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CAPITAL CITIES COMMUNICATIONS INC 10-K

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CARD 1 DISCLOSURE INC BETHESDA MD. 20816 FOR 12/31/84

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Auditor															
☐ Name	A	A	■				■	A	A		A	A	■	A	
☐ Opinion	A	A	■						A			A		A	
☐ Changes				A			■								
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☐ Equity	■		■				F	F	A		F		■	■	
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Company Information															
☐ Nature of Business	A	A				F		A	A		A	■	■		
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☐ Organization and Change	F	F		A	■	F	■	A		F	A	■			
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Depreciation & Other Schedules	A	A				F		A	A		A				
Dilution Factors	A	A		F		F		A	A		A	A			
Directors, Officers, Insiders															
☐ Identification	F	A				F	A	A	A		A	F			
☐ Background	■	A				F	F	A	■		A	■			
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☐ Annual Audited	A	A							A			A		A	
☐ Interim Audited		A					■	■			■				
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Securities Structure	A	A			■			A	A		A				
Subsidiaries	A	A					■	A	A		A	■	■		
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Block Movements	■			F			■		A				■		

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
Name of Issuer (Subject Company)	A	A	A	A	A	A
Filing Person (or Company)	A	A	A	A	A	A
Amount of Shares Owned	A	A				
Percent of Class Outstanding	A	A				
Financial Statements of Bidders			F		F	F
Purpose of Tender Offer			A	A	A	A
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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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.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

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AND REPORT 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, 1984 — 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.)
24 East 51st Street, 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 $2,208,000,000 as of February 28, 1985.

The number of shares outstanding of the issuer's common stock as of February 28, 1985: 12,890,053 shares, excluding 2,503,443 treasury shares.

Portions of Part I are incorporated herein by reference to the 1984 Annual Report to Shareholders and a definitive Proxy Statement for the annual meeting of shareholders to be filed not later than 120 days after the end of the fiscal year.

Part II and Part IV, with the exception of certain schedules and exhibits, are incorporated herein by reference to the 1984 Annual Report to Shareholders.

Part III is incorporated herein by reference to a definitive Proxy Statement for the annual meeting of shareholders to be filed not later than 120 days after the end of the fiscal year.

PART I

Item I. *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 since 1980. At December 31, 1984, the Company had approximately 8,640 employees: 1,190 in broadcasting operations, 730 in cable television, 6,690 in publishing and 30 at its corporate offices in New York City.

Industry Segments

Information relating to the industry segments of the Company's operations is included on page 35 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 provide the substantial balance of publishing revenues. The principal sources of cable television revenues are the monthly service charges for basic and premium cable television services provided to subscribers. Other cable television revenues are derived from installation and reconnection charges.

Broadcasting

The Company presently owns and operates five very high frequency (VHF) television stations, two ultra high frequency (UHF) television stations, six 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

Station and location	Channel	Expiration date of FCC authorization	Network affiliation	Expiration date of network affiliation (1)
WPVI-TV .... Philadelphia, Pennsylvania	6	Aug. 1, 1989	ABC	Aug. 15, 1985
KTRK-TV .... Houston, Texas	13	Aug. 1, 1988	ABC	Apr. 2, 1985
WFTS-TV .... Tampa, Florida	28	Feb. 1, 1987	None	Not applicable
WTNH-TV .... New Haven, Connecticut	8	Aug. 1, 1989	ABC	Jan. 1, 1987
WKBW-TV .... Buffalo, New York	7	June 1, 1989	ABC	July 2, 1986
WTVD .... Durham, North Carolina	11	Dec. 1, 1986	CBS	Sept. 11, 1985
KFSN-TV .... Fresno, California	30	Dec. 1, 1988	CBS	Feb. 28, 1986

Radio stations owned

Station and location	Frequency AM-Kilohertz FM-Megahertz	Power AM-Watts FM-Kilowatts	Expiration date of FCC authorization	Network affiliation (1)
KLAC Los Angeles, California	570 K	5,000	Dec. 1, 1990	ABC
WPAT Paterson, New Jersey (Metropolitan New York)	930 K	5,000	(2)	None
WJR Detroit, Michigan	760 K	50,000	Oct. 1, 1989	NBC
WBAP Fort Worth, Texas	820 K	50,000	Aug. 1, 1990	ABC
WKBW Buffalo, New York	1520 K	50,000	(2)	ABC
WPRO Providence, Rhode Island	630 K	5,000	Apr. 1, 1991	ABC
KZLA-FM Los Angeles, California	93.9 M	49	Dec. 1, 1990	None
WPAT-FM Paterson, New Jersey (Metropolitan New York)	93.1 M	5.4	June 1, 1991	None
WHYT-FM Detroit, Michigan	96.3 M	50	Oct. 1, 1989	ABC
KSCS-FM Fort Worth, Texas	96.3 M	100	Aug. 1, 1990	None
WKHX-FM Marietta, Georgia (Metropolitan Atlanta)	101.5 M	100	Apr. 1, 1989	None
WPRO-FM Providence, Rhode Island	92.3 M	39	Apr. 1, 1991	ABC

(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 is described under *Renewal Matters* on page K-5 of this report.

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 acquired in any of the cities where the Company's television stations are located. However, proceedings now pending before the FCC could result in (1) the assignment of additional VHF channels for commercial use, or (2) the acquisition by commercial enterprises of FCC authority to operate on VHF channels now reserved for noncommercial use by public television operations in a number of the cities in which the Company's television stations now operate. In either case, the result would be to increase the number of commercial VHF stations against which the Company's stations compete. The Company is unable to predict the outcome of any of these proceedings. (For a description of other ownership restrictions, see below under "Licenses—Federal Regulation of Broadcasting/Ownership Matters").

There are sources of television service other than conventional television stations. The most common at present are cable television systems. Cable television can provide more competition for a station by making additional signals available to its audience. In addition, most cable television systems supply programming that is not available on conventional television stations. These include a wide range of advertiser supported and subscription supported video programming services. Subscription supported video programming services are also provided by over-the-air television stations and multipoint distribution services. Additional services are being provided or will be provided within the relatively near future by low power television stations and direct broadcast satellites. See "Cable Television and Other Television Services" for a discussion of cable television, pay cable, subscription television, and other services. See "Cable Television" for a description of the Company's cable television operations.

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

Renewal Matters

Broadcasting licenses are granted for a maximum period of seven years, in the case of radio stations, and five years, in the case of television stations, and are renewable upon application therefor. 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.

At present, 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. Also, WKBW-AM's application for renewal is being deferred pending satisfactory resolution of certain technical problems.

A petition to deny the pending license renewal application of WTNH-TV, New Haven was filed before the FCC in March 1984, on behalf of New Haven Radio, Inc. The petition reasserts matters which were raised on behalf of the same party against the station's prior renewal application. The petition was denied. The Commission has filed a motion to dismiss the appeal from its decision which was filed in the U.S. Court of Appeals for the District of Columbia Circuit.

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 that a license for a radio or television station will not be granted if the applicant owns, or has a significant interest in, another station of the same type (TV, AM or FM) 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 formerly provided that a presumption of such concentration would arise in the event that an entity directly or indirectly owned, operated or had a significant 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 could be VHF stations). Effective September 10, 1984, these limits were amended to allow a single entity to own twelve AM and twelve FM radio stations. In an action now scheduled to take effect on April 2, 1985, the FCC has revised the rule as to television ownership to allow a single entity to own twelve television stations (VHF or UHF), provided that those statio is operate in markets containing cumulatively no more than 25% of the television households in the country. For this purpose, ownership of a UHF station will result in the attribution of only 50% of the television households in the relevant market. There are also relaxed limits for interests in entities controlled by members of recognized minority groups. Proceedings on judicial review of these changes in the rules are now pending; the Company cannot predict the outcome of these proceedings. The Company now owns six AM radio stations, six FM radio stations and seven 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. Combinations of UHF television stations with AM stations or FM stations in the same market are not currently prohibited under the rules; however the effects of such cross-ownership on the public interests are considered by the FCC on a case-by-case basis.

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 cable television 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 WHYT-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 owns certain cable television systems as described more fully in the section entitled "Cable Television" and controls Capital Cities Cable, Inc. and other subsidiaries through which it owns or controls substantial cable television holdings. None of the Company's cable television systems violates the TV/cable television rules. However, the rules would prohibit the Company from acquiring cable television systems or franchises in communities within the service contours of its television stations.

The FCC formerly had 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 were treated as one entity. This rule has been abandoned by the FCC as unnecessary and undesirable. Proceedings on judicial review of that action are pending. The Company cannot predict the outcome of these proceedings.

For some years the FCC's rules have specified that power to vote or control the vote of 1% or more of the stock of a publicly-held licensee (i.e., one with fifty 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. The rules have also permitted qualifying mutual funds, insurance companies, or bank trust departments to vote or control the vote of up to 5% of the stock of a publicly-held broadcast licensee before the licensee's stations would be attributed to that entity. Recently, the Commission revised these benchmarks to allow any entity the power to vote or control the right to vote up to 5% of the stock of any company and allow investment entities the right to vote or control the right to vote up to 10%. The Commission also modified several other aspects of its ownership rules (e.g., those applicable to limited partnerships).

Cable Television and Other Television Services

As previously noted, cable television can provide more competition to a television station by making additional signals available to its audience. FCC rules currently require cable television 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 cable television systems operating in their service areas.

The FCC has eliminated other rules restricting cable television 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 permit cable television 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. On the other hand, the Copyright Royalty Tribunal, in response to the decision to eliminate these rules, imposed a materially increased royalty on the carriage of certain additional distant signals. These fees apply to services provided on or after March 15, 1983. The United States Court of Appeals for the District of Columbia Circuit upheld the increased royalty fees. As a result of the Copyright Tribunal's actions, the

Company has ceased the carriage of some distant signals on some of its cable television systems. The Company is not able to predict the prospects for further litigation on this subject.

Most cable television systems supply additional programming to subscribers that is not originated on, or transmitted from, conventional television broadcasting stations. Most of such programming is distributed on a subscription basis. The FCC also authorizes broadcast subscription television services (STV), and has eliminated a variety of restrictions formerly imposed on such services. Finally, the FCC authorizes multipoint distribution services (MDS) which employ non-broadcast frequencies to transmit subscription television services to individual homes and businesses. On September 9, 1983, the Commission expanded the number of frequencies available for MDS, allocating two groups of four channels each for the so-called multi-channel MDS. In addition, the Commission authorized licensees in the Instructional Television Fixed Service (ITFS) to lease their excess capacity for commercial use, including subscription television service. The Company has filed applications for authorization to operate multi-channel MDS services in one hundred markets. The Company cannot predict the future competitive impact of any such services.

The FCC also adopted rules facilitating direct broadcast satellite operations and has granted a number of authorizations for such services. It has also created a new service of low power television facilities to supplement existing conventional television broadcast service. The Company cannot predict the competitive effect of this service. The Commission also permits the distribution of subscription supported video programming service by over-the-air television stations and by MDS which employ non-broadcast frequencies to transmit subscription television services to individual homes and businesses.

Radio Proceedings

In an action 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. This action would require, among other matters, some modifications of international treaties governing use of the radio spectrum. The Commission has also initiated a proceeding that would explore ways to increase the number of FM allocations available for assignment and recently issued a list of approximately 650 locations for such assignments. The Company is not able to predict the outcome and impact of these various proceedings.

* * * * *

There are a number of proposals now pending before Congress for legislation that may effect the Company's operations. Other 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 generally 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. However, current proposals for legislation banning the advertising of wine, beer and other alcoholic beverages on radio and television would, if enacted, have an adverse effect on the advertising revenues available to the Company's broadcast stations.

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 relating activities. For a complete statement of such provisions, reference is made to the Communications Act, and to such rules, regulations and pending proposals thereunder.

Cable Television

On December 31, 1984, the Company had interests in 54 cable television systems which served 366,890 basic subscribers with 264,550 premium units. All systems are 100% owned by the Company or its subsidiaries except for Rio Rancho and Aransas Pass which are 80% owned and Fargo which is 50% owned. On January 25, 1985, the Company purchased from Whitcom Investment Company the 10% minority interest it held in Capital Cities Cable, Inc. which owns 46 of the 54 cable television systems. During January 1985, the Company also purchased a cable television system in Union City, California which serves 5,900 basic subscribers with 7,340 premium units. As of December 31, 1984, the cable television locations, number of basic subscribers and premium units and other details are set forth below:

Principal Community Served (1)	Number of Basic Subscribers	Number of Premium Units (2)	Estimated Dwelling Units Passed by Cable (3)	Number of Plant Miles
Arizona				
Clifton	1,740	1,230	2,700	40
Cottonwood	1,530	410	2,480	50
Globe	4,220	1,920	6,680	100
Holbrook	1,450	640	2,030	30
Page	1,580	1,090	2,000	20
Safford	4,670	1,740	5,250	110
Show Low	5,420	1,600	9,040	210
Winslow	2,400	1,310	2,750	40
California				
Burlingame	5,030	5,810	12,900	80
Modesto	35,940	19,690	48,770	490
Oakdale	2,330	1,940	3,350	40
Santa Rosa	34,800	21,440	40,000	360
Illinois				
Highland Park	7,680	16,490	16,700	200
Indiana				
Greenwood	5,730	8,180	13,900	210
Iowa				
Sioux City	17,660	14,950	30,900	380
Kansas				
Abilene	2,540	810	2,990	30
Beloit	1,780	700	2,000	30
Clay Center	1,960	530	2,090	30
Concordia	2,570	880	2,920	30
Michigan				
Plymouth	16,530	25,560	35,110	400
Saline	3,220	4,260	7,350	120
Mississippi				
Clarksdale	6,700	2,420	8,030	70
Gulfport	13,030	9,220	17,200	230
Missouri				
Brookfield	2,160	640	2,640	40
Joplin	8,990	6,050	19,070	230
Kirksville	5,080	2,410	7,300	70
Trenton	2,590	940	2,980	50

Principal Community Served (1)	Number of Basic Subscribers	Number of Premium Units (2)	Estimated Dwelling Units Passed by Cable (3)	Number of Plant Miles
Nebraska				
Norfolk	7,160	5,940	11,220	170
New Mexico				
Rio Rancho	2,560	2,620	6,600	100
Roswell	11,480	5,080	16,100	200
North Dakota				
Fargo	13,580	12,330	22,860	210
Ohio				
Green Township	9,130	11,310	19,410	330
Oklahoma				
Altus	8,330	4,150	9,030	100
Ardmore	8,380	4,590	10,270	160
Frederick	1,890	800	3,700	30
Hobart	1,860	530	2,280	30
Idabel	2,240	1,020	3,260	50
Mangum	1,590	320	1,910	30
Miami	4,100	2,160	7,040	90
Nowata	740	490	1,800	40
Ponca City	11,330	6,250	12,670	160
Vinita	1,660	1,000	2,640	30
Tennessee				
Dyersburg	5,190	1,390	6,210	70
Texas				
Aransas Pass	3,240	4,480	6,900	140
Bonham	2,790	940	3,020	40
Childress	2,380	540	2,570	40
Denison	8,780	3,250	10,350	130
Lampasas	2,240	940	2,940	50
Lufkin	13,980	6,350	17,920	320
Memphis	1,090	300	1,490	20
Odessa	25,500	27,300	41,090	420
Port Lavaca	4,010	1,890	4,850	70
Sherman	11,110	5,390	12,890	150
Wellington	1,170	330	1,290	20
	366,890	264,550	551,460	6,890

(1) Certain systems are comprised of more than one franchise and serve more than one community.

(2) A basic subscriber may subscribe to more than one premium service.

(3) A dwelling is deemed to be "passed by cable" if it can be connected by a drop without further extension of the distribution line.

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 "premium service" or "pay cable".

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, STV stations, and MDS systems; in the relatively near future they will also compete with DBS and low power stations.

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, limited in time and generally contain various conditions and limitations relating to payment of fees to the local authority, determined generally as a percentage of revenues. Additionally, they have 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 announced 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, 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.

The Cable Communications Policy Act of 1984, which became effective on December 29, 1984, alters the jurisdiction of the FCC and state and local governments to regulate cable television systems. The Act reduces, and in many cases eliminates, state and local regulation of the rates cable systems may charge for their services. It also sets an upper limit (5%) on the franchise fees that state and/or local governments may levy on cable systems; establishes standards and procedures to govern the renewal of cable franchises; and requires larger systems (those with 36 or more activated channels) to lease a limited number of channels to third parties. Acting in reliance on the new law, many of the Company's systems have raised their rates, a step which has led to actual and threatened litigation by some local franchising authorities. Such suits, and other litigation to test the scope of the new Act, seem certain to occur until the ambiguities in the new law are resolved. The Company cannot predict the outcome of such litigation.

Publishing

The Company publishes 35 business and specialized publications, ten daily newspapers in eight markets, a number of weekly community newspapers and shopping guides and distributes information from electronic databases. Following is a summary by type of publication of inches of advertising, advertising revenue, circulation revenue, paid circulation and other details for the five years ended December 31, 1984 (000's omitted):

						Pro Forma (c)	
	1984	1983	1982	1981	1980	1984	1983
Inches of advertising							
Newspapers (a)(b)	19,099	16,929	16,115	16,413	15,749	18,416	16,763
Specialized publications	2,859	2,731	2,317	2,252	2,085	2,764	2,705
Advertising revenue							
Newspapers—ROP	$249,771	$213,330	$189,833	$177,878	$155,485	$246,220	$211,500
Newspapers—inserts	25,825	21,609	16,971	15,135	13,189	25,112	21,111
Shopping guides	41,927	7,751	5,953	8,152	5,892	7,368	6,681
Specialized publications	165,832	135,102	105,227	93,915	79,229	153,911	131,961
Circulation revenue							
Newspapers	$ 49,468	$ 46,914	$ 43,438	$ 39,205	$ 30,179	$ 49,028	$ 46,736
Specialized publications	24,886	20,904	18,738	15,966	13,915	21,675	19,942
Other operating revenue							
Newspapers	$ 3,593	$ 3,038	$ 2,988	$ 3,028	$ 2,071	$ 3,544	$ 2,948
Shopping guides	9,560	224	—	—	—	47	—
Specialized publications	20,754	10,638	6,134	6,007	5,138	8,879	7,286
Total revenue							
Newspapers	$328,657	$284,891	$253,230	$235,246	$200,924	$323,904	$282,295
Shopping guides	51,487	7,975	5,953	8,152	5,892	7,415	6,681
Specialized publications	211,472	166,644	130,099	115,888	98,282	184,465	159,189
Paid circulation at December 31							
Newspapers (Mon.-Fri.)	971	976	964	941	967	971	976
Newspapers (Sun.)	858	838	821	766	777	858	838
Specialized publications	745	678	642	626	630	621	623

(a) Does not include inserts.

