application for renewal of the license of WPVI-TV, Philadelphia. The Governor of New Jersey and the New Jersey Department of the Public Advocate filed petitions in support of the Coalition. Similar petitions were filed during 1978 with respect to most of the VHF television licensees in Philadelphia and New York. The petitions allege that the licensees have failed to fulfill special obligations to provide service to New Jersey that have been imposed by the FCC on the Philadelphia and New York City stations. The Company has opposed the petitions. The FCC has decided that WPVI-TV has met its past New Jersey service commitments, but is considering whether those commitments should be expanded to include establishment of an office and news bureau in New Jersey. The Company has submitted to the FCC its proposal to establish an office and news bureau in Trenton. Action on the WPVI-TV renewal application has been deferred pending the FCC's consideration of the proposal and the response thereto by the Coalition, which criticizes the proposals in some respects.

The FCC has also initiated rulemaking to consider various ways in which television service generally to New Jersey may be increased, including adding six new UHF television channel assignments to the State, waiver of existing subscription television rules to permit establishment of several over-the-air subscription stations in New Jersey, authorization of certain "low power" facilities to serve communities in the State, and possible transfer of one of the New York City VHF assignments to northern New Jersey.

In addition to the foregoing renewal matter, WPAT-AM's application for renewal is being deferred pending satisfactory completion of work pursuant to a construction permit allowing it to relax restrictions on its nighttime radiation pattern. Renewal of the license of KZLA-AM has been delayed pending completion of technical changes to its facilities. Regular renewal of the license of WPRO-FM has been delayed pending FCC resolution of a dispute concerning interference to a television station, allegedly caused by a power increase granted to WPRO-FM in 1972. It is not possible to predict how these engineering matters will be resolved. However, it is believed to be improbable that any of them would be resolved in a way that would have serious adverse effects on the operations of those stations.

Ownership Matters

The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior approval of the FCC, and prohibits the Company from having any officer or director who is an alien, and from having more than one-fifth of its stock owned by aliens or a foreign government.

The FCC's "multiple ownership" rules provide, in general, that a license for a radio or television station will not be granted if the applicant owns, or has a substantial interest in, another station of the same type which provides service to areas already served by the station operated or controlled by the applicant. These rules further provide that a broadcast license to operate a radio or television station will not be granted if the grant of the license would result in a concentration of control of broadcasting. The rules provide that a presumption of such concentration of control arises in the event that an entity directly or indirectly owns or has an interest in more than seven AM radio stations, more than seven FM radio stations, or more than seven television stations, of which no more than five may be VHF. The Company now owns seven AM radio stations, six FM radio stations and six television stations, of which five are VHF.

In addition, the FCC will not grant applications for station acquisitions which would result in the creation of new AM-VHF or FM-VHF combinations in the same market under common ownership. New combinations of AM-FM stations in the same market under common ownership are permitted. However, the Commission has indicated that it intends to initiate a rulemaking proceeding to consider whether to continue to permit commonly owned AM-FM combinations. Until that proceeding is completed, the Commission has also indicated that licensees creating new AM-FM combinations do so subject to the possibility that they may be required to divest one or the other of the stations.

Combinations of UHF television stations with AM stations, FM stations or AM-FM combinations in the same market are not currently prohibited under the rules but will be considered by the FCC on a case-by-case basis. However, the Commission is proposing a rule to eliminate this "UHF exception," and will not grant applications inconsistent with the proposed rule during the pendency of that proceeding.

Furthermore, under the FCC's rules, radio and/or television licensees may not acquire new ownership interests in daily newspapers published in the same markets served by their broadcast stations. Finally, FCC rules also prohibit a television licensee from owning CATV systems in communities which are within the service contours of its television stations. Under these rules, the Company would generally be barred from making acquisitions or sales which would result in the creation of new combinations, or maintenance of existing combinations, inconsistent with the rules.

The Company presently owns one AM-VHF combination, WKBW-AM and WKBW-TV, Buffalo. In addition, the Company presently owns daily newspapers in two markets in which it also holds radio licenses. For purposes of these rules, *The Oakland Press* and WJR-AM and WJR-FM, licensed to Detroit, are treated as in the same market, as are the *Fort Worth Star-Telegram* and WBAP-AM and KSCS-FM, licensed to Fort Worth. Under the rules, therefore, these commonly owned broadcast and broadcast/newspaper combinations could not be transferred together. The Company has acquired certain CATV systems and, as described more fully in the section entitled "Cable Television Systems—Recent Developments," is seeking to acquire Cablecom-General, Inc. ("Cablecom"), a company with substantial CATV holdings. None of Cablecom's interests would, if acquired by the Company, violate the TV/CATV rules. However, the rules would prohibit the Company from acquiring CATV systems or franchises in communities within the service contours of its television stations.