(b) Prior year amounts have been restated to conform to current year's presentation in Standard Advertising Units.

(c) Excludes 1984 and 1983 acquisitions, start-ups and discontinued publications.

Daily Newspapers

The Company publishes ten daily newspapers in eight communities (five of which have Sunday editions). The daily newspapers and their paid circulation at December 31, 1984 are as follows:

		Daily	Sunday
The Kansas City Times	Morning	280,000	
The Kansas City Star	Evening	233,000	405,000
Fort Worth Star-Telegram	Morning	119,000	292,000
Fort Worth Star-Telegram	Evening	130,000	
The Oakland Press (Pontiac, Mich.)	Evening	71,000	80,000
Belleville News-Democrat (Belleville, Ill.)	Morning	40,000	50,000
The Times Leader (Wilkes-Barre, Pa.)	All-day	42,000	
The Daily Register (Red Bank, N.J.)	All-day	29,000	31,000
Albany Democrat-Herald (Albany, Oregon)	Evening	21,000	
The Daily Tidings (Ashland, Oregon)	Evening	6,000	

Weekly Newspapers

The Company publishes weekly community newspapers in five states. The location by state, number of publications and aggregate circulation at December 31, 1984 is set forth below:

State	Number of Publications	Aggregate Circulation
Connecticut	15	180,000
Illinois	2	21,000
New Jersey	1	99,000
Oregon	6	44,000
Rhode Island	3	23,000

Shopping Guides

The Company distributes shopping guides in four states. The location by state, number of publications and aggregate circulation at December 31, 1984 is set forth below:

State	Number of Publications	Aggregate Circulation
California	6	1,291,000
Kansas	2	227,000
Missouri	1	108,000
Washington	1	253,000

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. Institutional Investor also conducts meetings and seminars for specific audiences. Additionally, the group includes Securities Data Company which distributes financial information from electronic databases and Videolog Communications, a start-up electronic components database publisher. Following are the publications:

Title	Frequency	Circulation
Fairchild Publications		
Newspapers		
Women's Wear Daily	Daily	76,000
Daily News Record	Daily	25,000
American Metal Market	Daily	13,000
HFD—Retailing Home Furnishings	Weekly	33,000
Energy User News	Weekly	16,000
Footwear News	Weekly	23,000
Supermarket News	Weekly	56,000
Electronic News	Weekly	70,000
Metalworking News	Weekly	29,000
MIS Week	Weekly	129,000(1)
Multichannel News	Weekly	12,000
W	Biweekly	211,000
SportStyle	Semimonthly	26,000(1)
Entrée	Monthly	12,000(1)
Magazines		
M	Monthly	124,000
Metal Center News	Monthly	13,000(1)
Home Fashions Textiles	Monthly	12,000(1)
Heat Treating	Monthly	20,000(1)
Electronics Retailing	Monthly	13,000(1)
International Medical News Group		
Family Practice News	Semimonthly	73,000(1)
Internal Medicine News	Semimonthly	67,000(1)
Ob. Gyn. News	Semimonthly	30,000(1)
Pediatric News	Monthly	30,000(1)
Clinical Psychiatry News	Monthly	29,000(1)
Skin & Allergy News	Monthly	37,000(1)
Professional Press Group		
Optometric Monthly	Monthly	7,000
Optical Index	Monthly	34,000(1)
International Contact Lens Clinic	Bimonthly	14,000(1)
Journal of Learning Disabilities	Monthly	13,000
American Traveler Group		
The Travel Agent	Twice Weekly	37,000
El Travel Agent Internacional	Monthly	7,000(1)
Institutional Investor		
Domestic Edition	Monthly	60,000(1)
International Edition	Monthly	31,000(1)
Philatelic Publications		
Stamp Collector	Weekly	21,000
Stamp Wholesaler	Biweekly	6,000

(1) Controlled circulation.

Competition

The specialized publications operate in a highly competitive environment. 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 *Belleville News-Democrat, The Daily Register,* the *Gresham Outlook* (Oregon), the *Shore Line* (Connecticut) newspapers and all the shopping guides serve suburban areas or 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 and business publications is mostly furnished by contract printers. Newsprint is readily available from numerous suppliers. The Company's larger daily newspapers purchase their newsprint from various suppliers as follows:

	Number of suppliers	Share furnished by largest supplier
The Kansas City Star/Times	10	25%
Fort Worth Star-Telegram	4	37%
The Oakland Press	2	62%
Belleville News-Democrat	4	95%
The Times Leader	5	47%

Item 2. *Properties.*

The Company currently occupies executive offices at 24 East 51st Street in New York City under a lease expiring in 2012. 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 as well as all of the premises occupied by Institutional Investor in New York City and Sutton Industries at various locations in California, 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, with the exception of the *Ocean County Reporter*, are owned by the Company.

The Company owns all of its broadcast transmitter sites except those of KSCS-FM, WKHX-FM, WPAT-FM, WHYT-FM and KZLA-FM, which are occupied under leases expiring at various dates through 1994. All broadcast studios and offices are owned except radio stations in Detroit, Los Angeles, Atlanta-Marietta, and Buffalo, which are occupied under leases expiring at various dates through 1994.

The Company's Cable Television Division executive offices are located in Bloomfield Hills, Michigan under a lease expiring in 1988. In addition, the Cable Television Division leases other office space, warehouse space and tower sites under terms ranging from month-to-month to expiring through 2010.

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. On October 27, 1977, the Court issued a preliminary injunction prohibiting the Star from terminating its carriers as part of its proposed change in distribution from the use of independent contract carriers to a reliance on delivery agents. Following further hearings, the Court found that the proposed terminations would violate Section 2 of the Sherman Act. A permanent injunction was issued. The District Court also awarded plaintiffs counsel fees and disbursements in the sum of approximately $2,900,000. The Star appealed to the United States Court of Appeals for the Eighth Circuit which by a 2 to 1 decision affirmed the District Court's granting of the injunction. However, it reduced counsel fees and disbursements to $1,300,000. Application was made to the Circuit Court for a Full Bench hearing, which was granted. On February 6, 1984, the Full Bench of the United States Court of Appeals for the Eighth Circuit reversed the 3 Judge Panel of that Court, dismissed the action in its entirety, vacated the award of counsel fees and dissolved the injunction. The United States Supreme Court has refused to grant plaintiffs a writ of certiorari to review the case.

On March 1, 1979 an action was commenced in the United States District Court for the Western District of Missouri by John J. Mixer against the Star on behalf of himself and 300 carriers alleging violations of the Clayton and Sherman Antitrust Acts and claiming that the Star used its economic power to require the carriers to collate or "top" its newspapers. The plaintiff applied for but was refused a preliminary restraining order. Counsel for the Company is of the opinion that the Company's monetary exposure is not material.

On or about April 23, 1979, an action was commenced against the Star and the Company in the United States District Court for the Western District of Missouri, Western Division, by William G. Strub, et al., 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 Company intends to move to dismiss this case on the basis of the decision in the Paschall case.

On or about May 25, 1979, an action was commenced against the Star and the Company 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 and the Company. The Company intends to move to dismiss this case on the basis of the decision in the Paschall case.

On September 17, 1981 an action was commenced against the Star in the United States District Court for the Western District of Missouri, by Brennan, et al., on behalf of 11 former independent contract carriers whose contracts were terminated for cause during the pendency of the Paschall lawsuit. The vast majority of the claims asserted in plaintiffs' complaint are the same as those raised in the Paschall lawsuit. However, plaintiffs further allege that the Star is engaged in other activities, such as imposing "topping" requirements, which they say constitutes harassment of the carriers and is evidence of a violation of the antitrust laws. In essence, these plaintiffs assert that their contracts were terminated unlawfully and, therefore, they are entitled to an unspecified amount of monetary damages. Counsel for the Company is of the opinion that the Company's monetary exposure is not material.

On September 17, 1981 an action was commenced against the Star in the United States District Court for the Western District of Missouri, by John J. Mixer, alleging a cause of action identical to that in Brennan. The only reason a separate lawsuit was filed rather than joining plaintiff's claim with those in Brennan is because Mixer was not a carrier within metropolitan Kansas City, as were the plaintiffs in Brennan. Counsel for the Company is of the opinion that the Company's monetary exposure is not material.

On or about June 14, 1983, actions were commenced against the Star in the United States District Court for the Western District of Missouri, Western Division, by the Aaron plaintiffs (consisting of 147 named carrier plaintiffs or their representatives), the Baldwin plaintiffs (consisting of 25 named carrier plaintiffs or their representatives) and the Fowler plaintiffs (consisting of 3 named carrier plaintiffs or their representatives). The three actions seek permanent injunctive relief prohibiting the Star from selling its newspapers to each of the plaintiffs based upon the type of customers to whom plaintiffs sell at retail. The actions seek an order requiring the Star to sell its newspapers to plaintiffs on a balanced draw or individual copy basis. The actions are founded upon alleged violations of the Sherman and Clayton Antitrust Acts. The plaintiffs seek treble damages in an unspecified amount, in addition to counsel fees, costs and expenses. Answers were interposed in all three actions denying the allegations of the complaints. The Paschall decision has no direct effect on these actions.

On or about September 20, 1978, an action was commenced against the Star and the Company in the Circuit Court of Jackson County, Missouri by Robert S. Miskimen on behalf of himself and approximately 267 other parties plaintiff. Plaintiffs, as carrier distributors of the Star's newspapers, sought an injunction restraining the Company and the Star from refusing to sell newspapers to the plaintiffs for 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 was asking for punitive damages of $100,000,000. On June 23, 1982 the Circuit Court rejected plaintiffs' claims, confirmed the right of the Star to cancel then existing carrier contracts for the Star's legitimate business reasons and to change its distribution system, subject only to the rights of the former carriers to recoup their initial investment. The plaintiffs' motion for a new trial, or in the alternative, to vacate and modify the judgment entered against them, was then denied. On November 7, 1984 the Missouri Court of Appeals, Western District reversed the decision of the Circuit Court rendered in favor of the Star, resulting in a judgment in favor of plaintiffs. The Court of Appeals found that the Star could not terminate its contracts with plaintiffs at will and without cause. The Star's application to the Court of Appeals for rehearing or transfer to the Missouri Supreme Court, was denied. The Star's application to the Missouri Supreme Court for a transfer of the case to the Missouri Supreme Court has also been denied. The action has been remanded to the Circuit Court for further proceedings.

There are 14 other actions pending in various Missouri state courts seeking damages against the Star arising from alleged interference with plaintiffs' property rights and contractual relationships with newspaper carriers, which in the aggregate are not material. These cases are substantially identical to the Miskimen action. Company's counsel believes that judgments against The Star in Miskimen and the other state court carrier cases should not materially affect the financial statements of the Company.

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

The information called for by this item is not applicable.

Executive Officers of the Company

Name	Age	Director since	Officer since	Title
Thomas S. Murphy	59	1957	1958	Chairman of the Board of Directors and Chief Executive Officer
Daniel B. Burke	56	1967	1962	President, Chief Operating Officer and Director
Joseph P. Dougherty...	60	1967	1959	Executive Vice President, President of Broadcasting Division and Director
John B. Fairchild.........	58	1968	1968	Executive Vice President, Chairman and Chief Executive Officer of Fairchild Publications and Director
William R. James........	51		1969	Executive Vice President and President of Cable Television Division
John B. Sias..............	58	1977	1975	Executive Vice President, President of Publishing Division and Director
Ronald J. Doerfler	43		1977	Senior Vice President and Chief Financial Officer
Andrew E. Jackson	50		1971	Vice President
Gerald Dickler............	72	1954	1954	Secretary and Director
Allan J. Edelson	42		1981	Controller

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 to 1984 in the practice of law as a partner in the law firm of Hall, Dickler, Lawler, Kent & Friedman, general counsel for the Company. Since 1984, Mr. Dickler has been Senior Counsel to the same law firm. 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 36 of the 1984 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 pages 24 and 25 of the 1984 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 pages 18 through 23 of the 1984 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 26 through 39 of the 1984 Annual Report to Shareholders and is incorporated herein by reference.

Item 9. ***Disagreements on Accounting and Financial Disclosure.***

The information called for by this item is not applicable.

PART III

Item 10. ***Directors and Executive Officers of the Registrant.***

Incorporated herein by reference to the Company's definitive proxy statement for the annual meeting of shareholders to be filed not later than 120 days after the end of the fiscal year covered by this Form 10-K. Information concerning the executive officers is included in Part I, on page K-17.

Item 11. ***Executive Compensation.***

Incorporated herein by reference to the Company's definitive proxy statement for the annual meeting of shareholders to be filed not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management.***

Incorporated herein by reference to the Company's definitive proxy statement for the annual meeting of shareholders to to be filed not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 13. ***Certain Relationships and Related Transactions.***

(a) The information called for is not applicable.

(b) Incorporated herein by reference to the Company's definitive proxy statement for the annual meeting of shareholders to be filed not later than 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

Item 14. ***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 the consolidated 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.

None filed during Fourth Quarter 1984.

CAPITAL CITIES COMMUNICATIONS, INC.

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

(Item 14 (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.

* * * * * * *

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, 1984, are hereby incorporated by reference. With the exception of the Items referred to in Items 1, 5, 6 and 7, the 1984 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, 1984 of our report dated February 28, 1985 included in the 1984 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 28, 1985 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, Form S-8 No. 2-59014 for the registration of 287,195 shares and Form S-8 No. 2-86863 for the registration of 300,000 shares of its common stock and in the related Prospectuses of our above report.

ARTHUR YOUNG & COMPANY

New York, New York
March 22, 1985

CAPITAL CITIES COMMUNICATIONS, INC.

INDEX TO EXHIBITS (Item 14 (a)2.)

(13) The Company's 1984 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.

(28) Undertakings.

SCHEDULE V—PROPERTY, PLANT AND EQUIPMENT
(Thousands of Dollars)

	Balance at beginning of period	Additions at cost: Operating companies acquired	Additions at cost: Other	Retirements or sales	Other changes—reclassifications (a)	Balance at close of period
Year ended December 31, 1984:						
Land and improvements	$ 21,189	$ 1,010	$ 90	$ (348)		$ 21,941
Buildings and improvements	69,214	1,985	3,795	(278)		74,716
Broadcasting equipment	60,183	2,248	6,277	(3,362)		65,346
Printing machinery and equipment	72,734	2,316	10,464	(1,152)		84,362
Cable television distribution systems and equipment	126,169	981	16,746		$ 247	144,143
Other, including construction-in-progress	32,136	2,400	16,494	(1,131)		49,899
	$381,625	$ 10,940	$53,866	$ (6,271)	$ 247	$440,407
Year ended December 31, 1983:						
Land and improvements	$ 20,609	$ 291	$ 570	$ (162)	$ (119)	$ 21,189
Buildings and improvements	63,848	552	5,625	(549)	(262)	69,214
Broadcasting equipment	53,370		8,907	(2,094)		60,183
Printing machinery and equipment	68,287	1,840	6,606	(1,419)	(2,580)	72,734
Cable television distribution systems and equipment	90,568	1,945	33,745	(89)		126,169
Other, including construction-in-progress	40,993	122	(7,858)	(1,030)	(91)	32,136
	$337,675	$ 4,750	$47,595	$ (5,343)	$ (3,052)	$381,625
Year ended December 31, 1982:						
Land and improvements	$ 16,212	$ 430	$ 2,937	$ (87)	$ 1,117	$ 20,609
Buildings and improvements	56,521	1,559	4,475	(260)	1,553	63,848
Broadcasting equipment	44,724		10,927	(2,281)		53,370
Printing machinery and equipment	62,626	3,057	3,839	(1,509)	274	68,287
Cable television distribution systems and equipment	70,150	1,503	24,196	(46)	(5,235)	90,568
Other, including construction-in-progress	32,179	1,610	5,277	(838)	2,765	40,993
	$282,412	$ 8,159	$51,651	$ (5,021)	$ 474	$337,675

(a) Represents in 1984, 1983, and 1982 final adjustments to the purchase price allocation of the 1983 acquisition of four cable television systems, the 1982 acquisition of the Red Bank Register, and the 1981 acquisition of Cablecom-General, Inc., respectively.

Depreciation is generally provided on a straight-line basis over the 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 distribution systems—10 to 12 years.

CAPITAL CITIES COMMUNICATIONS, INC.

SCHEDULE VI—ACCUMULATED DEPRECIATION AND AMORTIZATION OF PROPERTY, PLANT AND EQUIPMENT
(Thousands of Dollars)

	Balance at beginning of period	Charged to income	Retirements or sales	Other changes—reclassifications (a)	Balance at close of period
Year ended December 31, 1984:					
Land improvements	$ 719	$ 108	$ (10)		$ 817
Buildings and improvements	24,589	2,996	(136)		27,449
Broadcasting equipment	32,993	5,785	(2,424)		36,354
Printing machinery and equipment	48,019	7,796	(998)		54,817
Cable television distribution systems and equipment	18,768	14,060			32,828
Other	11,271	3,339	(861)		13,749
	$136,359	$34,084	$(4,429)		$166,014
Year ended December 31, 1983:					
Land improvements	$ 612	$ 109	$ (2)		$ 719
Buildings and improvements	22,428	2,654	(493)		24,589
Broadcasting equipment	29,680	5,041	(1,728)		32,993
Printing machinery and equipment	42,363	6,708	(1,052)		48,019
Cable television distribution systems and equipment	7,585	10,824	359		18,768
Other	9,061	2,763	(553)		11,271
	$111,729	$28,099	$(3,469)		$136,359
Year ended December 31, 1982:					
Land improvements	$ 538	$ 77	$ (1)	$ (2)	$ 612
Buildings and improvements	20,197	2,388	(57)	(100)	22,428
Broadcasting equipment	27,516	4,238	(2,074)		29,680
Printing machinery and equipment	37,987	5,364	(1,218)	(270)	42,363
Cable television distribution systems and equipment	2,801	8,156		(3,372)	7,585
Other	7,745	2,370	(809)	(245)	9,061
	$ 96,784	$23,093	$(4,159)	$(3,989)	$111,729

(a) Represents final adjustments to the purchase price allocation of the 1981 acquisition of Cablecom-General, Inc.

SCHEDULE VIII—VALUATION AND QUALIFYING ACCOUNTS
(Thousands of Dollars)

	Balance at beginning of period	Additions: Operating companies acquired	Additions: Charged to income	Deductions from reserves (a)	Balance at close of period
Deducted from accounts and notes receivable:					
Year ended December 31, 1984	$5,923	$717	$6,298	$(5,569)	$7,369
Year ended December 31, 1983	$4,919	$189	$5,738	$(4,923)	$5,923
Year ended December 31, 1982	$4,914	$ 81	$6,516	$(6,592)	$4,919

(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 7, 1985

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 7, 1985

Principal Financial Officer:

/s/ RONALD J. DOERFLER (Ronald J. Doerfler)	March 7, 1985

Controller:

/s/ ALLAN J. EDELSON (Allan J. Edelson)	March 7, 1985

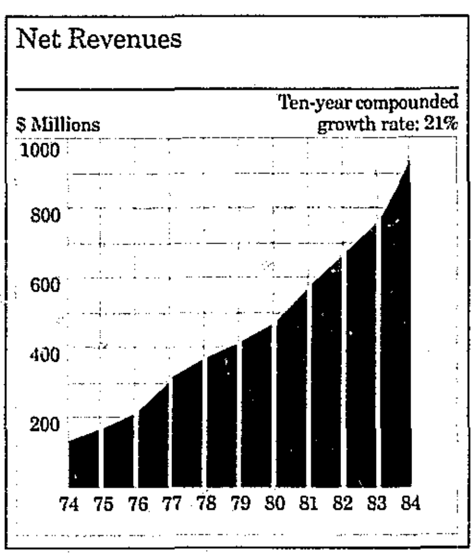
Directors:

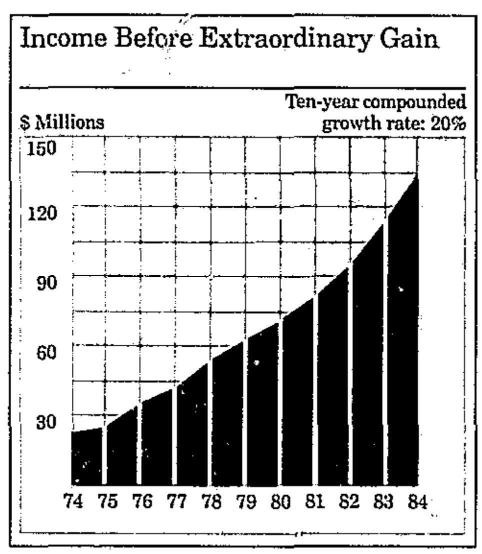
/s/ ROBERT P. BAUMAN (Robert P. Bauman)	March 7, 1985
/s/ DANIEL B. BURKE (Daniel B. Burke)	March 7, 1985
/s/ GERALD DICKLER (Gerald Dickler)	March 7, 1985
/s/ JOSEPH P. DOUGHERTY (Joseph P. Dougherty)	March 7, 1985
/s/ JOHN B. FAIRCHILD (John B. Fairchild)	March 7, 1985
/s/ JOHN H. MULLER, JR. (John H. Muller, Jr.)	March 7, 1985
/s/ THOMAS S. MURPHY (Thomas S. Murphy)	March 7, 1985
/s/ JOHN B. POOLE (John B. Poole)	March 7, 1985
/s/ JOHN B. SIAS (John B. Sias)	March 7, 1985
/s/ WILLIAM I. SPENCER (William I. Spencer)	March 7, 1985
/s/ M. CABELL WOODWARD, JR. (M. Cabell Woodward, Jr.)	March 7, 1985

EXHIBIT (13)

Operating Highlights

	1984	1983
Net revenues	**$939,722,000**	$762,295,000
Operating income	**$267,512,000**	$220,364,000
Income before extraordinary gain	**$135,193,000**	$114,704,000
Income per share before extraordinary gain	**$10.40**	$8.53
Return on equity (before extraordinary gain)	**19.9%**	19.6%





To Our Shareholders

We are pleased to report that in 1984 Capital Cities Communications, Inc., achieved its thirtieth consecutive year of record financial performance, and invested significant amounts to acquire and develop businesses which offer fine promise for the Company's future. Highlights were as follows (dollars in millions except net income per share):

	1984	1983	Percentage increase
Net revenues	$939.7	$762.3	23%
Operating expenses	$672.2	$541.9	24%
Operating income	$267.5	$220.4	21%
Net income	$135.2*	$114.7	18%
Net income per share	$10.40*	$ 8.53	22%

* Before extraordinary gain

During 1984, several diverse factors combined to favorably affect the results of virtually all of the Company's operations.

- The national economy entered the year in good shape and stayed strong throughout, with only some disappointment over lower-than-anticipated retail sales during the Christmas season.
- The rate of inflation remained far lower than the levels experienced during much of the previous decade, and this contributed a great deal to the healthy state of the national economy. Even though costs rose at rates higher than inflation at most of our locations, sales percentage increases were even greater, with the result that nearly all operating margins were maintained or improved. Excluding recent acquisitions and start-ups, the Company's revenues and operating income in 1984 increased 15 percent and 19 percent, respectively. After subtracting the generally accepted inflation rate of approximately 4 percent from these percentage gains, real growth rates can be inferred for Capital Cities in 1984 which are larger than any achieved since 1976.
- The combination of national elections and the Winter and Summer Olympics every four years has historically produced broad strength in all levels of advertising activity, as well as substantially enhanced revenue opportunities for television stations affiliated with the network which carries the Olympics. Our four largest television stations are affiliated with ABC-TV, which telecast both the winter and summer games in 1984.

All of these factors were anticipated in our plans for 1984, and actual results in most cases exceeded plans, with the exception of the Winter Olympic broadcasts which were mildly disappointing from the standpoint of both ratings and revenue.

Broadcasting operations were generally very satisfactory when compared with both our 1984 plans and actual results for 1983. Audience levels as reported by various rating services met or exceeded goals established for almost all of our stations. Both television and radio revenues showed impressive gains—particularly through the first half of the year.

The Publishing Division achieved outstanding results again in 1984. Net revenues climbed past the half-billion-dollar level for the first time, while circulation and operating profit levels for virtually all publications were ahead of plans and 1983 results.

The Cable Television Division also enjoyed a good year. Basic and pay subscribers were added in satisfactory numbers throughout the Division. Rebuilds were completed at several systems and started in a number of others. These system rebuilds give our subscribers substantial additional channel capacity and a greater diversity of services while still providing the Company with a satisfactory return on its investment.

During 1984, $246,800,000 was reinvested in the business—$146,800,000 for acquisitions; $53,900,000 for capital spending; and $46,100,000 for repurchase of the Company's common stock.

The year 1984 was very active in terms of acquisitions in businesses in which our organization has been successful over the years. Four major acquisitions were completed—two in broadcasting, and two in publishing.

- On August 27, 1984, Capital Cities purchased the assets of WFTS-TV, Channel

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28, serving the Tampa-St. Petersburg market in Florida, making the Company the operator of an independent (non-network-affiliated) television station for the first time. Although major financial commitments for programming and promotion make it almost certain that WFTS-TV will operate at a loss in 1985, the size and rapid growth of this market make us confident of fine prospects in the years ahead.

- To improve our competitive position in the Los Angeles radio market, Capital Cities sold KZLA-AM and purchased KLAC-AM on December 3, 1984.
- Sutton Industries, Inc., was acquired on March 1, 1984. Sutton publishes and distributes approximately 1,300,000 weekly direct-mail shopping guides, primarily in southern California.
- On August 31, 1984, the Company acquired Institutional Investor, Inc., publisher of the highly successful monthly magazine of the same name, as well as a number of financial newsletters. This company also sponsors conferences throughout the world where business and political leaders join in high-level discussions of vital national and international economic and political subjects. We are most pleased to have the founder of this fine company, Gilbert E. Kaplan, and his entire staff join Capital Cities.

These four acquisitions and several small publishing and cable system purchases had a combined effect of reducing reported earnings per share in 1984 by $.16, and we currently anticipate that the negative effect on 1985 earnings will be approximately $.45 per share. This dilution occurs because the combined operating earnings, less related amortization of intangible assets, of all the acquisitions completed during 1984 will not equal the income which would have been earned had the money expended been left in interest-bearing investments. It is seldom possible at the present time to make media company acquisitions which will not have a short-term negative impact on reported earnings. We believe, however, that each of these properties has substantial potential for future growth.

Thomas S. Murphy,
Chairman & Chief Executive Officer
Daniel B. Burke,
President & Chief Operating Officer

During January and February of 1984, 280,000 shares of the Company's common stock were acquired, completing a repurchase program authorized by the Board of Directors in December 1983. In mid-March of 1984, the Board authorized repurchase of an additional 500,000 shares, but the combination of major dollar commitments for acquisitions and the strong price performance of our stock has limited our activity under this authorization to buying back 64,200 shares. The average price paid for the 344,200 shares repurchased under these authorizations in 1984, which will be reserved for employee stock incentive plans and other general corporate purposes, was slightly more than $132 per share.

In our letter to you last year, we discussed our continuing attention to new technologies to determine whether they might be either threats to the businesses in which we are currently active or desirable opportunities for the Company. We briefly described investments in two efforts to compile electronic databases and to market information from them. The first of these, which was developed for use by hospital purchasing agents, did not appear by midyear to have sufficiently promising prospects to justify continued investment by Capital Cities.

The second undertaking involved the establishment of an electronic database for the many electronic components which design engineers first analyze and then specify for inclusion in systems which they are designing. Initial market testing has been satisfactory, and we therefore continue to provide the majority of funding for this effort with enhanced hopes of eventual profitability.

Cellular radio (mobile telephone) is now a reality in several major markets, and while results for 1984 are somewhat uneven, we continue to view the technology with interest. Accordingly, in July 1984 Capital Cities made a modest investment in a company which has a 50 percent or larger joint-venture interest in licenses in Cleveland, Cincinnati and Columbus, Ohio.

In prior reports we have mentioned the possibility that the Federal Communications Commission might move to relax the rules which limit one owner to seven television stations (only five of which may be VHF), seven AM and seven FM radio stations. We are pleased to report that a new rule for radio station ownership is in effect, and it is expected that a proposed new rule for television station ownership will be effective in April 1985. These new rules, which will open the way for the acquisition of additional stations, are discussed at greater length in the Broadcasting Division section of this report.

It is with a deep sense of personal loss that we report the death on December 9, 1984, of our fellow Director, William S. Lasdon, at the age of 88. One of the early stockholders of Capital Cities and a member of the Board of Directors from 1957 until his death, Bill Lasdon was consistently optimistic and supportive of management in its efforts to build the Company. His vast experience and excellent judgment were always available, and he never stopped wanting to learn new things himself. We shall miss him as an associate and a dear friend.

In March 1985, we were pleased to welcome John B. Poole back to our Board of Directors. Mr. Poole is the retired Chairman of the Board of Poole Broadcasting Company and had been a Director and Chairman of the Executive Committee of Capital Cities from 1959 until 1964 when he resigned to found Poole Broadcasting Company. We were also pleased to welcome Robert P. Bauman to our Board. Mr. Bauman is Vice Chairman of the Board of Textron Inc.

The year 1984 was outstanding for the Company—to such an extent, as a matter of fact, that favorable comparisons will be difficult to achieve in 1985, especially in the first half of the year. In addition to short-term dilution from 1984 acquisitions, the continuing moderate rate of national inflation may inhibit 1985 earnings growth rates, but will make upward progress more meaningful in terms of real financial strength.

The Company's balance sheet remains very strong. Our various franchises are generally healthy in terms of circulation, audience levels and subscribers. Our 8,600 employees are very able and experienced, and they remain dedicated to the growth and future of the Company. These talented men and women share our great pride in what Capital Cities has become and look forward with us to its very promising future. We thank our associates for their outstanding contributions and join them in assuring you of our continuing determination to keep Capital Cities moving ahead.

Thomas S. Murphy

THOMAS S. MURPHY
Chairman

Daniel B Burke

DANIEL B. BURKE
President

Joseph P. Dougherty,
President, Broadcasting Division

The Broadcasting Division achieved record levels of revenue and operating income in 1984. Net revenue increased 15 percent to $271,800,000, and operating income also rose to $141,600,000, a 15 percent increase over 1983. Both the radio and television groups reported significant gains. Our Los Angeles and Fort Worth-Dallas radio stations and Durham-Raleigh and Fresno television stations achieved the greatest percentage revenue growth in 1984.

Total operating costs of the Broadcasting Division in 1984 increased by 15 percent over 1983; excluding acquisitions, operating costs increased by approximately 12 percent. In recent years, the Division has tried to keep new personnel hires to a minimum and in 1984 had less than a 4 percent increase in number of employees, exclusive of acquisitions.

Television

The Winter and Summer Olympics broadcast on our four ABC-affiliated stations, as well as the national elections, helped our television stations achieve an outstanding year. Television revenues, on a comparable basis, increased 15 percent in 1984, with a similar gain in operating income. Our affiliated stations, for the most part, outperform network prime-time and news audience shares, maintaining strong share positions in all local dayparts, particularly news, as shown in the following table:

Affiliated station and market	No. of stations in market	News Program Rank: A.M. or noon	Early evening	Late evening
WPVI-TV [ABC] (Philadelphia)	5	1	1	1
KTRK-TV [ABC] (Houston)	6	1	1	1
WTNH-TV [ABC] (New Haven-Hartford)	6	2	2	2
WKBW-TV [ABC] (Buffalo)	4	1	1	1
WTVD [CBS] (Durham-Raleigh)	5	1	2	1(a)
KFSN-TV [CBS] (Fresno)	6	1	1	1

(a) Tied
Source: Arbitron, November 1984

It is interesting to note that some of our news programs rank in the top twenty most viewed programs in their markets. In 1984, our stations did not add hours programmed or employees to news blocks, with the exception of WTNH-TV, New Haven, which did add a half-hour of news, Monday through Friday, 5:30 to 6:00 p.m.

Our first acquisition of an independent television station was accomplished on August 27, 1984, when we began operating WFTS-TV, Channel 28, Tampa, Florida. The Tampa-St. Petersburg market, ranked by Nielsen television households, is 17th in the country and is growing rapidly. Four other television stations are presently operating in the market—three network-affiliated VHF stations and a well-established UHF independent, Channel 44. In addition, there are numerous applicants for Channel 50, and it is expected this channel will be assigned in 1985.

We have made significant entertainment program commitments for Channel 28 and are using a strong local approach to public affairs and sports. The station has already increased its audience share with an appropriate response in revenues.

Lewis I. Freifeld, who has joined Capital Cities as President and General Manager of WFTS-TV, has a strong background in independent television, as do the station's key department heads. Developing our own talent and learning this business is critical to our future growth in independent television.

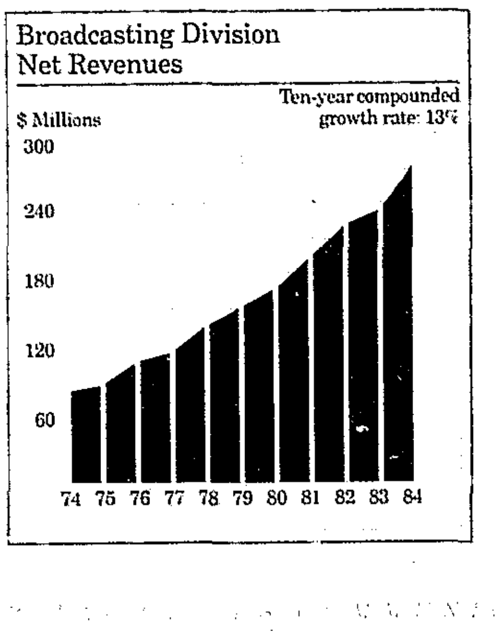
Pressure for increased programming costs at all of our television stations continues. One of the factors impacting program costs is the use of bartered time, or the withholding of one or more 30-second spots within each program by a program syndicator for sale to national advertisers on a "network" basis, while the station presumably pays less cash for the program rights. The syndicator's sales goals are based on cost efficiencies for the advertiser and not on the potential value of inventory to the station, thereby reducing the spot revenue dollars available to the station. Industry sources estimate barter advertising expenditures grew 33 percent in 1984 and now total nearly $500,000,000.