The FCC has adopted a rule prohibiting acquisitions that would result in common ownership of three broadcast stations, any two of which are licensed in cities within 100 miles of the third, if the service contours of the stations (as defined by the FCC) overlap. For purposes of this rule, commonly owned AM and FM stations licensed in cities no more than 15 miles apart are treated as one entity. Under the current rules, combinations otherwise covered by the rule that include UHF television stations are not prohibited, but will be considered by the FCC on a case-by-case basis. However, the Commission's proposal to eliminate the "UHF exception" also applies to this rule, and no applications inconsistent with the proposal will be acted on until the rulemaking proceeding has been completed. The Company's broadcast holdings are consistent with the rule, but the rule could affect subsequent acquisitions.

Except as discussed below, the FCC's rules specify that power to vote or control the vote of 1% or more of the stock of a publicly-held licensee (*i.e.*, a licensee with 50 or more stockholders) is the test for determining whether an entity should have the licensee's broadcast stations or newspapers attributed to it for purposes of the multiple ownership rules. However, the FCC's rules permit a qualifying mutual fund to vote or control the vote of up to 5% of the stock of a publicly-held broadcast licensee before the licensee's stations will be attributed to the mutual fund. The rules also permit insurance companies or banks holding stock in their trust departments to vote or control the vote of up to 5% of the stock of a publicly-held licensee before the licensee's stations are attributed to them, provided that such insurance companies or banks do not exercise any control over the management or policies of the publicly-held broadcast company or companies in which they hold in excess of 1% of the stock.

The FCC has indicated that it is considering rules which would permit certain categories of passive shareholders to own up to 10% of the shares of broadcast stations and newspapers which could not be commonly controlled under the rules. At the same time, the FCC has begun a proceeding to consider whether it should treat certain other ownership interests which do not include the power to vote or control the vote of stock of a licensee as also triggering the multiple ownership attribution rules. Among the interests being considered are beneficial interests in trusts (where the power to vote resides in the trustee), preferred stock interests, and various kinds of debt interests. The Company cannot predict the outcome of these proceedings.

CATV and Other Television Services

As noted above, CATV can provide more competition to a television station by making additional signals available to its audience. FCC rules currently require CATV systems to carry the signals of the television stations in whose service areas they operate, and protect local network-affiliated stations' exclusive rights to broadcast network programming against the simultaneous broadcast of the programming on distant stations carried by CATV systems operating in their service areas.

The FCC has recently decided to eliminate other rules restricting CATV importation of signals of distant non-network, independent stations into a market and its related rules protecting stations' rights to exclusive exhibition of syndicated programming in their markets. The FCC's decisions to eliminate these rules, which have been appealed to the courts, will permit CATV systems operating in markets served by the Company's television stations to transmit into those markets signals of additional independent stations, as well as syndicated programming against which the stations could have claimed exclusivity protection under the former rules. The Commission's decision has been stayed pending judicial review, permitting the restrictions to remain in effect until the appeal proceedings are concluded. The Company cannot predict the outcome of these various proceedings or the future competitive impact of the changes made by the FCC, if they are upheld.

Some CATV systems have begun supplying additional programming to subscribers that is not originated on, or transmitted from, conventional television broadcasting stations. In addition, there have been attempts to develop television service that emphasizes the origination and/or distribution for a fee of programming not available as part of a conventional free television service. The FCC's rules do not place any restriction on the number of such cable subscription services in a market and likewise permit an unlimited number of broadcast subscription services in any market already served by at least four conventional television stations. FCC rules impose certain limitations on programming offered by broadcast subscription television services but do not restrict similar programming offered by CATV systems. The Company cannot predict the future competitive impact of such subscription services.

The FCC has taken other recent actions which offer the possibility of increased competition to conventional television stations. It has proposed to add a large number of additional VHF assignments to markets across the country, including a new channel to the Houston market served by KTRK-TV, ten new channels to the Fresno, California, market served by KFSN-TV, and two new channels to the Hartford market, served by WTNH-TV. Each new channel assignment or proposed assignment represents a potential new VHF station in the affected market. The FCC has also proposed rules facilitating direct broadcast satellite operations and creating a new service of low power television facilities to supplement existing conventional television broadcast service. The Company has applied for such low power facilities in Raleigh-Durham, Buffalo, Houston, Fresno and New Haven. The Company cannot predict what action the FCC will take on these applications or on the proposed low power television service, nor can it predict the competitive effect should this service be authorized.

Clear-Channel and Related Radio Proceedings

The FCC has rejected proposals to permit so-called clear-channel radio stations to increase their power and has decided to allow new radio stations to operate on the frequencies of such clear-channel stations, thereby reducing the range of clear-channel stations. WJR-AM and WBAP-AM both operate on clear channels. The Company and others have appealed that decision, and judicial review proceedings are pending. The Company is unable to predict the impact of the Commission's decision on the operation of WJR-AM or WBAP-AM, the degree of additional competition which the Company's other radio stations may face from new radio signals that might become available in their service areas, or the ultimate outcome of the judicial proceedings.

In other actions designed to increase the number of aural outlets, the Commission has initiated studies of the possible expansion of the AM band to include new frequencies and of the possible reduction of the AM station bandwidth from 10 kHz to 9 kHz. Both of these actions would require, *inter alia*, some modifications of international treaties governing use of the radio spectrum. The Commission has also indicated that it intends to initiate a proceeding that would explore ways to increase the number of FM allocations available for assignment. The Company is not able to predict the outcome and impact of these various proceedings.