Growth in the number of independent stations in the United States from 95 in 1979 to over 200 in 1984, together with greater cable television penetration, have increased competition for viewing audiences and advertising dollars during the past year. A significant competitive development is the possibility that UHF independent stations will be allowed to swap channels with VHF public education stations. In our Tampa-St. Petersburg market, Channel 44, the leading independent station, and Channel 3, a public education station, have announced an agreement to exchange channels pending approval of the Federal Communications Commission, which has instituted rulemaking proceedings to consider the legality and desirability of such channel swaps. We anticipate that the impact of such transactions on public and commercial television will be hotly debated and that the matter is likely to be subjected to scrutiny by Congress and the Courts. Since about 40 percent of the educational channels in the top fifty television markets are VHF, the competitive factors in affected markets would be considerably altered by approval of this action.

Cable television advertising was estimated at $500,000,000 in 1984, a 45 percent increase over 1983. Most of this is national advertising carried on superstations, such as WTBS (Atlanta, Georgia), and on satellite-delivered cable television programming channels, principally ESPN, CNN, MTV and USA. While it is uncertain what the impact of cable television advertising is on our television stations, it is clear that such advertising will ultimately erode the total national spot dollars available to over-the-air television stations. Cable television penetration continued to grow and is shown for each of our television markets in the following table:

Market	% TV households with cable television 1984	1983	1979
Philadelphia	40	39	20
Houston	41	37	6
Tampa-St. Petersburg	37	34	16
New Haven-Hartford	60	54	27
Buffalo	51	47	25
Durham-Raleigh	41	39	20
Fresno	30	27	10
Continental United States	42	38	19

Source: Arbitron



Broadcasting Division Net Revenues

Radio

During 1984, our radio stations had another record year. Net revenue increased 17 percent, with a comparable increase in operating income.

WBAP-AM, Fort Worth-Dallas, continued to improve its audience position, particularly in morning drive time, and the station achieved its highest earnings ever. In Detroit, the improved economy and the success of the Detroit Tigers helped WJR-AM achieve strong revenue and income growth over 1983. Most of our other radio stations maintained or enhanced their audience positions in 1984.

On December 3, 1984, we acquired KLAC-AM in Los Angeles, California, from Metromedia, Inc., and sold KZLA-AM, also in Los Angeles, to Spanish Broadcasting Systems of California, Inc. KZLA-FM and KLAC-AM are the only stations in the Los Angeles market with a country-and-western format, and their combined audience share ranks among the top ten in the market. A substantial capital investment was made to relocate and upgrade the facilities of these two stations, and we expect to receive significant returns on our investment.

Government Regulation

After considerable debate at the Federal Communications Commission and in Congress, the ownership rules covering radio and television stations are being changed. Under the old rules, a group could own no more than seven television stations (five VHF, two UHF), seven AM radio stations and seven FM radio stations. The new radio rules, already in effect, allow a group to own twelve AM stations and twelve FM stations. The new rule for television stations, effective April 2, 1985, pending judicial review, has three parts. Each group will be allowed to own twelve television stations as long as the stations collectively reach no more than 25 percent of the nation's television homes. UHF stations will be assessed for only half of a market's television homes. Lastly, a group will be allowed to own up to 49 percent in two additional stations above the twelve-station limit in either radio or television and, in the case of television, reach 30 percent of the television households in the United States, if minorities control the additional stations.

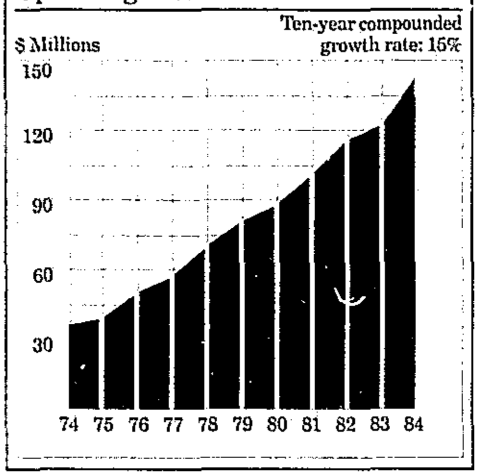
We are interested in expanding our ownership of both radio and television stations. To do this, we are pursuing targeted opportunities, as well as reviewing an increasing number of potential station availabilities created by the rule changes.

A ban on beer and wine broadcast advertising is an issue that will be debated by Congress in 1985. In 1984, beer and wine advertising on radio and television totaled about $750,000,000, or 4 percent of total broadcast industry advertising. Such advertising on our stations was approximately 3 percent of Broadcasting Division revenues in 1984. If a ban goes into effect, each of our radio and television stations is almost certain to lose some revenue.

Public Affairs

All of our radio and television stations participated in a wide variety of public affairs events in 1984. Highlights were Variety Club Telethons for the benefit of children's charities. WPVI-TV and WKBW-TV raised $1,600,000 and $1,400,000, respectively, to become Variety Club's top two fundraisers in the country.

Broadcasting Division
Operating Income



Each of our broadcast stations has ongoing local campaigns dealing with the issues of drunk driving and drug abuse. The campaigns include public service announcements and public affairs programs coordinated with local community groups.

Our television station in Durham-Raleigh, WTVD, received several national awards for its documentary and seven-part news series dealing with the feminization of poverty, called *Poverty Has a Woman's Face*. These included a first-place award from the National Commission on Working Women and a first-place commendation from American Women in Radio and Television.

A significant report on the illiteracy problem in the United States highlighted the Company's national public affairs programming in 1984. Our documentary, *Can't Read, Can't Write,* was telecast by 169 stations reaching 79 percent of the nation's television homes. We sent each station a five-part news series for their use in advance of the broadcast and worked with the National Coalition for Literacy to establish a toll-free hotline to the Contact Literacy Center in Lincoln, Nebraska, to give callers from anywhere in the United States information on literacy centers in their own communities where they could volunteer as tutors or get help if they were illiterate.

We began development on two projects in 1984:

- A new series of half-hour dramas with a continuing cast of characters, which will replace the *Capital Cities Family Specials*.
- A dramatic series to be telecast in 1987 in celebration of the 200th anniversary of the Constitution of the United States.

The barter syndication market continued to be highly competitive, and our results for 1984 were under plan but an improvement over 1983. We have engaged a new national sales representative firm in our effort to assure the highest possible revenue, while maintaining our commitment to substantive public affairs and family programming.

Broadcasting Division

Joseph P. Dougherty, *President*
James P. Arcara, *Executive Vice President, Radio*
Robert O. Niles, *Vice President; Director of Engineering*
James Long, *Vice President*
James E. Masucci, *Vice President*
G. Alan Nesbitt, *Vice President*
Richard C. Shepard, *Vice President*

Television

WPVI-TV (Philadelphia, PA) • Channel 6 • ABC
Lawrence J. Pollock, *President; General Manager*

KTRK-TV (Houston, TX) • Channel 13 • ABC
Kenneth M. Johnson, *President; General Manager*

WFTS-TV (Tampa-St. Petersburg, FL) • Channel 28
Lewis I. Freifeld, *President; General Manager*

WTNH-TV (New Haven-Hartford, CT) • Channel 8 • ABC
Peter K. Orne, *President; General Manager*

WKBW-TV (Buffalo, NY) • Channel 7 • ABC
Philip R. Beuth, *President; General Manager*

WTVD (Durham-Raleigh, NC) • Channel 11 • CBS
Paul L. Bures, Jr., *President; General Manager*

KFSN-TV (Fresno, CA) • Channel 30 • CBS
Marc Edwards, *President; General Manager*

Radio

WPAT-AM/FM (Paterson, NJ-Metropolitan NYC) • 930/93.1
Frederick D. Weinhaus, *President; General Manager*

KLAC-AM/KZLA-FM (Los Angeles, CA) • 570/93.9
Verners J. Ore, *President; General Manager*

WJR-AM (Detroit, MI) • 760 • NBC
Ronald R. Pancratz, *President; General Manager*

WHYT-FM (Detroit, MI) • 96.3 • ABC

WBAP-AM (Fort Worth-Dallas, TX) • 920 • ABC
KSCS-FM (Fort Worth-Dallas, TX) • 96.3
Warren Potash, *President; General Manager*

WKHX-FM (Marietta-Atlanta, GA) • 101.5
Norman S. Schrutt, *President; General Manager*

WKBW-AM (Buffalo, NY) • 1520 • ABC
Timothy J. Gorman, *President; General Manager*

WPRO-AM/FM (Providence, RI) • 630/92.3 • ABC
Aaron M. Daniels, *President; General Manager*

Capital Cities Television Productions

Charles Keller, *Vice President; General Manager*

Publishing Division

New records were established by the Publishing Division in 1984 with revenues of $591,600,000 and operating income of $133,200,000—increases over 1983 of 29 percent and 28 percent, respectively. On a pro forma basis, excluding recent acquisitions and start-ups, revenues and operating income were up 15 percent and 22 percent, respectively.

The 1984 increase in operating earnings reflected the extremely favorable economic environment, especially for advertising sales, that prevailed during the year, as well as contributions from the *Institutional Investor* and Sutton Industries acquisitions. While most of the daily newspapers and larger specialized publications achieved record profits, operating margin for the entire Publishing Division declined slightly from 22.6 percent in 1983 to 22.5 percent in 1984, primarily as a result of lower operating margins on recently purchased properties and the related amortization of intangible assets. Revenues per employee and operating profit per employee reached record levels in 1984, with both specialized publications and newspapers showing increases.

Whatever glow our publishers and managers may have from these excellent 1984 results is tempered by a look at the ominous expense record. Excluding 1984 acquisitions, Publishing Division expenses increased 13 percent, and total number of personnel increased 4 percent over average 1983 levels. The successful management of these increased expense commitments in the low-inflation environment of 1985 is the most important task confronting publishing management.

Five publishing acquisitions were completed during 1984:

- In January 1984, the Company purchased Wilson Publishing, publisher of two weekly newspapers in Rhode Island—*The Narragansett Times* and *The Standard Times*, of North Kingstown.
- Sutton Industries, which prints and distributes approximately 1,300,000 weekly shopping guides in California, was purchased March 1, 1984.
- Institutional Investor, Inc., which was acquired on August 31, 1984, publishes *Institutional Investor* magazine and a number of financial newsletters. *Institutional Investor* is a major publication serving the financial community and is expected to become an important contributor to Publishing Division profits in future years.
- Shore Line Newspapers acquired two small weekly operations in addition to Wilson Publishing. *The Rhode Island Pendulum*, a weekly newspaper serving Greenwich, Rhode Island, was purchased in July 1984 and is operated as a part of Wilson Publishing in Rhode Island. In September 1984, Shore Line acquired the *Regional Shopper* in Colchester, Connecticut.

Newspapers

Revenues from newspapers in 1984 increased 15 percent to $328,700,000, and operating margin was up slightly. Total advertising revenue for newspapers increased 17 percent over 1983 to a record $275,600,000, paced by an increase of more than 30 percent in classified advertising. The amount of advertising space sold increased 13 percent over 1983 to a record volume of 19,100,000 inches.

It is interesting to note that this was achieved when the average inch rate increased slightly under 5 percent, the smallest rate increase in the past five years. Total daily newspaper circulation declined less than 1 percent weekday, and increased 2 percent on Sunday.

At *The Kansas City Star/Times*, advertising linage, led by classified, rose 15 percent over 1983 and record operating earnings and margins were achieved.

On November 6, 1984, the United States Supreme Court rejected a final challenge to the decision of the Full Bench of the United States Court of Appeals for the Eighth Circuit which had held in February 1984 that the antitrust laws do not prohibit the Star Company's proposal to convert independent contract carriers to a delivery agent system of distribution. Upon the Supreme Court's

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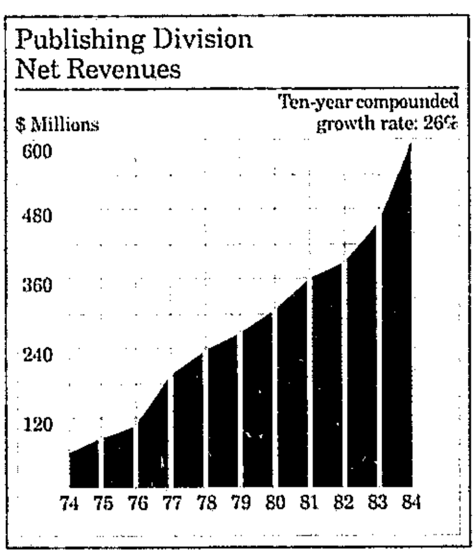
denial of review, the permanent injunction was dissolved, the award of attorneys' fees to the plaintiffs was vacated, and formal judgment was entered in favor of the Star Company in that litigation.

Final success in the federal courts was followed, however, by the November 7, 1984, opinion of an intermediate Missouri appellate court in a state lawsuit filed by the carriers, *Robert S. Miskimen, et al vs. The Kansas City Star Company, et al.* That decision of the Missouri Court of Appeals reversed a declaratory judgment entered by the trial court and held that under state contract law the Star Company cannot terminate its present carrier contracts unless the carriers breach those contracts. In so holding, the Court of Appeals rejected application of several prior Missouri court decisions finding that newspaper distributorship contracts like those between the Star Company and the carriers are terminable at will by the newspaper publisher.

The Star Company's application for review by the Missouri Supreme Court of the Court of Appeals decision has been denied and the action has been remanded to the Circuit Court. Detailed explanations of these and other related proceedings are contained in Item 3, *Legal Proceedings*, of the Company's Form 10-K, which is included elsewhere in this report.



Publishing Division Net Revenues

John B. Sias,
President, Publishing Division

Difficulties created by these decisions and by independent carrier subscription price increases beyond the Star Company's control have combined to cause some deterioration in circulation levels. Year-end circulation figures showed the morning *Times* 2 percent below the same period a year before, the afternoon *Star* down 3 percent, and the Sunday *Star* up 2 percent.

In 1984, the *Star* and *Times* won more than thirty national and regional journalism awards. In a singular personal achievement, Joe McGuff, Sports Editor of the *Star*, was named to receive the J. G. Taylor Spink Award, a writer's entrance into the Baseball Hall of Fame in Cooperstown, New York, where he will be honored this summer.

The *Fort Worth Star-Telegram* enjoyed another record year in revenues and operating income in 1984. Double-digit increases were achieved in all advertising revenue categories, led by classified which was more than double the level of 1980. Continuing editorial improvements, including expanded entertainment, television and fashion coverage, were reflected in all-time-high circulation levels, both daily and weekends.

John B. Fairchild,
Chairman & Chief Executive Officer,
Fairchild Publications

Ground was broken in October for the new *Star-Telegram* printing and distribution center located seven miles south of the downtown offices on an interstate loop. Thirty-nine units of Goss Headliner offset presses have been ordered and will be in operation by the end of 1986. Both the press order and the overall capital project represent the largest single commitment ever made by a newspaper in the southwest. The completed project is expected to cost slightly in excess of $80,000,000.

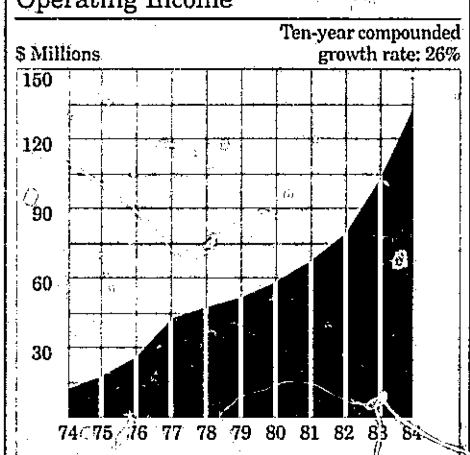
Sharply increased activity in the auto industry was reflected in record profits for *The Oakland Press,* in Pontiac, Michigan. A circulation price increase contributed also, dropping volume briefly. Work began on a $1,000,000 expansion of the newspaper's distribution facility to handle growth in advertising circulars and other ancillary publications.

The *Belleville News-Democrat* achieved record revenues in 1984, but improvement in operating earnings was only modest, as a result of significant start-up costs in converting from an afternoon to a morning publication and adding a seventh edition on Saturday. Circulation was close to 1983 figures, despite the conversion of the *St. Louis Post-Dispatch* to morning publication bringing to four the number of morning dailies available in the Belleville market.

The Times Leader continued to make steady business improvement in 1984, with a 17 percent increase in paid circulation and, by the end of the year, almost a 60 percent share of all advertising linage in the Wilkes-Barre market. The paper also achieved recognition for its news-gathering efforts by winning several state and national awards. The Scripps-Howard Foundation awarded the newspaper the prestigious Edward Willis Scripps Award for public service in the cause of the First Amendment guarantees of a free press in its challenge to the ruling of a local judge on press coverage of a controversial murder case. This challenge reached the United States Supreme Court before being decided in favor of *The Times Leader.*

The economy improved during 1984 in Oregon, but not as much as in many other areas of the country. Revenues and earnings of the Oregon-based Democrat-Herald newspaper group (two daily and six weekly) improved from 1983 levels, and circulation of all but one of the newspapers increased in 1984.

Publishing Division
Operating Income



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New Jersey newspaper operations at *The Daily Register,* in Red Bank, and the twice-weekly *Ocean County Reporter,* in Toms River, were somewhat disappointing in 1984. Marketing difficulties during the year resulted in very modest revenue gains, which were not sufficient to offset expense increases. Plans are being made to refocus marketing efforts and to reduce operating costs at both locations in 1985.

Shore Line Newspapers, in southern Connecticut and Rhode Island, had a record year in revenues and earnings. In addition to the acquisitions previously noted, two weekly newspapers were started in 1984—the *Rose City Sentinel,* in Norwich, Connecticut; and the *Home News* serving the Monteville-Ledyard area of southeastern Connecticut. With these six additions, the Shore Line Newspapers now include 18 weekly publications, with total circulation slightly in excess of 200,000.

Shopping Guides

Sutton Industries, Inc., which was acquired in March 1984, publishes and distributes direct-mail shopping guides to approximately 1,300,000 homes weekly in southern Orange County, San Diego County, Palm Springs, Sacramento and Stockton, California. Results for 1984 were consistent with expectations. Both *Pennypower Shopping News* (with operations in Wichita and Topeka, Kansas, and in Springfield, Missouri) and *Little Nickel Want Ads* in the Seattle-Tacoma area, had record years in 1984.