Network Proceeding

The FCC has initiated a proceeding investigating the acquisition and distribution of television programming by the three national television networks. Among other matters, the investigation encompasses the relationship between the networks and their program suppliers and between the networks and their affiliates—particularly as to such subjects as the degree of affiliate reliance on network programming, the opportunities of affiliates to review network programs prior to broadcast, and the nature and effects of network-station compensation plans. All six of the Company's television stations are affiliated with national television networks. The Company is unable to predict the outcome of this proceeding or the effects on network-station relationships which any FCC action might have.

* * * * *

Proceedings, investigations, hearings and studies are periodically conducted by Congressional committees and by the FCC and other government agencies with respect to problems and practices of, and conditions in, the broadcasting industry. The Company cannot predict whether new legislation or regulations may result from any such studies or hearings or the adverse impact, if any, upon the Company's operations which might result therefrom.

The information contained under this heading does not purport to be a complete summary of all the provisions of the Communications Act and the rules and regulations of the FCC thereunder or of pending proposals for other regulation of broadcasting and related activities. For a complete statement of such provisions, reference is made to the Communications Act, to such rules and regulations and to such pending proposals.

Canadian Television

Current Canadian law prevents Canadian advertisers from deducting as a business expense for purposes of Canadian income tax the cost of advertisements placed on United States television stations which are aimed primarily at Canadian audiences. In addition, the Canadian Radio-Television Commission has in the past sought to require Canadian cable television systems that carry the signals of United States stations to delete the commercials of those stations and substitute either public service announcements or commercials supplied and sold by Canadian television stations. The Canadian Radio-Television Commission has agreed to a delay in the "further implementation" of this proposal for purposes of further study, but it has not taken any steps to withdraw previously issued authority to certain cable systems to engage in such deletions.

The Company is a party to lawsuits in the Canadian courts against a Toronto cable company which has engaged in deletion of some commercials on the channels of the Company's Buffalo station, WKBW-TV, and two other Buffalo stations. These cable company lawsuits remain pending.

The United States Special Trade Representative has found that the Canadian tax legislation creates an unreasonable burden on the international commerce of the United States. Upon recommendation of the Special Trade Representative, the prior Administration proposed that the United States retaliate by adopting comparable legislation affecting Canadian television stations that sell time to United States advertisers. The current Administration has not yet taken a position with respect to this matter.

Over the past several years there have, in fact, been a number of efforts by responsible United States authorities to institute negotiations with Canada on the border television question in the context of multilateral trade negotiations, bilateral tax treaty negotiations and otherwise. None of these efforts has resulted in any expression of willingness to negotiate by the Canadian government.

The Company cannot predict the outcome of any of the described proceedings or efforts. Station WKBW-TV has derived substantial revenues in the past from the sale of time to Canadian advertisers, and the Canadian policies described above have been explicitly designed to reduce—and have reduced—those revenues.

Cable Television

During 1980, the Company acquired franchises to construct and operate cable television systems in suburban Indianapolis, Indiana, suburban Detroit, Michigan, suburban Akron, Ohio, certain areas in Washtenaw County, Michigan, communities located near Corpus Christi, Texas, suburban Chicago, Illinois and Sandoval County, a suburb of Albuquerque, New Mexico, which franchise areas together contain an aggregate of 100,000 homes, of which about half would be expected to become subscribers. The Company is constructing the systems and expects them to be substantially completed by late 1981.

A cable television system receives, amplifies and distributes to its subscribers television signals originating from local or distant television broadcasting stations. The signal may be received off-the-air by use of high antennas, by microwave relay or earth stations receiving satellite transmissions. The system may also distribute live, automated or other programs originated by the system or originated by other than a broadcasting station. The latter form of programming, for which a separate charge is made, is popularly called "pay cable" or "pay TV".

Cable television systems operate in a highly competitive environment. They compete with the direct reception of broadcast television signals by the viewer's own antenna. The extent of such competition depends upon the quality and quantity of the broadcast signals being received by direct antenna reception as compared to the services rendered by such system. The systems also compete with translator stations and in varying degrees with other communication and entertainment media.

The Company is generally subject to the requirements of state and local governmental law and the interpretation thereof in the granting of a franchise and the operation of its systems. The franchises granted by local governmental authorities are typically nonexclusive and generally contain various conditions and limitations relating to payment of fees to the local authority, determined generally as a percentage of revenues, limitations on installation and/or service charges, conditions of service, technical performance and various types of restrictions on transferability. Failure to comply with such conditions and limitations may give rise to rights of termination by the local governmental authority.