Shopping guides are a more volatile business than traditional newspaper publishing, and hands-on, motivated sales management is critical to success. The best opportunities for shopping guides are in markets with considerable growth and dispersed competitive retail activities. We expect this sector of the Publishing Division to offer interesting opportunities for future growth and expansion.

Specialized Publications

Specialized publications achieved record revenues and operating income in 1984 and improved their operating margins. Approximately one-half of the revenues and slightly over one-third of the earnings came from publications acquired or launched since 1968 when Fairchild Publications joined Capital Cities.

Especially favorable market conditions in the first half of the year enabled *Women's Wear Daily, W, Daily News Record, Footwear News, Supermarket News, Electronic News,* the International Medical News Group and *Travel Agent* to achieve new highs in revenues and profits. Professional Press continued the turn-around momentum of 1983 and enjoyed its best year since its acquisition in 1980.

Despite record revenues, operating income for *HFD—Retailing Home Furnishings* fell below 1983 as a result of increased editorial and printing costs associated with the conversion to a four-color, coated-stock publication. *HFD*'s new look has been well received by readers and advertisers, and the publication should be well positioned for future growth.

Metalworking News, American Metal Market and *Heat Treating* continued to operate in depressed markets, although revenues and profits were marginally better than 1983. *Metal Center News,* benefiting from the rise in steel imports, had its best year ever in 1984.

The contributions to revenues and earnings by publications launched from 1976 through 1982 increased satisfactorily in 1984. *Home Fashions Textiles* was converted to monthly frequency in 1984 and had its best year in revenues and profits.

Launched in the fall of 1983, *M* met its revenue plan in its first full year, but expense overruns associated with expanded editorial and newsstand efforts contributed to greater start-up losses than originally budgeted.

Securities Data, which was acquired in August 1983, had a profitable year in 1984. The decline of the initial public offering market and introduction of a competitive service resulted in pressure on margins. Securities Data is developing new financial databases in the hope of increasing their market penetration.

Our investment in Videolog, a start-up electronic database publisher, proceeded according to plan in 1984. Marketing began in late 1984, and initial response from users and advertisers was encouraging.

Opportunities for acquisitions and start-ups are evaluated on an ongoing basis, and investments are made whenever the risk/reward ratio appears attractive.

Publishing Division

John B. Sias, *President*

Daily Newspapers

THE KANSAS CITY STAR/TIMES (Kansas City, MO)
James H. Hale, *Chairman of the Board; Publisher*

FORT WORTH STAR-TELEGRAM (Fort Worth, TX)
Phillip J. Meek, *President; Publisher*

THE OAKLAND PRESS (Pontiac, MI)
Bruce H. McIntyre, *President; Publisher*

BELLEVILLE NEWS-DEMOCRAT (Belleville, IL)
Darwin C. Wile, *President; Publisher*

THE TIMES LEADER (Wilkes-Barre, PA)
Richard L. Connor, *President; Publisher*

THE DAILY REGISTER (Red Bank, NJ)
George J. Lister, *President; Publisher*

ALBANY DEMOCRAT-HERALD (Albany, OR)
Glenn C. Cushman, *Publisher*

THE DAILY TIDINGS (Ashland, OR)
Robert Dickey, *General Manager*

Weekly Newspapers

SHORE LINE NEWSPAPERS (Guilford, CT)
John E. Coots, *Publisher*

THE ARLINGTON CITIZEN-JOURNAL (Arlington, TX)
R. Thomas Cronk, *Publisher*

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)

HIGHLAND NEWS-LEADER (Highland, IL)

OCEAN COUNTY REPORTER (Toms River, NJ)

Shopping Guides

PENNYSAVER
(Orange, Riverside and San Diego counties, Sacramento and Stockton, CA)
Edward Trent, *President*

PENNYPOWER SHOPPING NEWS
(Wichita and Topeka, KS; and Springfield, MO)
William Kurz, *Vice President*

LITTLE NICKEL WANT ADS (Seattle-Tacoma, WA)
Melvin Hirning, *General Manager*

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Specialized Publications

Fairchild Publications (New York, NY)

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*

Fairchild Group

WOMEN'S WEAR DAILY
W
M
Michael F. Coady, *Senior Vice President*
Eugene F. Fahy, *Vice President; Publisher, M*
Etta M. Froio, *Vice President; Fashion Editor, WWD & W*
N. Olivia Thompson, *Vice President; Advertising Director, WWD*

DAILY NEWS RECORD
SPORTSTYLE
Stephen G. Stoneburn, *Senior Vice President*
Herbert M. Blueweiss, *Vice President; Publisher, DNR*
Clara Hancox, *Vice President; Director of Publishing, DNR*
Morris M. Chaklai, *Director of Advertising, DNR*
Sara Gold Rafel, *Publisher, SS*

HFD-RETAILING HOME FURNISHINGS
ENTRÉE
ELECTRONICS RETAILING
HOME FASHIONS TEXTILES
SUPERMARKET NEWS
David S. Branch, *Senior Vice President*
Gene Marks, *Publisher, SN*
Robert B. Freeman, *Vice President; Publisher, ER*
Kate Kelly-Smith, *Publisher, HFT*
Geri Brin, *Publisher, Entrée*

AMERICAN METAL MARKET
METALWORKING NEWS
METAL CENTER NEWS
HEAT TREATING
FOOTWEAR NEWS
Kenneth S. Share, *Senior Vice President*
James M. Lamoree, *Publisher, MCN & HT*
R. Michael Couch, *Vice President; Publisher, FN*

ELECTRONIC NEWS
MIS WEEK
MULTICHANNEL NEWS
Martin P. Rosenblum, *Senior Vice President*
Zachary J. Dicker, *Vice President; Publisher, EN*
James J. Lydon, *Vice President; Editor, EN*
Robert F. Callahan, Jr., *Publisher, MN*

ENERGY USER NEWS
James G. Chapman, *Publisher*

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
MERCURY PRESS
Charles J. Siegel, *Vice President; Publisher, IMNG*
Meadie E. Pace, *Manager, Washington Operations, IMNG & Mercury Press*
William Rubin, *Editor, IMNG*

Professional Press (New York, NY)

OPTOMETRIC MONTHLY
OPTICAL INDEX
INTERNATIONAL CONTACT LENS CLINIC
JOURNAL OF LEARNING DISABILITIES
Robert L. Wilson, *Vice President; General Manager*

American Traveler (New York, NY)

THE TRAVEL AGENT
EL TRAVEL AGENT INTERNACIONAL
Eric Friedheim, *Editor; Publisher*

Institutional Investor (New York, NY)

Gilbert E. Kaplan, *Chairman; Chief Executive Officer*
Louis B. Dotti, *Executive Vice President*
Fred V. Rubenstein, *Executive Vice President*

Electronic Publishing

SECURITIES DATA (New York, NY)
William D. French, *President*
VIDEOLOG COMMUNICATIONS (Norwalk, CT)
Alan P. Brigish, *President*

Philatelic Publications

STAMP COLLECTOR (Albany, OR)
THE STAMP WHOLESALER (Albany, OR)
James A. Magruder II, *Publisher*

Cable Television Division

Cable Television Division operating profits increased nominally in 1984 to $2,500,000 from $2,100,000 in 1983. The results for 1984 and 1983 are summarized below (dollars in millions):

	1984	1983	Percentage increase
Revenues	$76.3	$67.0	14%
Operating cash flow	$25.6	$21.7	18%
Depreciation	(15.9)	(12.4)	28%
Amortization of intangibles	(7.2)	(7.2)	—
Operating income	$ 2.5	$ 2.1	19%
Operating cash flow margin	33.6%	32.4%	

Cash flow gains were generally larger in the newer and the recently rebuilt and upgraded systems, where penetrations and revenues per subscriber increased the most. Much of the operating cash flow gain was offset by the increase in depreciation expense which resulted from significant capital spending related to the rebuilding and upgrading of our older systems. This activity should be substantially completed by the end of 1986: and at the same time, the depreciation expense associated with the acquisition of the older systems and the construction of the newer systems will begin to abate.

After giving effect to investment tax credits and deferred income taxes, the aftertax cash return in 1984 on our total invested capital in the Cable Television Division was 12 percent, or $32,200,000.

During 1984, our basic subscriber count, premium (pay service) units and tier (expanded basic service) units increased as follows:

	At December 31, 1984	1983
Basic subscribers	367,000	350,000
Premium units	265,000	250,000
Premium unit/basic subscriber ratio	72%	71%
Tier units	74,000	58,000

While we consider the growth of basic subscribers satisfactory, the long-term growth trend for premium subscibers and premium units leveled off in 1984. Premium units at new and rebuilt or upgraded systems increased slightly more than 15,000 units and stayed virtually the same at our other systems. We believe we will sustain our present penetrations; however, it appears pay television has become a mature business.

William R. James,
President, Cable Television Division

As a consequence of this trend and of the legislation effective December 29, 1984, we believe that future rate increases will be primarily for basic service and that rates for pay television may even decline somewhat in the years ahead. The Cable Act will mitigate the problems cable operators have experienced in implementing basic service rate increases. Five percent annual increases can be taken without local franchising authority approval, and many systems will be totally rate deregulated in two years. The final FCC criteria for rate control will not be known until after this report is published. In any event, basic rate relief will be more easily come by, and many basic rates will become more market driven.

Capital expenditures for 1984 totaled $17,200,000 as follows: $10,100,000 for major rebuilds and upgrades of older systems; and $7,100,000 for ongoing capital expenditures.

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As a result of delays in reaching agreements with various municipalities for the construction of major rebuilds and upgrades, this spending is approximately $10,000,000 less than planned.

The rebuild of our largest system in Modesto, California, began in November 1984 following municipal approval. This project will cost approximately $12,000,000, and the construction and remarketing will be completed by the end of 1986. Another major rebuild in Ardmore, Oklahoma, will be completed late this summer and fully remarketed by the end of 1985. System rebuilds in six other cities are expected to start in 1985.

Two large rebuild projects were completed in 1984 in Santa Rosa, California, and in Odessa, Texas, at a cost of almost $16,000,000, close to original budget. The remarketing objectives for improved penetration of premium and tier units and revenue per subscriber were met. Other rebuilds and upgrades were completed in Ponca City, Oklahoma; Diboll and Corrigan, Texas; Oakdale, California; and Safford, Arizona. Rebuilds in Globe, Arizona, and in Idabel, Oklahoma, were started late last year and will be completed soon.

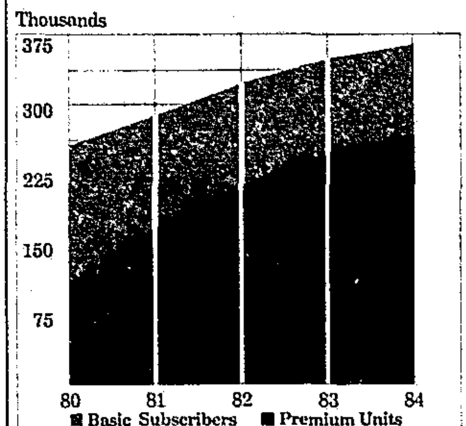
Particularly good progress was made in 1984 with respect to the budgeting and control of major construction projects. Eight sizable projects were started and substantially completed during the year at actual costs close to, but under, budget. The efficiency of our construction crews improved satisfactorily, and we have developed considerable confidence in our ability to forecast our labor and material costs and to meet these budgets. This is obviously important during a period of increased capital spending for rebuilds and upgrades of older systems.

In 1984, the Frederick, Oklahoma, cable system, with 1,900 subscribers, was purchased and became part of an 18,500-subscriber, seven-system cluster centered around Altus, Oklahoma. In January 1985, we completed the acquisition of the cable system serving Union City, California, a fast-growing community southeast of San Francisco. This 5,900-subscriber system will be run in tandem with our 5,000-subscriber system in Burlingame, California.

Late in the year we reorganized our advertising sales activities, and small sales operations were established at several systems. Early results have been encouraging, and we are optimistic that advertising sales will provide meaningful revenues and margins within a few years.

Several important management changes were made in 1984, and we believe our organization is now well structured and staffed for the future. Like other Capital Cities operations, the Cable Television Division is decentralized, with responsibility for operations, budgets and capital projects emanating from the systems or the regions. Our local General Managers have complete authority and responsibility for their operations and for serving their communities. Appropriate financial controls assure timely review of variances from operating and capital spending plans, as well as thoughtful analysis of the investment return on capital projects and acquisitions. We are particularly proud of the progress we have made in recruiting and developing the General Managers of our systems over the past several years.

Cable Television Division
Basic Subscribers and Premium Units



To date the overall return on our investments in cable television has been quite satisfactory, and we look forward to continued growth through acquisition. We believe the people, the organization and the operating philosophies and procedures are in place to provide excellent service to our present customers and communities, and to take full advantage of future opportunities.

Cable Television Division

William R. James, *President*
Harcharan S. Suri, *Vice President; Director of Engineering*
Thomas P. Basinger, *Vice President, Southern Region*
Harvey T. Boyd, *Vice President, Western Region*
Peter C. Newell, *Vice President, Northern Region*
Robert A. Versace, *Vice President, Southwestern Region*
Frank R. Woodbeck, *Vice President, Advertising Sales*

Cable Television Systems

Northern Region

Brookfield, MO	Kirksville, MO
Dyersburg, TN	Norfolk, NE
Fargo, ND	Plymouth, MI
Green Township, OH	Saline, MI
Greenwood, IN	Sioux City, IA
Highland Park, IL	Trenton, MO

Southern Region

Abilene, KS	Hobart, OK
Altus, OK	Idabel, OK
Ardmore, OK	Joplin, MO
Beloit, KS	Mangum, OK
Childress, TX	Memphis, TX
Clarksdale, MS	Miami, OK
Clay Center, KS	Nowata, OK
Concordia, KS	Ponca City, OK
Frederick, OK	Vinita, OK
Gulfport, MS	Wellington, TX

Western Region

Burlingame, CA	Page, AZ
Clifton, AZ	Safford, AZ
Cottonwood, AZ	Santa Rosa, CA
Globe, AZ	Show Low, AZ
Holbrook, AZ	Union City, CA
Modesto, CA	Winslow, AZ
Oakdale, CA	

Southwestern Region

Aransas Pass, TX	Odessa, TX
Bonham, TX	Port Lavaca, TX
Denison, TX	Rio Rancho, NM
Lampasas, TX	Roswell, NM
Lufkin, TX	Sherman, TX

Ronald J. Doerfler,
Senior Vice President & Chief Financial Officer

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

Results of Operations—1984 Compared to 1983

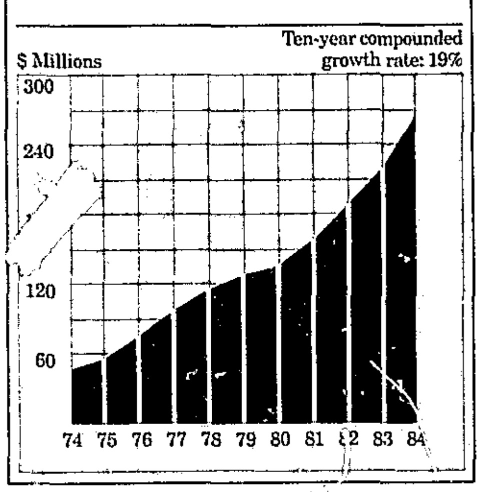
Net revenues in 1984 increased $177,427,000 to $939,722,000, or 23% over the $762,295,000 reported in 1983. Broadcasting Division revenues were up 15%, or $36,094,000, with television and radio operations showing comparable gains over 1983, principally reflecting increased demand for advertising time during the year. The Cable Television Division revenues increased $9,227,000, or 14%, due primarily to the growth in the number of basic subscribers and premium units and higher average monthly rates. Publishing Division revenues were up $132,106,000, or 29%, mainly as a result of higher advertising rates, increased linage and the effect of 1983 and 1984 acquisitions and start-ups. Excluding 1983 and 1984 acquisitions and start-ups, Publishing Division revenues increased 15%, with specialized publications and newspapers each reporting gains of 15%. Linage for the specialized publications and newspapers increased 2% and 10%, respectively.

Total costs and expenses for 1984 were up $130,279,000, or 24%, over 1983. Expenses for the Broadcasting Division were up $17,101,000, or 15%, as a result of higher television programming and news costs and increased selling and administrative expenses. Cable Television costs were up $8,734,000, or 13%, reflecting higher depreciation expense and increased variable costs associated with rate and unit growth. Publishing Division expenses were up $102,961,000, or 29%, over 1983. Excluding 1983 and 1984 acquisitions and start-ups, Publishing Division expenses increased 13% due to higher selling, administrative, circulation and editorial costs as well as increased newsprint volume.

Operating income for 1984 rose 21% to $267,512,000 from the $220,364,000 reported in 1983, with publishing and broadcasting operations showing gains of 28% and 15%, respectively. Operating income for the Cable Television Division increased $493,000.

Net financial income (interest income less interest expense) for 1984 decreased $1,594,000 compared to 1983, due primarily to a decrease in short-term interest rates. Interest of $1,248,000 and $1,320,000 was capitalized in 1984 and 1983, respectively. The Company's effective tax rate was 49.7% in 1984 and 48.9% in 1983.

Operating Income



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Consolidated income before extraordinary gain for 1984 of $135,193,000 was up $20,489,000, or 18%, while income per share before extraordinary gain of $10.40, increased $1.87, or 22%. Income before extraordinary gain for 1984 includes the earnings of new operating properties from their respective dates of acquisition. These earnings, together with the related acquisition financing expense, the amortization of intangible assets, and net of related income taxes, resulted in a reduction in 1984 income per share of approximately $0.16. The effect of the amortization of all intangible assets of the Company was to reduce income per share by $1.07 in 1984 as compared to $0.72 in 1983.