The cable television industry is subject to extensive regulation by the FCC, although the FCC has recently adopted proposals which eliminate many of its regulations concerning cable television. Existing FCC regulations contain detailed provisions concerning, among other things, television broadcast signals that may have to be carried by the cable system, carriage of distant additional signals, exclusivity of network and non-network programs, black-out of certain sporting events, technical standards, performance testing requirements, limitation on franchise fees (but not on service rates which are usually determined under local franchises), cross ownership of cable television systems and television broadcast stations and comprehensive annual reporting requirements. The FCC also has the authority, with certain limits, to regulate the rates charged by telephone and utility companies for the rental of poles used by cable television companies to attach their cable distribution network; however, the FCC's authority in this area may be preempted by any state which certifies to the FCC that it has the statutory authority to do so.

In September 1980, the FCC issued a decision rescinding regulations that limited the number of distant signals a cable system could carry and that required a cable system to blackout certain non-network programs from distant stations when a local station was licensed to televise the program. Broadcasters opposing the FCC's action have sought judicial review thereof and the United States Court of Appeals for the Second Circuit has issued a stay of the FCC's decision. The regulations remain in effect pending a Court determination of the matter.

The FCC is considering proposals to remove the FCC limitation on the franchise fees which can be imposed by franchising authorities and to remove the FCC regulations which prohibit local authorities from regulating service rates for premium cable service. The removal of either such limitation could adversely affect the Company's cable television business.

The FCC is constantly reviewing its rules, regulations and policies concerning the cable television industry. In addition, the Senate and House Communications Subcommittees are considering legislation that would also affect the industry. Any of such proposed laws, rules, regulations or policies could have a material adverse affect on the cable industry.

Recent Developments

On November 13, 1980, the Company signed an agreement with Cablecom-General, Inc. and RKO-General, Inc. pursuant to which the Company intends to acquire all of the equity securities of Cablecom for an aggregate price of approximately $139,200,000. The completion of the transaction is subject to the receipt of certain governmental, regulatory and other required approvals.

The following information concerning Cablecom has been derived from its Annual Report on Form 10-K for the year ended November 30, 1980.

Cablecom is engaged, directly or through its investments in joint ventures and affiliated corporations, in the operation of 43 cable television systems in 12 states. As of November 30, 1980, Cablecom's cable television systems had approximately 250,000 basic and 99,000 pay subscribers. In addition, Cablecom is engaged in the businesses of operating motion picture theatres (including related food concessions).

The following table sets forth certain information for each industry segment of Cablecom for each of the years ended November 30, 1980 and 1979.

	1980	1979
Revenues:		
Cable television	$30,906,130	$22,651,577
Theatre	11,658,843	10,939,628
Income before interest expense, unallocable items, income taxes and extraordinary items:		
Cable television	$10,710,736	$ 7,596,047
Theatre	1,208,441	1,139,014

For the year ended November 30, 1980, Cablecom had total revenues and net income of $46,826,035 and $6,314,500, respectively. As at November 30, 1980, Cablecom had total assets of $71,386,530 and stockholders' equity of $37,661,529.

Item 2. *Properties.*

The Company currently occupies executive offices at 485 Madison Avenue in New York City. It plans to move during 1981 to new quarters in New York City at 24 East 51st Street under a lease expiring in 2011. The principal executive and editorial offices of Fairchild are located in New York City and are owned by the Company. All of Fairchild's offices in other cities are leased. The editorial offices of the International Medical News Group are located in Rockville, Maryland and are also owned by the Company. All of the premises occupied by the newspapers are owned by the Company.

The Company owns all of its broadcast transmitter sites except those of WBAP-AM, KSCS-FM, WPAT-FM, WJR-FM, WROW-FM, and KZLA-FM, which are occupied under leases expiring at various dates through 2019. All broadcast studios and offices are owned except those in Albany, Fort Worth, Detroit, New Haven and Buffalo (WKBW-AM), which are occupied under leases expiring at various dates through 1993.

Item 3. *Legal Proceedings.*

The following constitute pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the Company or any of its subsidiaries is a party or of which any of their property is the subject. Based on evaluation of the facts which have been ascertained and the opinions of counsel handling the defense of these matters, management does not believe the outcome of such legal proceedings will, in the aggregate, have a material adverse effect on the financial statements of the Company.

On or about January 13, 1975, an action was commenced against The Kansas City Star Company (the "Star") in the United States District Court for the Western District of Missouri by Gweldon L. Paschall on behalf of himself and other independent contract newspaper carriers. The Star was acquired by the Company in February 1977. The action seeks declaration that each carrier has a property right in his respective contract for distribution of the newspapers. On November 10, 1978, the Court issued a preliminary injunction against a proposed conversion of independent distributorships into agencies as a possible violation of the Sherman Act and ordered that a trial be held to determine whether the preliminary injunction should be made permanent. A trial, limited to the issue of whether the preliminary injunction should be made final or dissolved, was recently completed with the decision under advisement to be handed down at a later date. The Star's motion for summary judgment on the claim of damages was granted by the Court.

On or about March 1, 1979, an action was commenced against the Star in the United States District Court for the Western District of Missouri, Western Division, by John J. Mixer and four additional parties plaintiff, alleging violations of the Clayton and Sherman Antitrust Acts. Plaintiffs claim to represent a class of approximately 300 carriers. The charge is that the Star, which had previously collated and inserted the various sections of the paper into a single unit for distribution to the plaintiffs, threatened to cast the burden of so doing on the plaintiffs. The plaintiffs are contract newspaper carriers. Plaintiffs seek an injunction and treble damages.