The sale of the Company's investment in St. Regis Corporation shares in 1984 resulted in an extraordinary gain of $7,585,000, net of taxes, or $0.58 per share.

Results of Operations— 1983 Compared to 1982

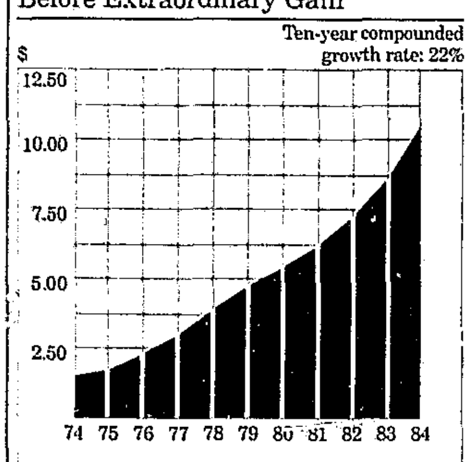
Net revenues in 1983 increased $98,715,000 to $762,295,000, or 15% over the $663,580,000 reported in 1982. Broadcasting Division revenues were up only 7%, or $14,758,000, with television and radio operations each showing comparable gains over 1982, reflecting the soft demand for advertising time during much of the year. The Cable Television Division revenues increased $13,729,000, or 26%, primarily as a result of basic and premium subscriber growth. Publishing Division revenues were up $70,228,000, or 18%, mainly as a result of higher advertising rates, increased demand for classified advertising and the effect of 1982 and 1983 acquisitions and start-ups. Excluding 1982 and 1983 acquisitions and start-ups, Publishing Division revenues increased 12%, with specialized publications and newspapers reporting gains of 17% and 10%, respectively. Linage for the specialized publications and newspapers increased 4% and 5%, respectively.

Total costs and expenses for 1983 were up $68,139,000, or 14%, over 1982. Expenses for the Broadcasting Division were up $8,341,000, or 8%, as a result of higher television programming and news costs and selling, general and administrative expenses. Cable Television expenses were up $13,356,000, or 26%, reflecting increased variable costs associated with subscriber growth, and higher depreciation expense. Publishing Division expenses were up $45,204,000, or 15%, over 1982. Excluding 1982 and 1983 acquisitions and start-ups, Publishing Division expenses increased 8% due to higher advertising and editorial expenses somewhat offset by lower average newsprint prices.

Operating income for 1983 rose 16% to $220,364,000 from the $189,788,000 reported in 1982, with publishing and broadcasting operations showing gains of 32% and 6%, respectively. Operating income for the Cable Television Division increased $373,000. Losses for new publishing ventures amounted to $6,100,000 in 1983, compared to $1,800,000 in 1982.

Net financial income (interest income less interest expense) for 1983 increased $7,171,000 compared to 1982, due to the increase in short-term investments in excess of interest-bearing debt. Interest of $1,320,000 and $1,593,000 was capitalized in 1983 and 1982, respectively. The Company's effective tax rate was 48.9% in 1983 and 48.0% in 1982. Net income for 1983 of $114,704,000 was up $18,387,000, or 19%, while net income per share of $8.53 increased $1.28, or 18%.

Income Per Share
Before Extraordinary Gain



Impact of Inflation

For additional information on the impact of inflation on the Company, see Note 14 to the Consolidated Financial Statements.

Return on Revenue

Return on revenue, expressed as the percentage relationship of net income before extraordinary gain to net revenues, was 14.4% for 1984, compared to 15.0% in 1983. The Company's return on revenue has remained relatively constant since 1974, with periodic minor downturns resulting from acquisitions and start-up activity.

Available Cash Flow

Available cash flow is defined as cash from operations, less amounts reinvested in such operations for capital expenditures. In determining the Company's available cash flow, construction expenditures for new cable television systems are excluded from capital spending, as they are considered to be acquisition spending and net capital reinvested in existing operations.

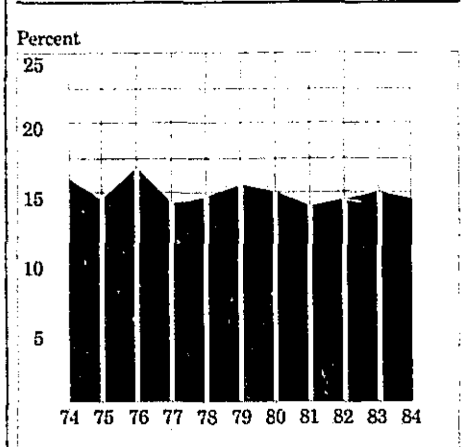
In 1984, the Company's available cash flow amounted to $142,734,000, an increase of $17,789,000, or 14%, over the $124,945,000 reported in 1983.

Unlike most industrial companies, Capital Cities generally does not require that large amounts of capital be reinvested each year in physical assets and inventories to maintain the same level of production or operations. However, in 1984, the Company began a major capital project of approximately $80,000,000 which will move all *Fort Worth Star-Telegram* printing and distribution functions to a new production facility by late 1986.

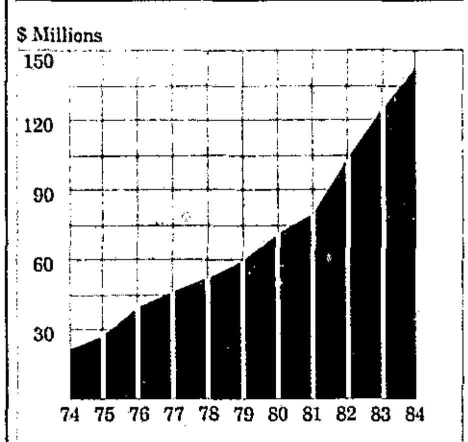
The Company's available cash flows have historically been almost equal to or higher than reported net income. The continued generation of such available cash flow will allow the Company to continue to make selective acquisitions, invest in new business start-ups, reduce debt and, when deemed appropriate, repurchase its common stock. The judicious employment of this available cash flow should enhance the Company's future growth in earnings and stockholders' equity.

The available cash flow for 1984 of $142,734,000, increased by $17,769,000 from the sale of an investment, $18,065,000 from the issuance and assumption of long-term debt and $20,127,000 from other sources, resulted in total funds of $198,695,000. These funds provided $146,843,000 for acquisitions of operating properties, $46,135,000 for treasury stock purchases, $41,198,000 for other applications and resulted in a decrease of $35,481,000 in cash and cash investments.

Return on Revenue



Available Cash Flow



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Capital Expenditures

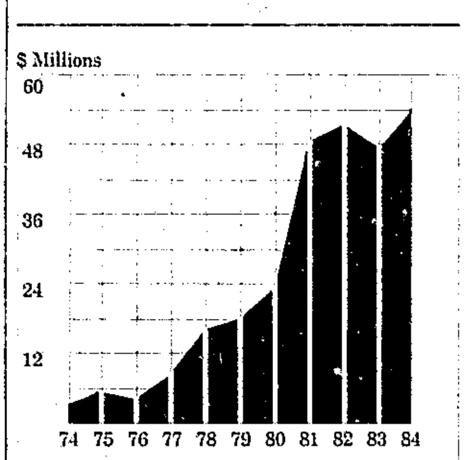
In 1984, capital expenditures amounted to $53,866,000, a 13% increase from the $47,595,000 spent in 1983. The largest portion of 1984 capital spending was in the Publishing Division, where a total of $26,700,000 was spent, approximately one-half of which was for the start of the new production facility for the *Fort Worth Star-Telegram*. In the Cable Television Division, a total of $17,200,000 was spent for extensions, upgrades, rebuilds and improvements of the cable television systems.

For 1985, the Company's capital budget anticipates expenditures of approximately $97,000,000. The Cable Television Division is expected to spend $26,000,000, primarily for rebuilds, upgrades and extensions of older cable television systems. A substantial majority of the capital spending for the Cable Television Division is for projects which are supported by attractive returns on investment.

The Broadcasting Division anticipates spending $10,000,000 in 1985. Major projects include the replacement of older electronic news gathering equipment and upgrading existing building and television studio facilities.

Publishing Division capital expenditures in 1985 are budgeted at $58,000,000 and anticipate continued spending for the new production facility at the *Fort Worth Star-Telegram*, together with the upgrade and expansion of electronic data processing systems at the daily newspapers and specialized publications.

Capital Expenditures



Capital Structure

The Company's capital structure is made up of four components: stockholders' equity, interest-bearing debt, minority interest and deferred income taxes.

Stockholders' equity amounted to $734,455,000 at December 31, 1984, an increase of $109,200,000 from the 1983 year-end total of $625,255,000.

At December 31, 1984, total interest-bearing debt was $222,995,000, an increase of $2,035,000 from 1983. Of the total interest-bearing debt outstanding at December 31, 1984, $200,000,000 is represented by 11.75% subordinated debentures, due 2013. Interest-bearing debt also includes $22,995,000 in other notes, primarily due to former owners of acquired companies. The interest rates on the other notes are generally fixed and average approximately 11%.

At December 31, 1984, minority interest in the Company's consolidated subsidiaries amounted to $14,428,000. This amount is almost entirely accounted for by the 10% interest in Capital Cities Cable, Inc., owned by Whitcom Investment Company. In January 1985, pursuant to a prior agreement, the Company purchased this 10% interest from Whitcom.

Deferred income taxes amounted to $25,537,000 at December 31, 1984, and are included in the capital structure as they are considered to be essentially a permanent liability.

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

(Dollars in millions)	Debt	Total capital	Debt to total capital ratio
1984	$223.0	$997.4	22%
1983	$221.0	$883.8	25%
1982	$ 48.4	$619.1	8%
1981	$102.4	$571.0	18%
1980	$ 58.7	$427.2	14%

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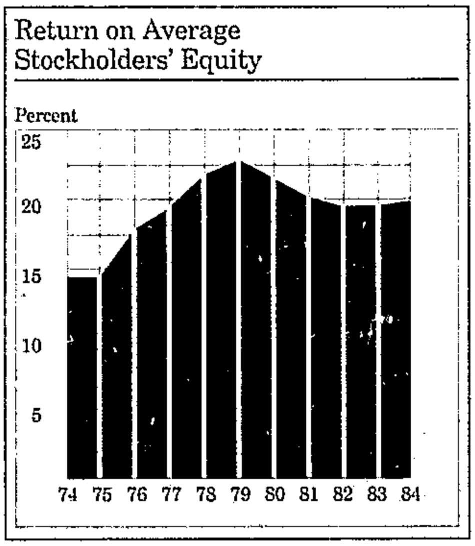
The Company's debt to total capital ratio at December 31, 1984 is a relatively conservative 22%, which would allow for a substantial increase in debt should attractive investment opportunities appear.

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 gain) bears to stockholders' equity. Capital Cities' return on equity has benefited both from the Company's ability to finance its growth from internally generated capital and debt rather than new equity capital, and from its program of repurchasing its common stock over recent years.

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

(Dollars in millions)	Average stockholders' equity	Net income	Rate of return
1984	$679.9	$135.2	19.9%
1983	$584.8	$114.7	19.6%
1982	$494.0	$ 96.3	19.5%
1981	$401.4	$ 80.5	20.1%
1980	$328.8	$ 70.8	21.5%



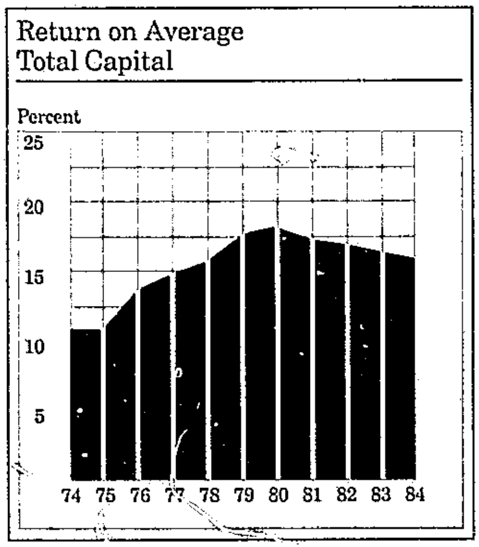
Return on Capital

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

The Company believes this is as important a measure of the profitability of a business as is return on equity. The return on average total capital over the last five years was:

(Dollars in millions)	Average total capital	Return	Rate of return
1984	$940.6	$148.9	15.8%
1983	$751.5	$122.2	16.3%
1982	$595.1	$100.5	16.9%
1981	$499.1	$ 85.7	17.2%
1980	$407.0	$ 73.6	18.1%

A refinement of this approach to performance measurement , the return on operating capital. This calculation removes from total



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capital the nonoperating assets (short-term cash investments and other assets) and from the return, the aftertax income associated with these assets.

The table below indicates the Company's return on average operating capital for the last five years:

(Dollars in millions)	Average operating capital	Return	Rate of return
1984	$657.3	$134.5	20.5%
1983	$568.2	$112.6	19.8%
1982	$537.7	$ 98.6	18.3%
1981	$449.8	$ 82.7	18.4%
1980	$348.1	$ 70.2	20.2%

Stock Repurchase

In late 1976, the Company began a program of repurchasing its common stock. As of December 31, 1984, 3,614,000 shares of common stock had been acquired for an aggregate purchase price of $193,110,000, or an average price of $53.43, of which 347,691 shares were purchased in 1984 for a total of $46,135,000, at an average price of $132.69.

In March 1984, the Board of Directors authorized the purchase of an additional 500,000 shares. To date, 64,200 shares have been purchased under this authorization.

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 gains in earnings per share and return on stockholders' equity in recent years. The Company believes that the repurchase of its common stock is one of the more effective uses of its available cash flow for the benefit of its stockholders.

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Financial Summary 1974-1984

(Dollars in thousands except per share data)

	1984	1983	1982
RESULTS FOR THE YEAR			
Net revenues			
Broadcasting	**$ 271,848**	$ 235,754	$220,996
Cable Television	**76,258**	67,031	53,302
Publishing	**591,616**	459,510	389,282
Total	**939,722**	762,295	663,580
Operating income (loss)			
Broadcasting	**$ 141,638**	$ 122,645	$116,228
Cable Television	**2,544**	2,051	1,678
Publishing	**133,179**	104,034	79,010
Income from operations	**277,361**	228,730	196,916
General corporate expense	**9,849**	8,366	7,128
Total	**267,512**	220,364	189,788
Net income (a)	**$ 135,193**	$ 114,704	$ 96,317
Net income per share (a) (b)	**$10.40**	$8.53	$7.25
Cash dividends declared per common share (b)	**$ 0.20**	$0.20	$0.20
Average shares (000's omitted) (b)	**13,000**	13,455	13,280
Return on average stockholders' equity (c)	**19.9%**	19.6%	19.5%
MAJOR CHANGES IN FINANCIAL POSITION			
Cash provided			
Operations	**$ 196,600**	$ 169,363	$137,529
Increase in long-term debt	**18,065**	202,527	1,944
Disposition of interest in operating properties	**5,000**	3,200	
Cash applied			
Acquisitions of operating properties	**$ 146,843**	$ 22,016	$ 21,588
Purchase of common stock for treasury	**46,135**	43,619	676
Capital expenditures	**53,866**	47,595	51,651
Reduction of long-term debt	**16,030**	32,766	55,867
Dividends on common stock	**2,570**	2,656	2,627
AT YEAR-END			
Working capital	**$ 240,985**	$ 265,847	$ 16,353
Total assets	**1,208,172**	1,052,912	776,013
Long-term debt	**222,995**	220,960	48,449
Stockholders' equity	**734,455**	625,255	544,267
Number of shares outstanding (000's omitted) (b)	**12,867**	13,103	13,180
Closing market price of common stock (b)	**$164⅝**	$144	$119⅝
Price range of common stock (b)	**$123½-174½**	$114¾-157½	$64⅜-136¾

(a) Income before extraordinary gains of $7,585,000 ($.58 per share) in 1984, $2,430,000 ($.18 per share) in 1980 and $3,320,000 ($.22 per share) in 1977.
(b) All per share information has been adjusted for the two-for-one stock split in 1978.
(c) Income before extraordinary items divided by average stockholders' equity.

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1981	1980	1979	1978	1977	1976	1975	1974
$193,063	$166,980	$151,327	$133,360	$112,522	$104,307	$ 86,820	$ 78,576
21,435	30						
359,286	305,098	263,563	234,116	193,624	107,860	88,066	60,009
573,784	472,108	414,890	367,476	306,146	212,167	174,886	138,585
$102,230	$ 87,925	$ 80,319	$ 70,080	$ 56,757	$ 50,277	$ 39,184	$ 36,359
(3,096)	(2,531)						
67,520	58,186	50,668	48,781	43,681	25,592	17,699	12,752
166,654	143,580	130,987	118,861	100,438	75,869	56,883	49,111
7,468	6,205	5,334	4,563	3,673	2,826	2,748	2,492
159,186	137,375	125,653	114,298	96,765	73,043	54,135	46,619
$ 80,518	$ 70,783	$ 63,758	$ 54,033	$ 43,234	$ 35,620	$ 25,402	$ 22,025
$6.12	$5.38	$4.68	$3.80	$2.91	$2.30	$1.64	$1.43
$0.20	$0.20	$0.20	$0.175	$0.10	$0.10	$0.025	
13,150	13,165	13,615	14,220	14,852	15,478	15,466	15,376
20.1%	21.5%	22.9%	21.8%	19.4%	17.9%	14.4%	14.4%
$108,208	$ 86,589	$ 77,888	$ 66,811	$ 53,763	$ 43,309	$ 32,098	$ 25,833
111,640	3,834	1,900	2,696	90,628			40,500
13,808			15,526	14,389			
$157,128	$ 32,308		$ 10,017	$132,159	$ 6,500		$ 60,137
125	14,753	$ 24,736	31,097	17,111	14,858		
48,634	23,611	18,178	16,314	8,209	4,049	$ 5,546	3,206
67,935	23,122	26,928	25,970	23,775	16,275	11,663	10,125
2,603	2,573	2,669	2,438	1,467	1,524	384	
$ 4,288	$ 35,408	$ 34,428	$ 18,980	$ 8,998	$ 38,058	$ 34,547	$ 23,864
697,620	519,958	473,134	444,797	435,096	328,522	315,128	300,880
102,372	58,667	77,955	102,983	126,257	59,404	75,679	87,342
443,822	359,081	298,497	259,691	236,834	208,501	188,921	163,860
13,025	12,902	13,058	13,514	14,212	14,832	15,374	15,368
$73¾	$58¾	$48⅝	$39⅝	$30	$28¼	$21⅜	$11¼
$56½-80½	$40-72	$36¾-49⅞	$27⅛-47¾	$22⅛-30½	$21⅛-28¼	$11-21¾	$8⅜-19⅝

Consolidated Statement of Income

Years ended December 31, 1984, 1983 and 1982
(Dollars in thousands except per share amounts)

	1984	1983	1982
Net revenues	**$939,722**	$762,295	$663,580
Costs and expenses			
Direct operating expenses	**388,110**	311,788	275,573
Selling, general and administrative	**232,383**	189,870	164,458
Depreciation	**34,084**	28,099	23,093
Amortization of intangible assets	**17,633**	12,174	10,668
	672,210	541,931	473,792
Operating income	**267,512**	220,364	189,788
Other income (expense)			
Interest expense	**(27,161)**	(14,633)	(7,982)
Interest income	**27,352**	16,418	2,596
Miscellaneous, net	**1,090**	2,355	915
	1,281	4,140	(4,471)
Income before income taxes	**268,793**	224,504	185,317
Income taxes			
Federal	**116,000**	95,800	78,800
State and local	**17,600**	14,000	10,200
	133,600	109,800	89,000
Income before extraordinary gain	**135,193**	114,704	96,317
Extraordinary gain, net of taxes	**7,585**	—	—
Net income	**$142,778**	$114,704	$ 96,317
Income per share			
Before extraordinary gain	**$10.40**	$8.53	$7.25
Extraordinary gain	**.58**	—	—
Net income	**$10.98**	$8.53	$7.25
Average shares outstanding (000's omitted)	**13,000**	13,455	13,280

See accompanying notes

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Consolidated Statement of Changes in Financial Position

Years ended December 31, 1984, 1983 and 1982
(Dollars in thousands)

	1984	1983	1982
Cash provided			
Operations			
Income before extraordinary gain	**$135,193**	$114,704	$ 96,317
Depreciation	**34,084**	28,099	23,093
Amortization of intangible assets	**17,633**	12,174	10,668
Other, net	**9,690**	14,386	7,451
Total cash from operations	**196,600**	169,363	137,529
Less capital expenditures for operations	**53,866**	44,418	33,852
Available cash flow from operations	**142,734**	124,945	103,677
Proceeds from sale of investment in stock, net of taxes	**17,769**	—	—
Proceeds from issuance of long-term debt	**4,500**	197,250	—
Long-term debt issued or assumed on acquisitions	**13,565**	5,277	1,944
Common stock sold under employee stock plans	**15,127**	12,559	7,431
Disposition of interest in operating properties	**5,000**	3,200	—
	198,695	343,231	113,052
Cash applied			
Acquisitions of operating properties	**146,843**	22,016	21,588
Purchase of common stock for treasury	**46,135**	43,619	676
Construction of new cable television systems	**—**	3,177	17,799
Changes in other working capital items	**1,747**	13,320	(15,451)
Reduction of long-term debt	**16,030**	32,766	55,867
Dividends	**2,570**	2,656	2,627
Other, net	**20,851**	(5,735)	(619)
	234,176	111,819	82,487
(Decrease) increase in cash and cash investments	**(35,481)**	231,412	30,565
Cash and cash investments			
Beginning of period	**271,880**	40,468	9,903
End of period	**$236,399**	$271,880	$ 40,468

See accompanying notes

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Consolidated Balance Sheet

December 31, 1984 and 1983
(Dollars in thousands)

Assets	**1984**	**1983**
Current assets		
Cash	$ 7,737	$ 5,259
Short-term cash investments	228,662	266,621
Accounts and notes receivable (less allowance for doubtful accounts of $7,369 in 1984 and $5,923 in 1983)	134,224	112,985
Inventories	10,744	8,403
Film contract rights	11,912	5,317
Other current assets	9,149	4,254
Total current assets	402,428	402,839
Property, plant and equipment, at cost		
Land	21,941	21,189
Buildings	74,716	69[illegible]4
Broadcasting, printing, cable television and other equipment	343,750	291,222
	440,407	381,625
Less accumulated depreciation	166,014	136,359
Property, plant and equipment, net	274,393	245,266
Intangible assets (net of accumulated amortization of $61,497 in 1984 and $43,860 in 1983)	477,537	371,171
Other assets	53,814	33,636
	$1,208,172	$1,052,912

See accompanying notes

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Liabilities and Stockholders' Equity	1984	1983
Current liabilities		
Accounts payable	$ 32,433	$ 24,515
Accrued compensation	28,838	18,962
Accrued expenses and other current liabilities	39,936	32,174
Film contracts	14,252	6,537
Taxes on income	38,094	40,727
Long-term debt due within one year	7,890	14,077
Total current liabilities	161,443	136,992
Deferred compensation	22,495	20,992
Deferred income taxes	25,537	23,325
Unearned subscription revenue	21,285	16,186
Other liabilities	13,424	9,042
Long-term debt due after one year	215,105	206,883
Total liabilities	459,289	413,420
Minority interest	14,428	14,237
Stockholders' equity		
Convertible preferred stock, $1 par value (600,000 shares authorized)	—	—
Common stock, $1 par value (80,000,000 shares authorized)	15,394	15,394
Additional paid-in capital	26,111	14,094
Retained earnings	857,600	717,392
	899,105	746,880
Less common stock in treasury, at cost (2,526,305 shares in 1984 and 2,290,164 shares in 1983)	164,650	121,625
Total stockholders' equity	734,455	625,255
	$1,208,172	$1,052,912

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Consolidated Statement of Stockholders' Equity

Years ended December 31, 1984, 1983 and 1982
(Dollars in thousands)

	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total
Balance December 31, 1981	$15,394	$ 4,012	$511,654	$ (87,238)	$443,822
Net income for 1982	—	—	96,317	—	96,317
8,078 shares purchased for treasury	—	—	—	(676)	(676)
79,619 shares issued under Employee Stock Purchase Plan	—	2,977	—	1,911	4,888
83,154 shares issued on exercise of employee stock options	—	442	—	2,101	2,543
Cash dividends	—	—	(2,627)	—	(2,627)
Balance December 31, 1982	15,394	7,431	605,344	(83,902)	544,267
Net income for 1983	—	—	114,704	—	114,704
304,407 shares purchased for treasury	—	—	—	(43,619)	(43,619)
103,201 shares issued under Employee Stock Purchase Plan	—	4,249	—	2,663	6,912
124,735 shares issued on exercise of employee stock options	—	2,414	—	3,233	5,647
Cash dividends	—	—	(2,656)	—	(2,656)
Balance December 31, 1983	15,394	14,094	717,392	(121,625)	625,255
Net income for 1984	—	—	142,778	—	142,778
347,691 shares purchased for treasury	—	—	—	(46,135)	(46,135)
56,088 shares issued under Employee Stock Purchase Plan	—	5,089	—	1,527	6,616
55,462 shares issued on exercise of employee stock options	—	6,928	—	1,583	8,511
Cash dividends	—	—	(2,570)	—	(2,570)
Balance December 31, 1984	$15,394	$26,111	$857,600	$(164,650)	$734,455

See accompanying notes

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 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	10-12

Leasehold improvements are amortized over the terms of the leases.

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,* intangible assets other than those attributable to cable television franchises are being amortized over periods of up to 40 years. Intangible assets relating to cable television franchises are amortized over the remaining terms of the franchises.

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 primarily 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.

Capitalized Interest—Interest is capitalized in accordance with *Financial Accounting Standards Board Statement No. 34,* "Capitalization of Interest Cost." As a result, $1,248,000, $1,320,000 and $1,593,000 have been added to property, plant and equipment in 1984, 1983 and 1982, respectively.

2. Extraordinary Gain

In September 1984, the Company sold its investment of 394,570 shares of St. Regis Corporation, which resulted in an extraordinary gain of $7,585,000, net of applicable taxes.

3. Acquisitions

1984

In 1984, the Company acquired certain assets of WFTS-TV, Channel 28, serving the Tampa-St. Petersburg market. Additionally, in 1984, the Company purchased the assets of radio station KLAC-AM and simultaneously sold the assets of radio station KZLA-AM, both in Los Angeles, California.

During 1984, the Company acquired Sutton Industries, Inc., publisher of advertiser-only shopping guides in both southern and northern California; Institutional Investor, Inc., publisher of *Institutional Investor* magazine; and four weekly newspapers in Connecticut and Rhode Island. During the current year, the Company also acquired a cable television system in Frederick, Oklahoma.

The aggregate purchase price for the 1984 acquisitions was $146,843,000; $133,278,000 in cash, and $13,565,000 in debt issued and assumed. Included in the purchases were $10,940,000 of fixed assets, $128,289,000 of intangibles, $2,685,000 of working capital, exclusive of cash, and $4,929,000 of other net long-term assets.

1983

During 1983, the Company acquired Securities Data Company, Inc., Toms River Publishing Company, Inc., the assets of *Little Nickel Want Ads* and the remaining common stock of American Traveler, Inc. In addition, the Company acquired two cable television systems in Oklahoma, four franchises adjacent to the Lufkin, Texas system and the remaining minority interest in an Illinois system. The aggregate purchase price for the 1983 acquisitions was $22,016,000.

4. Employees' Profit Sharing and Pension Plans

The Company has qualified profit sharing or non-contributory pension plans for most employees. The profit sharing plans provide for contributions by the Company in such amounts as the Board of Directors may annually determine. For the pension plans, 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. In connection with these plans, contributions of $6,857,000, $6,510,000, and $5,599,000 were charged to expense in 1984, 1983, and 1982, respectively.

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

	January 1, 1984	January 1, 1983
Actuarial present value of accumulated plan benefits:		
Vested	$45,419	$45,135
Nonvested	1,909	1,659
	$47,328	$46,794
Net assets available for plan benefits	$66,057	$56,309

The weighted average assumed rate of return used in determining the actuarial present value of accumulated plan benefits was 7.4% for 1984 and 7.0% for 1983.

5. Long-Term Debt

Long-term debt at December 31, 1984 and 1983 is as follows (000's omitted):

	1984	1983
Subordinated debentures	$200,000	$200,000
Bank debt	1,800	12,600
Other notes payable	21,195	8,360
	$222,995	$220,960

In June 1983, the Company sold $200,000,000 of 11.75% subordinated debentures, due June 15, 2013. Interest is payable on June 15 and December 15 in each year. The debentures are redeemable at the option of the Company, in whole or in part, at a price equal to 110.6875% if redeemed prior to June 15, 1985, at decreasing percentages thereafter through June 14, 2003, and thereafter at 100% of the principal amount thereof, together in each case with accrued interest to the redemption date. The debentures are subject to a sinking fund starting in 1994.

The bank debt and all other notes payable bear interest at a weighted average of 11.13%.

The aggregate payments of long-term debt for the next five years are summarized as follows: 1985—$7,890,000, 1986—$6,276,000, 1987—$4,259,000, 1988—$577,000, 1989—$1,484,000.

6. 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):

	1984		1983		1982	
	Amount	%	Amount	%	Amount	%
Taxes on income at Federal tax rate	$123,645	46.0	$103,272	46.0	$85,246	46.0
State income taxes, net of Federal tax benefit	9,504	3.5	7,560	3.4	5,508	3.0
Amortization of intangible assets	4,791	1.8	3,292	1.4	2,920	1.6
Investment tax credit	(4,600)	(1.7)	(4,100)	(1.8)	(4,800)	(2.6)
Other, net	260	.1	(224)	(.1)	126	—
	$133,600	49.7	$109,800	48.9	$89,000	48.0

The 1984 provision for income taxes includes $2,200,000 of deferred income taxes. The deferred tax provision is comprised of accelerated tax depreciation of $7,500,000 and other items, such as deferred compensation. The Company's deferred income taxes payable of $25,537,000 at December 31, 1984, results primarily from the excess of tax over financial accounting depreciation, the deferred gain on the 1971 sale of a television station and deferred compensation, which is not deductible until paid.

7. Intangible Assets

The broadcasting and substantially all publishing 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 up to 40 years, even though in the opinion of Management, there has been no diminution of value of the properties. Cable television intangible assets principally represent amounts related to individual cable television franchises. Such franchise intangibles are amortized over the remaining lives of the franchises; other cable television intangible assets are amortized over 40 years. At December 31, 1984, the Company's intangible assets were as follows (000's omitted):

	Total	Broadcasting	Cable Television	Publishing
Intangible assets not subject to amortization	$123,815	$103,099	$ —	$ 20,716
Intangible assets required to be amortized	415,219	48,091	105,408	261,720
	539,034	151,190	105,408	282,436
Accumulated amortization	61,497	3,112	23,736	34,649
	$477,537	$148,078	$ 81,672	$247,787

8. Commitments

The Company has entered into agreements for future delivery of syndicated and feature film programming for its television stations, which aggregate $17,008,000, payable from 1985 through 1991.

The Company anticipates 1985 capital expenditures for property, plant and equipment to be approximately $97,000,000.

On January 25, 1985, pursuant to a prior agreement, the Company purchased from Whitcom Investment Company (Whitcom) their 10% investment in Capital Cities Cable, Inc., for $28,000,000. The Company's previous guarantee of a bank loan made to Whitcom was released.

9. Income Per Share

The calculation of average common shares and common share equivalents outstanding during the year is as follows (000's omitted):

	1984	1983	1982
Common shares	12,875	13,295	13,105
Stock options	125	160	175
Total	13,000	13,455	13,280

10. Segment Data

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

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.

The segment data follows (000's omitted):

	1984	1983	1982	1981	1980
Broadcasting					
Net revenues	$ 271,848	$ 235,754	$220,996	$193,063	$166,980
Direct operating costs	122,239	106,214	98,842	85,791	74,457
Depreciation	7,376	6,480	5,511	4,782	4,366
Amortization of intangible assets	595	415	415	260	232
Total operating costs	130,210	113,109	104,768	90,833	79,055
Income from operations	$ 141,638	$ 122,645	$116,228	$102,230	$ 87,925
Assets at December 31	$ 286,460	$ 232,286	$222,827	$214,524	$191,039
Capital expenditures	9,180	11,572	14,778	9,593	6,032
Cable Television					
Net revenues	$ 76,258	$ 67,031	$ 53,302	$ 21,435	$ 30
Direct operating costs	50,628	45,389	36,068	17,731	2,504
Depreciation	15,881	12,409	9,211	3,800	57
Amortization of intangible assets	7,205	7,182	6,345	3,000	—
Total operating costs	73,714	64,980	51,624	24,531	2,561
Income (loss) from operations	$ 2,544	$ 2,051	$ 1,678	$ (3,096)	$ (2,531)
Assets at December 31	$ 220,973	$ 223,055	$212,396	$173,384	$ 9,008
Capital expenditures	17,190	25,210	31,130	27,085	8,319
Publishing					
Net revenues	$ 591,616	$ 459,510	$389,282	$359,286	$305,098
Direct operating costs	438,414	342,253	298,444	280,655	236,932
Depreciation	10,190	8,646	7,920	7,379	6,748
Amortization of intangible assets	9,833	4,577	3,908	3,732	3,232
Total operating costs	458,437	355,476	310,272	291,766	246,912
Income from operations	133,179	$ 10[illegible],034	$ 79,010	$ 67,520	$ 58,186
Assets at December 31	$ 430,997	$ 287,523	$260,890	$259,385	$257,998
Capital expenditures	26,700	10,666	5,535	6,498	6,527
Consolidated					
Net revenues	$ 939,722	$ 762,295	$663,580	$573,784	$472,108
Income from operations	$ 277,361	$ 228,730	$196,916	$166,654	$143,580
General corporate expense	9,849	8,366	7,128	7,468	6,205
Operating income	267,512	220,364	189,788	159,186	137,375
Interest expense	(27,161)	(14,633)	(7,982)	(9,933)	(5,446)
Interest and other income	28,442	18,773	3,511	5,765	6,454
Income before income taxes	$ 268,793	$ 224,504	$185,317	$155,018	$138,383
Assets employed by segments	$ 938,430	$ 742,864	$696,113	$647,293	$458,045
Investments and corporate assets	269,742	310,048	79,900	50,327	61,913
Total assets at December 31	$1,208,172	$1,052,912	$776,013	$697,620	$519,958

11. Stock Option and Purchase Plans

The Company has stock option plans under which certain key personnel have been granted the right to purchase shares of common stock over a 10 or 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:

	1984	1983	1982
Outstanding options, beginning of year	379,358	420,595	502,000
Granted	6,825	85,500	4,000
Cancelled or expired	(4,738)	(2,002)	(2,251)
Exercised	(55,462)	(124,735)	(83,154)
Outstanding options, end of year	325,983	379,358	420,595
Average price of options exercised during the year	$19.94	$18.69	$22.58
Exercise price of outstanding options, end of year	$9.13 to $160.00	$9.13 to $147.62	$9.13 to $101.50
Options exercisable, end of year	254,983	259,515	349,408
Options available for future grant	207,275	211,250	296,000

The Company has an Employee Stock Purchase Plan which provides for the issuance of a maximum of 400,000 shares during the five-year period ending in April 1987. The Plan provides that eligible employees, through contributions of up to 15% of their compensation, 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 56,088, 103,201 and 79,619 shares under the Plan in 1984, 1983 and 1982, respectively.