On or about April 23, 1979, an action was instituted by William G. Strub, et al. against the Star and the Company in the United States District Court for the Western District of Missouri, Western Division, in an antitrust suit brought by 7 former independent contract carriers and by 2 representatives of the estates of 2 deceased individuals who were formerly independent contract carriers, claiming violation of the Sherman Act. Plaintiffs seek treble damages. Request has been made to have the case handled as a class action. The case awaits the outcome of the decision of the Court in the Paschall case.

On or about October 4, 1978, an action was instituted in the United States District Court for the Western District of Missouri by Leo E. Flaherty against the Star claiming damages for $150,000 arising from his purchase of a carrier contract and punitive damages of $2,000,000. The complaint in that action was amended to make the Company a party defendant.

On or about May 25, 1979, an action was instituted in the United States District Court for the Western District of Missouri, Western Division, by Paul Dean Feagans and two other former independent contract carriers whose complaint and prayers for relief are identical to those in William G. Strub, et al, against the Star. All activities in the case have been stayed pending resolution of the Paschall case.

On or about September 20, 1978, an action was instituted in the Circuit Court of Jackson County, Missouri by Robert S. Miskimen on behalf of himself and approximately 267 other parties plaintiff, against the Company and the Star. Plaintiffs as carrier distributors of the Star's newspapers are seeking an injunction restraining defendants from refusing to sell newspapers to the plaintiffs for distribution to home delivery subscribers, for a declaratory judgment relating to plaintiffs' property interests in their respective territories and for aggregate compensatory damages of $100,000,000. Additionally, each of the plaintiffs is asking for punitive damages of $100,000,000.

There are also eight other actions pending in various Missouri state courts seeking damages against the Star arising from alleged interference with plaintiff's property rights and contractual relationships with newspaper carriers, which in the aggregate are not material.

Item 4. *Security Ownership of Certain Beneficial Owners and Management.*

Incorporated herein by reference to page 2 of the Company's definitive Proxy Statement for the annual meeting of shareholders on May 6, 1981.

Executive Officers of the Company

Name	Age	Director since	Officer since	Title
Thomas S. Murphy	55	1957	1958	Chairman of the Board of Directors and Chief Executive Officer
Daniel B. Burke	52	1967	1962	President, Director and Chief Operating Officer
Joseph P. Dougherty	56	1967	1959	Executive Vice President, President of Broadcasting Division and Director
John B. Fairchild	54	1968	1968	Executive Vice President, Chairman of the Board of Fairchild Publications and Director
John B. Sias	54	1977	1975	Executive Vice President, President of Publishing Division and Director
William R. James	47		1969	Senior Vice President and President of Cable Television Division
Robert K. King	52		1962	Senior Vice President
Andrew E. Jackson	46		1971	Vice President
John E. Shuff, Jr.	40		1977	Vice President
Ronald J. Doerfler	39		1977	Vice President and Chief Financial Officer
Gerald Dickler	68	1954	1954	Secretary and Director
Robert W. Gelles	57		1963	Treasurer, Controller and Assistant Secretary

All officers have been actively associated with the Company for more than five years and for all except Mr. Dickler such association has been their principal occupation. Mr. Dickler has concurrently been actively engaged in the practice of law as a partner in the law firm of Hall, Dickler, Lawler, Kent & Howley, general counsel for the Company. There is no relationship by blood, marriage, or adoption, not more remote than first cousin, among them. All officers hold office at the pleasure of the Board of Directors.

PART II

Item 5. *Market for the Registrant's Common Stock and Related Security Holder Matters.*

The information called for by this item is included on page 38 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

Item 6. *Selected Financial Data.*

The information called for by this item is included on page 24 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

The information called for by this item is included on page 25 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

Item 8. *Financial Statements and Supplementary Data.*

The information called for by this item is included on pages 28-38 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

PART III

Item 9. *Directors and Executive Officers of the Registrant.*

Incorporated herein by reference to pages 1 and 2 of the Company's definitive proxy statement for the annual meeting of shareholders on May 6, 1981. Information concerning the executive officers is included in Part I, on page K-14.

Item 10. *Management Remuneration and Transactions.*

Incorporated herein by reference to pages 3 through 7 of the Company's definitive proxy statement for the annual meeting of shareholders on May 6, 1981.

PART IV

Item 11. *Exhibits, Financial Statement Schedules and Reports on Form 8-K.*

(a) 1. *Financial statements and financial statement schedules*

The financial statements and schedules listed in the accompanying index to financial statements are filed as part of this annual report.

2. *Exhibits*

The exhibits listed on the accompanying index to exhibits are filed as part of this annual report.

(b) Reports on Form 8-K.

The Company filed a report on Form 8-K, dated November 13, 1980, reporting the signing of a definitive agreement by the Company, RKO General, Inc. and Cablecom-General, Inc. whereby the Company will acquire Cablecom-General, Inc.