12. *Common Stock and Stockholder Information (Unaudited)*

As of January 31, 1985, the approximate number of holders of common stock was 4,850. Dividends of $.05 per share have been paid for each quarter of 1984 and 1983. The common stock is traded on the New York Stock Exchange. The high, low and closing prices of the Company's common stock for each quarter of 1984 and 1983 are as follows:

	1984			1983		
	High	Low	Close	High	Low	Close
1st quarter	$147¾	$123½	$138	$147	$114¾	$137½
2nd quarter	166	136¼	161¼	157½	135	149½
3rd quarter	174½	155	163	153¾	135¾	150¼
4th quarter	167¼	150¼	164⅝	156¼	133	144

13. Quarterly Financial Data (Unaudited)

The following summarizes the Company's results of operations for each quarter of 1984, 1983 and 1982 (000's omitted except per share amounts):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1984					
Net revenues	$206,818	$243,568	$229,827	$259,509	$939,722
Costs and expenses	152,427	165,033	169,845	184,905	672,210
Operating income	54,391	78,535	59,982	74,604	267,512
Interest expense	(6,364)	(6,643)	(7,017)	(7,137)	(27,161)
Interest and other income	6,867	6,663	7,900	7,012	28,442
Income before income taxes	54,894	78,555	60,865	74,479	268,793
Income taxes	27,800	39,200	30,300	36,300	133,600
Income before extraordinary gain	27,094	39,355	30,565	38,179	135,193
Extraordinary gain	—	—	7,585	—	7,585
Net income	$ 27,094	$ 39,355	$ 38,150	$ 38,179	$142,778
Income per share					
Before extraordinary gain	$2.07	$3.03	$2.36	$2.94	$10.40
Extraordinary gain	—	—	.58	—	.58
Net income	$2.07	$3.03	$2.94	$2.94	$10.98
1983					
Net revenues	$170,128	$194,018	$184,004	$214,145	$762,295
Costs and expenses	128,531	132,187	134,414	146,799	541,931
Operating income	41,597	61,831	49,590	67,346	220,364
Interest expense	(1,110)	(844)	(6,279)	(6,400)	(14,633)
Interest and other income	1,329	2,254	6,991	8,199	18,773
Income before income taxes	41,816	63,241	50,302	69,145	224,504
Income taxes	20,700	30,700	24,000	34,400	109,800
Net income	$ 21,116	$ 32,541	$ 26,302	$ 34,745	$114,704
Net income per share	$1.58	$2.41	$1.95	$2.59	$8.53
1982					
Net revenues	$149,350	$172,409	$159,176	$182,645	$663,580
Costs and expenses	112,873	117,240	116,523	127,156	473,792
Operating income	36,477	55,169	42,653	55,489	189,788
Interest expense	(2,626)	(2,363)	(1,269)	(1,724)	(7,982)
Interest and other income	759	848	1,129	775	3,511
Income before income taxes	34,610	53,654	42,513	54,540	185,317
Income taxes	16,600	25,800	20,200	26,400	89,000
Net income	$ 18,010	$ 27,854	$ 22,313	$ 28,140	$ 96,317
Net income per share	$1.37	$2.10	$1.68	$2.10	$7.25

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14. Supplementary Information on the Effects of Changing Prices (Unaudited)

The following supplementary data is presented pursuant to the requirements of *Financial Accounting Standards Board Statement No. 33, "Financial Reporting and Changing Prices"* (FAS No. 33, as amended). This statement requires a supplementary computation of operating results based on the effect of changes in specific prices ("current cost") of inventories and property, plant and equipment used in the operations of the Company

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, price indices or independent appraisals. These current costs represent estimates for replacement of 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 Statement of Income restates depreciation expense for 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 any tax benefit arising from the pro forma effects of changes in specific prices.

During periods of inflation, monetary assets, such as cash, cash investments and receivables lose purchasing power since these assets will purchase fewer goods or services in the future. Monetary liabilities, payables and other debt, are also affected by inflation since less purchasing power will be required to satisfy the obligations. The net change in the Company's monetary liabilities resulted in a loss in purchasing power.

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 the best representation of the impact of inflation upon the Company.

Statement of Income Adjusted For Changing Prices

Years ended December 31, 1984 and 1983
(Average 1984 dollars in thousands)

	1984	1983
Income before extraordinary gain	$135,193	$119,586
Adjustment to restate depreciation for the effect of changes in specific prices	(16,465)	(13,231)
Income adjusted for changes in specific prices	$118,728	$106,355
Loss of purchasing power on net monetary items	$ (113)	$ (579)
Increase in value of inventories and property, plant and equipment:		
Due to changes in current cost	$ 47,268	$ 17,249
Due to general inflation	14,041	12,224
Increase due to changes in current cost over general inflation	$ 33,227	$ 5,025

At December 31, 1984 and 1983, the current cost of inventories was $13,091 and $10,634, and the current cost of net property, plant and equipment was $381,447 and $335,699, respectively.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted For Effects of Changing Prices

	1984	1983	1982	1981	1980
(Average 1984 dollars in thousands except per share data)					
Net revenues	$939,722	$794,739	$714,077	$655,302	$595,109
Current cost information					
Income before extraordinary gain	$118,728	$106,355	$91,169	$79,020	$77,756
Income per share before extraordinary gain	$9.13	$7.90	$6.87	$6.01	$5.91
Increase in value of inventories and property, plant and equipment due to changes in current cost over (under) general inflation	$33,227	$5,025	$3,424	$8,464	$(5,024)
Net assets at year-end	$844,264	$733,369	$665,013	$590,622	$527,364
Other information					
(Loss) gain of purchasing power on net monetary items	$(113)	$(579)	$3,621	$5,955	$7,065
Cash dividends per share	$0.20	$0.21	$0.22	$0.23	$0.25
Market price per share at year-end	$162.33	$147.61	$127.28	$81.50	$70.70
Average Consumer Price Index (1967 = 100)	311.1	298.4	289.1	272.4	246.8
Historical financial information					
(Dollars in thousands except per share data)					
Net revenues	$939,722	$762,295	$663,580	$573,784	$472,108
Income before extraordinary gain	$135,193	$114,704	$96,317	$80,518	$70,783
Income per share before extraordinary gain	$10.40	$8.53	$7.25	$6.12	$5.38
Net assets at year-end	$734,455	$625,255	$544,267	$443,822	$359,081
Cash dividends per share	$0.20	$0.20	$0.20	$0.20	$0.20
Market price per share at year-end	$164.63	$144.00	$119.63	$73.75	$58.75

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Report of Certified Public Accountants

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, 1984 and 1983, and the consolidated statements of income, stockholders' equity and changes in financial position for each of the three years in the period ended December 31, 1984. 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, 1984 and 1983, and the consolidated results of operations and changes in financial position for each of the three years in the period ended December 31, 1984, in conformity with generally accepted accounting principles applied on a consistent basis during the period.

Arthur Young & Company

February 28, 1985

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Capital Cities: A 30-Year Chronology

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

1957 • VHF approval granted for Albany, NY, and call letters changed to WTEN-TV
• Purchase of WTVD (TV), Durham, NC
• First public offering of the Company's common stock

1959 • Purchase of WPRO-TV/AM/FM, Providence, RI

1961 • Purchase of WKBW-TV/AM, Buffalo, NY
• Purchase of WPAT-AM/FM, Paterson, NJ (Metropolitan New York)

1964 • Purchase of WJR-AM and WJR-FM (now WHYT-FM), Detroit, MI
• Purchase of WSAZ-TV, Huntington, WV

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

1966 • Purchase of KPOL-AM/FM (name changed to KZLA-AM/FM), Los Angeles, CA

1967 • Acquisition of KTRK-TV, Houston, TX, in exchange for WPRO-TV, Providence, RI, and cash

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

1969 • Purchase of *The Pontiac Press* (now *The Oakland Press*), Pontiac, MI

1971 • Purchase of WPVI-TV (Philadelphia, PA), WTNH-TV (New Haven, CT) and KFSN-TV (Fresno, CA), together with the sale of WTEN-TV (Albany, NY) and WSAZ-TV (Huntington, WV)

1972 • Purchase of the *News-Democrat* (now *Belleville News-Democrat*), Belleville, IL
• Purchase of *American Metal Market*
• First start-up by Fairchild Publications—*W*, a consumer biweekly version of *Women's Wear Daily*

1974 • Purchase of Carter Publications, Inc., publisher of the *Fort Worth Star-Telegram* and operator of WBAP-AM and KSCS-FM, Fort Worth, TX

1976 • Purchase of the International Medical News Group, publisher of six specialized, controlled-circulation medical publications

1977 • Purchase of *The Kansas City Star/Times*, Kansas City, MO

1978 • Purchase of Wilkes-Barre Publishing Co., publisher of *The Times Leader*, Wilkes-Barre, PA

1980 • Company enters the cable television business by acquiring seven companies with unbuilt franchises in six states
• Purchase of the Democrat-Herald Publishing Company, publisher of two daily and six weekly newspapers in Oregon and two national philatelic publications
• Purchase of Pennypower Shopping News, Inc.
• Purchase of Shore Line Newspapers, Inc., publisher of nine weekly newspapers and shopping guides in Connecticut

1981 • Purchase of Cablecom-General, Inc., a major cable television operator with 43 systems in 12 states
• Purchase of WKHX-FM, Marietta (Atlanta), GA

1982 • Purchase of Red Bank Register, publisher of *The Daily Register* and *The Sunday Register*, serving Monmouth County, NJ

1983 • Purchase of American Traveler, Inc., publisher of *The Travel Agent* and *El Travel Agent Internacional*
• Purchase of Securities Data Company, Inc., New York, NY
• Purchase of *Little Nickel Want Ads*, Seattle-Tacoma, WA
• Sale of WROW-AM/FM, Albany, NY
• First public offering of the Company's subordinated debentures; $200,000,000 due June 15, 2013

1984 • Purchase of Sutton Industries, Inc., publisher of direct-mail weekly shopping guides in California
• Purchase of WFTS-TV, an independent television station serving the Tampa-St. Petersburg market
• Purchase of Institutional Investor, Inc., New York, NY, which provides a wide range of editorial-based products and services to the financial community, both in the United States and abroad
• Simultaneous sale of KZLA-AM and purchase of KLAC-AM, both in Los Angeles, CA

Outside Directors: *(seated, left to right)* William I. Spencer; John B. Poole; Gerald Dickler; *(standing, left to right)* John H. Muller, Jr.; M. Cabell Woodward, Jr.; Robert P. Bauman

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CAPITAL CITIES COMMUNICATIONS, INC.
24 EAST 51ST STREET · NEW YORK, N.Y. 10022

421-9595
AREA CODE 212

Subsidiaries of the Registrant

The following subsidiaries are owned by the Registrant at December 31, 1984 and are included in the consolidated financial statements.

	State of Incorporation	% of Ownership
Oakland Press Company	Michigan	100%
The Kansas City Star Company	Missouri	100%
Capital Cities Media, Inc.	New York	100%
Capital Cities Cable, Inc.	Delaware	90% (a)
Texas Media Holding Company, Inc.	Delaware	100%
Star-Telegram, Inc.	Delaware	100%
KTRK, Inc.	Delaware	100%
WBAP-KSCS, Inc.	Delaware	100%
Institutional Investor, Inc.	Delaware	100%

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.

(a) 100% ownership as of January 25, 1985.

Exhibit (22)

EXHIBIT 28

To Be Incorporated By Reference Into Form S-8 Registration Statement No. 2-86863

UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represents a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(f) *Employee plans on Form S-8.*

(1) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus to each employee to whom the prospectus is sent or given a copy of the registrant's annual report to stockholders for its last fiscal year, unless such employee otherwise has received a copy of such report, in which case the registrant shall state in the prospectus that it will promptly furnish, without charge, a copy of such report on written request of the employee. If the last fiscal year of the registrant has ended within 120 days prior to the use of the prospectus, the annual report of the registrant for the preceding fiscal year may be so delivered, but within such 120 day period the annual report for the last fiscal year will be furnished to each such employee.

(2) The undersigned registrant hereby undertakes to transmit or cause to be transmitted to all employees participating in the plan who do not otherwise receive such material as stockholders of the registrant, at the time and in the manner such material is sent to its stockholders, copies of all reports, proxy statements and other communications distributed to its stockholders generally.

(3) Where interests in a plan are registered herewith, the undersigned registrant and plan hereby undertake to transmit or cause to be transmitted promptly, without charge, to any participant in the plan who makes a written request, a copy of the then latest annual report of the plan filed pursuant to section 15(d) of the Securities Exchange Act of 1934 (Form 11-K). If such report is filed separately on Form 11-K, such form shall be delivered upon written request. If such report is filed as a part of the registrant's annual report on Form 10-K, that entire report (excluding exhibits) shall be delivered upon written request. If such report is filed as a part of the registrant's annual report to stockholders delivered pursuant to paragraph (1) or (2) of this undertaking, additional delivery shall not be required.

(i) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

EXHIBIT 28

To Be Incorporated By Reference Into Form S-8 Registration Statement No. 2-59014

UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represents a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(f) *Employee plans on Form S-8.*

(1) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus to each employee to whom the prospectus is sent or given a copy of the registrant's annual report to stockholders for its last fiscal year, unless such employee otherwise has received a copy of such report, in which case the registrant shall state in the prospectus that it will promptly furnish, without charge, a copy of such report on written request of the employee. If the last fiscal year of the registrant has ended within 120 days prior to the use of the prospectus, the annual report of the registrant for the preceding fiscal year may be so delivered, but within such 120 day period the annual report for the last fiscal year will be furnished to each such employee.

(2) The undersigned registrant hereby undertakes to transmit or cause to be transmitted to all employees participating in the plan who do not otherwise receive such material as stockholders of the registrant, at the time and in the manner such material is sent to its stockholders, copies of all reports, proxy statements and other communications distributed to its stockholders generally.

(3) Where interests in a plan are registered herewith, the undersigned registrant and plan hereby undertake to transmit or cause to be transmitted promptly, without charge, to any participant in the plan who makes a written request, a copy of the then latest annual report of the plan filed pursuant to section 15(d) of the Securities Exchange Act of 1934 (Form 11-K). If such report is filed separately on Form 11-K, such form shall be delivered upon written request. If such report is filed as a part of the registrant's annual report on Form 10-K, that entire report (excluding exhibits) shall be delivered upon written request. If such report is filed as a part of the registrant's annual report to stockholders delivered pursuant to paragraph (1) or (2) of this undertaking, additional delivery shall not be required.

(i) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

To Be Incorporated By Reference Into Form S-8 Registration Statement No. 2-58945

UNDERTAKINGS

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represents a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

Provided, however, that paragraphs (a)(1)(i) and (a)(1)(ii) do not apply if the registration statement is on Form S-3 or Form S-8 and the information required to be included in a post-effective amendment by those paragraphs is contained in periodic reports filed by the registrant pursuant to section 13 or section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(f) *Employee plans on Form S-8.*

(1) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus to each employee to whom the prospectus is sent or given a copy of the registrant's annual report to stockholders for its last fiscal year, unless such employee otherwise has received a copy of such report, in which case the registrant shall state in the prospectus that it will promptly furnish, without charge, a copy of such report on written request of the employee. If the last fiscal year of the registrant has ended within 120 days prior to the use of the prospectus, the annual report of the registrant for the preceding fiscal year may be so delivered, but within such 120 day period the annual report for the last fiscal year will be furnished to each such employee.

(2) The undersigned registrant hereby undertakes to transmit or cause to be transmitted to all employees participating in the plan who do not otherwise receive such material as stockholders of the registrant, at the time and in the manner such material is sent to its stockholders, copies of all reports, proxy statements and other communications distributed to its stockholders generally.

(3) Where interests in a plan are registered herewith, the undersigned registrant and plan hereby undertake to transmit or cause to be transmitted promptly, without charge, to any participant in the plan who makes a written request, a copy of the then latest annual report of the plan filed pursuant to section 15(d) of the Securities Exchange Act of 1934 (Form 11-K). If such report is filed separately on Form 11-K, such form shall be delivered upon written request. If such report is filed as a part of the registrant's annual report on Form 10-K, that entire report (excluding exhibits) shall be delivered upon written request. If such report is filed as a part of the registrant's annual report to stockholders delivered pursuant to paragraph (1) or (2) of this undertaking, additional delivery shall not be required.

(i) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

Thomas S. Murphy
Chairman of the Board and Chief Executive Officer

Daniel B. Burke
President and Chief Operating Officer

Robert P. Bauman
Vice Chairman, Textron Inc.

Gerald Dickler
Secretary; Senior Counsel, Hall, Dickler, Lawler, Kent & Friedman, Attorneys at Law

Joseph P. Dougherty
Executive Vice President; President, Broadcasting Division

John B. Fairchild
Executive Vice President; Chairman and Chief Executive Officer, Fairchild Publications

John H. Muller, Jr.
Chairman, President and Chief Executive Officer, General Housewares Corp.

John B. Poole
Retired Chairman, Poole Broadcasting Company

John B. Sias
Executive Vice President; President, Publishing Division

William I. Spencer
Retired President and Chief Administrative Officer, Citicorp and Citibank

M. Cabell Woodward, Jr.
Executive Vice President and Chief Financial Officer, ITT Corporation

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

William R. James
Executive Vice President

John B. Sias
Executive Vice President

Ronald J. Doerfler
Senior Vice President and Chief Financial Officer

Andrew E. Jackson
Vice President

Gerald Dickler
Secretary

Allan J. Edelson
Controller

24 East 51st Street
New York, New York 10022
(212) 421-9595

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

Harris Trust Company of New York
110 William Street
New York, New York 10038

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

END