CAPITAL CITIES COMMUNICATIONS, INC.
AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
AND FINANCIAL STATEMENT SCHEDULES
COVERED BY REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

(Item 11(a)1.)

All other schedules have been omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements, including the notes thereto.

Financial statements and schedules of Capital Cities Communications, Inc. (not consolidated) are omitted since the Company is primarily an operating company, and subsidiaries included in the consolidated financial statements in the aggregate, do not have minority interests and indebtedness to any person other than the Company in amounts which together exceed 5% of the total assets as shown by the most recent year-end consolidated balance sheet.

* * * * * * *

The consolidated financial statements of Capital Cities Communications, Inc., listed in the above index which are included in the Annual Report to Shareholders for the year ended December 31, 1980, are hereby incorporated by reference. With the exception of the Items referred to in Items 1, 5, 6 and 7, the 1980 Annual Report to Shareholders is not to be deemed filed as part of this report.

CONSENT OF CERTIFIED PUBLIC ACCOUNTANTS

We consent to the incorporation by reference in this Annual Report on Form 10-K of Capital Cities Communications, Inc. for the year ended December 31, 1980 of our report dated February 18, 1981 included in the 1980 Annual Report to Shareholders of Capital Cities Communications, Inc.

We also consent to the addition of the financial statement schedules listed in the accompanying index to financial statements and financial statement schedules to the financial statements covered by our report dated February 18, 1981 incorporated herein by reference.

We also consent to the incorporation by reference in the Registration Statements Form S-8 No. 2-58945 for the registration of 630,067 shares and Form S-8 No. 2-59014 for the registration of 287,195 shares of its common stock and in the related Prospectuses of our report dated February 18, 1981 with respect to the financial statements and schedules of Capital Cities Communications, Inc. incorporated by reference in this Annual Report on Form 10-K for the year ended December 31, 1980.

ARTHUR YOUNG & COMPANY

New York, New York
February 18, 1981

CAPITAL CITIES COMMUNICATIONS, INC. AND SUBSIDIARIES

Index to Exhibits (Item 11(a)2.)

(3) Articles of incorporation as amended through May 12, 1980 and by-laws as amended through March 9, 1981.

(11) Computation of per share earnings is included on page 24 of the 1980 Annual Report to Shareholders and is incorporated herein by reference.

(13) The Company's 1980 Annual Report to Shareholders. (This report, except for the portions thereof which are incorporated by reference in this Form 10-K, is furnished for the information of the Securities and Exchange Commission and is not to be deemed "filed" as part of this Form 10-K.)

(22) Subsidiaries of the Company.

SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT

(Thousands of Dollars)		Additions at cost				
	Balance at beginning of period	Publishing companies acquired	Other	Retirement or sales	Other changes—reclassification	Balance at close of period
Year ended December 31, 1980:						
Land and improvements	$ 12,652	$ 709	$ 1,091	$ —		$ 14,452
Buildings and improvement	43,478	1,555	1,542	(103)		46,472
Broadcasting equipment	35,962	—	5,186	(991)		40,157
Printing machinery and equipment	53,794	4,203	4,014	(1,164)		60,847
Other	12,057	489	11,778	(542)		23,782
	$157,943	$6,956	$23,611	$(2,800)		$185,710
Year ended December 31, 1979:						
Land and improvements	$ 12,554		$ 128	$ (30)		$ 12,652
Buildings and improvement	41,912		2,195	(629)		43,478
Broadcasting equipment	29,846		6,842	(726)		35,962
Printing machinery and equipment	46,871		8,159	(1,236)		53,794
Other	11,360		854	(157)		12,057
	$142,543		$18,178	$(2,778)		$157,943
Year ended December 31, 1978:						
Land and improvements	$ 12,024	$ 171	$ 913	$ (554)	$ —	$ 12,554
Buildings and improvement	35,901	998	5,770	(757)	—	41,912
Broadcasting equipment	27,139	—	3,776	(1,069)	—	29,846
Printing machinery and equipment	40,841	2,084	3,058	(112)	1,000	46,871
Other	9,819	102	2,797	(358)	(1,000)	11,360
	$125,724	$3,355	$16,314	$(2,850)	$ —	$142,543

Depreciation is generally provided on a straight-line basis over their estimated useful lives; buildings and improvements—10 to 50 years; broadcasting equipment—4 to 8 years; printing machinery and equipment—5 to 10 years; cable television plant—10 years.

CAPITAL CITIES COMMUNICATIONS, INC. AND SUBSIDIARIES

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT

(Thousands of Dollars)

	Balance at beginning of period	Publishing company acquired	Charged to income	Retirements or sales	Other changes—reclassification	Balance at close of period
Year ended December 31, 1980:						
Land and improvements	$ 443		$ 54	$ —		$ 497
Buildings and improvement	17,591		1,595	(86)		19,100
Broadcasting equipment	21,454		3,420	(910)		23,964
Printing machinery and equipment	31,224		5,056	(920)		35,360
Other	5,622		1,342	(393)		6,571
	$ 76,334		$11,467	$(2,309)		$ 85,492
Year ended December 31, 1979:						
Land and improvements	$ 399		$ 44	$ —		$ 443
Buildings and improvement	15,998		1,811	(218)		17,591
Broadcasting equipment	19,148		2,891	(585)		21,454
Printing machinery and equipment	27,786		4,271	(833)		31,224
Other	4,903		977	(258)		5,622
	$ 68,234		$ 9,994	$(1,894)		$ 76,334
Year ended December 31, 1978:						
Land and improvements	$ 362	$ —	$ 39	$ (2)	$ —	$ 399
Buildings and improvement	14,126	711	1,554	(393)	—	15,998
Broadcasting equipment	17,456	—	2,680	(988)	—	19,148
Printing machinery and equipment	22,072	1,462	4,362	(198)	88	27,786
Other	4,368	58	850	(285)	(88)	4,903
	$ 58,384	$2,231	$ 9,485	$(1,866)	$ —	$ 68,234

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS

(Thousands of Dollars)

	Balance at beginning of period	Charged to income	Deductions from reserves (A)	Balance at close of period
Deducted from accounts and notes receivable:				
Year Ended December 31, 1980	$3,282	$3,929	$(3,312)	$3,899
Year Ended December 31, 1979	$2,429	$3,150	$(2,297)	$3,282
Year Ended December 31, 1978	$2,355	$2,064	$(1,990)	$2,429

(A) Accounts written-off, net.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report to be signed on its behalf by the undersigned, thereunto duly authorized.

CAPITAL CITIES COMMUNICATIONS, INC.
(Registrant)

/s/ GERALD DICKLER
Gerald Dickler, Secretary

March 18, 1981

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 and on the dates indicated:

Principal Executive Officer:	
/s/ THOMAS S. MURPHY **(Thomas S. Murphy)**	March 9, 1981
Principal Financial Officer:	
/s/ RONALD J. DOERFLER **(Ronald J. Doerfler)**	March 9, 1981
Controller:	
/s/ ROBERT W. GELLES **(Robert W. Gelles)**	March 9, 1981
Directors:	
/s/ DANIEL B. BURKE **(Daniel B. Burke)**	March 9, 1981
/s/ AMON G. CARTER, JR. **(Amon G. Carter, Jr.)**	March 18, 1981
/s/ GERALD DICKLER **(Gerald Dickler)**	March 18, 1981
/s/ JOSEPH P. DOUGHERTY **(Joseph P. Dougherty)**	March 9, 1981
/s/ JOHN B. FAIRCHILD **(John B. Fairchild)**	March 9, 1981
/s/ WILLIAM S. LASDON **(William S. Lasdon)**	March 18, 1981
/s/ THOMAS S. MURPHY **(Thomas S. Murphy)**	March 9, 1981
/s/ JOHN H. MULLER, JR. **(John H. Muller, Jr.)**	March 9, 1981
/s/ JOHN B. SIAS **(John B. Sias)**	March 9, 1981
/s/ WILLIAM I. SPENCER **(William I. Spencer)**	March 18, 1981
/s/ LOWELL THOMAS **(Lowell Thomas)**	March 9, 1981

Capital Cities: A Brief Chronology

1954 • Purchase of Hudson Valley Broadcasting Company, Inc., operator of a UHF television station (WROW-TV) and AM radio station (WROW-AM) in Albany, New York.

1957 • VHF approval granted and call letters changed to WTEN-TV.
• Purchase of television station WTVD, Durham, North Carolina.
• First public offering of the company's common stock.

1959 • Purchase of television station WPRO-TV and radio stations WPRO-AM and FM, Providence, Rhode Island.

1961 • Purchase of television station WKBW-TV and radio station WKBW-AM, Buffalo, New York.
• Purchase of radio stations WPAT-AM and FM, Paterson, New Jersey (Metropolitan New York City).

1964 • Purchase of radio stations WJR-AM and FM, Detroit, Michigan.
• Purchase of television station WSAZ-TV, Huntington, West Virginia.

1965 • Company's stock listed on the New York Stock Exchange.

1966 • Purchase of radio stations KPOL-AM and FM (now KZLA-AM and FM), Los Angeles, California.

1967 • Acquisition of television station KTRK-TV, Houston, Texas, in exchange for WPRO-TV, Providence, Rhode Island, and cash.

1968 • Acquisition of Fairchild Publications, Inc., New York City, publisher of *Women's Wear Daily* and seven other business publications.

1969 • Purchase of *The Pontiac Press* (now *The Oakland Press*), a daily newspaper in Pontiac, Michigan.

1971 • Purchase of television stations WPVI-TV, Philadelphia, WTNH-TV, New Haven, and KFSN-TV, Fresno, California, together with the sale of WTEN-TV, Albany, New York, and WSAZ-TV, Huntington, West Virginia.

1972 • Purchase of the *News-Democrat*, a daily newspaper in Belleville, Illinois.
• Purchase of *American Metal Market*, a daily business newspaper.
• Start-up of *W*, a consumer biweekly version of *Women's Wear Daily*.

1974 • Purchase of Carter Publications, Inc., publisher of the *Fort Worth Star-Telegram*, a morning, evening and Sunday newspaper, and of the *Citizen-Journal*, Arlington, Texas, a suburban newspaper, as well as operator of radio stations WBAP-AM and KSCS-FM, Fort Worth, Texas.

1976 • Purchase of the International Medical News Group, publisher of six specialized, controlled-circulation medical publications.
• Start-up of *Energy User News*, a weekly business newspaper.

1977 • Purchase of The Kansas City Star Company, publisher of *The Kansas City Times*, a morning newspaper, and *The Kansas City Star*, an evening and Sunday newspaper.

1978 • Purchase of the Wilkes-Barre Publishing Company, publisher of the *Times Leader*, an all-day newspaper in Wilkes-Barre, Pennsylvania.
• Start-up of *SportStyle*, a twice-monthly business newspaper.

1979 • Start-up of *Home Fashions Textiles*, a monthly magazine for the textile industry, and *Entrée*, a monthly newspaper for the gourmet cooking and housewares trade.

1980 • Company enters the cable television business by acquiring seven companies with unbuilt franchises in six states.
• Agreement to acquire Cablecom-General, Inc., a major cable television operator with 43 systems.
• Purchase of the Democrat-Herald Publishing Company, publisher of two daily newspapers and six weekly or semiweekly newspapers in Oregon, and two national stamp publications.
• Purchase of Pennypower Shopping News, Inc., publisher of weekly shopping guides in Wichita and Topeka, Kansas, and in Springfield, Missouri. Start-up of weekly shopping guides in Tulsa, Oklahoma, and in Dallas County, Texas.
• Purchase of Shore Line Newspapers, Inc., publisher of nine weekly newspapers and shopping guides in Connecticut.
• Start-up of specialized publications: *MIS Week*, a weekly newspaper for the management information systems industry; *Multichannel News*, a weekly newspaper for the cable television industry; and *Aches & Pains*, a monthly clinical medical magazine.
• Purchase of *Heat Treating*, a monthly metals industry trade magazine, and The Professional Press, Inc., publisher of five ophthalmic and professional magazines.

Board of Directors

THOMAS S. MURPHY
Chairman of the Board

DANIEL B. BURKE
President

AMON G. CARTER, JR.
Chairman of the Board and Publisher, Carter Publications

GERALD DICKLER
Secretary; Partner, Hall, Dickler, Lawler, Kent & Howley, Attorneys at Law

JOSEPH P. DOUGHERTY
Executive Vice President; President, Broadcasting Division

JOHN B. FAIRCHILD
Executive Vice President; Chairman, Fairchild Publications

WILLIAM S. LASDON
Vice Chairman of the Board and Chairman of the Executive Committee, Warner-Lambert Co.

JOHN H. MULLER, JR.
Chairman of the Board and President, General Housewares Corp.

WILLIAM I. SPENCER
President and Chief Administrative Officer, Citicorp and Citibank

JOHN B. SIAS
Executive Vice President; President, Publishing Division

LOWELL THOMAS
Author, Motion Picture Producer, Broadcast Newscaster

Corporate Officers

THOMAS S. MURPHY
Chairman of the Board and Chief Executive Officer

DANIEL B. BURKE
President and Chief Operating Officer

JOSEPH P. DOUGHERTY
Executive Vice President

JOHN B. FAIRCHILD
Executive Vice President

JOHN B. SIAS
Executive Vice President

WILLIAM R. JAMES
Senior Vice President

ROBERT K. KING
Senior Vice President

RONALD J. DOERFLER
Vice President and Chief Financial Officer

ANDREW E. JACKSON
Vice President

JOHN E. SHUFF, JR.
Vice President

ROBERT W. GELLES
Treasurer, Controller and Assistant Secretary

GERALD DICKLER
Secretary

Transfer Agent and Registrar

Chemical Bank
55 Water Street
New York, New York 10041

Executive Offices

485 Madison Avenue
New York, New York 10022
(212) 421-9595

General Counsel

Hall, Dickler, Lawler, Kent & Howley
460 Park Avenue
New York, New York 10022

The Company's Common Stock is listed for trading on the New York Stock Exchange (Symbol: CCB)

CAPITAL CITIES COMMUNICATIONS, INC.

485 MADISON AVENUE, NEW YORK, NEW YORK 10022

421-9595
AREA CODE 212

Subsidiaries of the Registrant

Subsidiaries 100% owned by the registrant at December 31, 1980 and included in the consolidated financial statements:

	State of incorporation
Democrat-Herald Publishing Company	Oregon
Oakland Press Company	Michigan
The Kansas City Star Company	Missouri
Capital Cities Media, Inc.	New York
Fairchild Publications	
News-Democrat (Belleville, Illinois)	
The Arlington Citizen Journal	
The WIlkes-Barre Times Leader	

The names of certain subsidiaries are omitted from the above list; such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

Exhibit (22)

END