

Amendment to U S WEST Health Care Plan

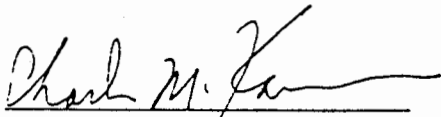
January 12, 1996

Each section of the U S WEST Health Care Plan ("Plan") document governing the provision of medical expense benefits to retirees of U S WEST and that portion of the Plan designated as Section S of the U S WEST Dental Expense Plan for Retired Employees are hereby amended by adding the following to the end of each such section and including Attachment 1 (as attached to this Amendment) as a part of the Plan:

Lifetime Retiree Health Care Coverage

Notwithstanding the provisions of this Section pertaining to Amendment and Termination, no amendment or termination of this Plan (including but not limited to Attachment 1, "Retiree Health Care Commitment") that is contrary to the commitments set forth in Attachment 1 of this Plan may be made by the Company, any successors thereto, or any delegates or agents thereof. The determination as to whether any amendment will result in a change that is contrary to the coverages to be maintained under Attachment 1 shall be made in the discretion of the Plan Administrator (acting in the best interest of the Pre-1991 Retirees, as a whole, or the ERO Retirees, as a whole, who are impacted thereunder).

This amendment is effective as of this 12th day of January, 1996.



Charles M. Kamen, Secretary
For the U S WEST Employees' Benefit Committee

Exhibit 1

ATTACHMENT 1
TO
U S WEST HEALTH CARE PLAN

Retiree Health Care Commitment

DEFINITIONS

For purposes of this Attachment 1, the following definitions shall apply (*those terms which are capitalized and not separately defined below shall have the meanings defined in the general section of Plan definitions*):

“Pre-1991 Retiree” shall mean each former Employee who retired prior to January 1, 1991, was a Participant in any Predecessor Plan, and upon retirement, was granted a service or disability pension by the Company under and pursuant to the U S WEST Pension Plan or the U S WEST Management Pension Plan.

“ERO Retiree” shall mean each former Employee who retired under the 1992 Enhanced Retirement Offer extended to occupational employees under the U S WEST Pension Plan.

“Guaranteed Coverage” shall mean the coverage described in paragraph 1, below, under COVERAGE COMMITMENTS.

“ERO Coverage” shall mean the coverage described in paragraph 2, below, under COVERAGE COMMITMENTS.

“1996 Plan” shall mean, with respect to each Pre-1991 Retiree, the non-HMO medical plan and dental plan covering that Pre-1991 Retiree as in effect on January 1, 1996, designated as the U S WEST Retiree Health Care Medical Plan (Nos. 1, 2, 3, or 4) and the U S WEST Retiree Health Care Dental Plan (Nos. 1, 2, 3, 4, or 5).

COVERAGE COMMITMENTS

1. **Pre-1991 Retirees.** The Company shall, for the lifetime of each Pre-1991 Retiree, continue to maintain for each Pre-1991 Retiree a program of medical and dental coverage (which shall be referred to as “Guaranteed Coverage”) meeting the following minimum requirements:

A. Guaranteed Coverage shall provide the same schedules of medical and dental expense coverage (i.e., percentages and stated dollar amounts of reimbursements, ~~covered services and treatments~~, deductibles, and other terms under which the amount of reimbursements paid by the Plan with

respect to Participants, their spouses and dependents are calculated) as are set forth in the respective 1996 Plan.

- B. The same premium requirements that are in place under the respective 1996 Plan shall be continued under Guaranteed Coverage. No premiums shall be charged for coverage of any Pre-1991 Retiree or his or her Class I Dependents for the Guaranteed Coverage, and Medicare Part B premiums shall continue to be reimbursed to Pre-1991 Retirees by the Plan at 100%. COBRA premiums, surviving spouse premiums, Class II Dependent premiums, and Sponsored Child premiums will be charged and adjusted on the same basis as has occurred through open enrollment of Pre-'91 Retirees for calendar year 1996.
- C. Pre-1991 Retirees shall not be required to obtain Guaranteed Coverage through a limited network of health care providers selected by the Plan Administrator or the Company, except to the extent such networks (or alternative delivery systems) become the only arrangements through which health care providers can be accessed by participants within a particular geographic area, because of the changes or mandates specified in paragraph D, below,
- D. To the extent that changes in the health care industry or markets, or governmental mandates, prevent the Company from implementing a program meeting the requirements of A, B, and C, above, the Company will use reasonable efforts to establish and maintain a program of medical and dental coverage that is equivalent to one that would meet such requirements.

The Company shall continue to have the right to maintain and amend the Plan in the following ways with respect to Pre-1991 Retirees:

(i) Medical and/or dental expense coverage under schedules that are more generous or less generous than the Guaranteed Coverage schedules may be made available as an alternative to the Guaranteed Coverage. There are no particular commitments regarding the nature of any such coverage alternatives or the conditions under which they may be made available, except that no Pre-1991 Retiree who prefers the Guaranteed Coverage shall be required to elect any such alternative. A Pre-1991 Retiree who elects coverage under an alternative may change such election and re-elect Guaranteed Coverage again at least on an annual basis during open enrollment. No individual may be covered under both Guaranteed Coverage and any alternative coverage at the same time.

(ii) Any program under which the Company provides Guaranteed Coverage may be changed by the Company from time to time in any

manner that does not result in the program failing to meet the minimum requirements of Guaranteed Coverage.

2. **ERO Retirees.** During the lifetime of each ERO Retiree, the Company shall continue to maintain for each ERO Retiree a program of medical and dental coverage (which shall be referred to as "ERO Coverage") that meets the following minimum requirements:

- A. The average actuarial value of ERO Coverage shall not be less than 95% of the average actuarial value of the coverage in effect for the ERO Retirees in 1992 under the Company's self-insured (i.e., non-HMO) plan. For these purposes, "average actuarial value" shall be determined based upon reasonable actuarial assumptions, consistent with industry norms, approved in the sole discretion of the Plan Administrator or its designee.
- B. There shall be no premiums charged to ERO Retirees or their Class I Dependents for the ERO Coverage.

The Company shall continue to have the right to maintain and amend the Plan in the following ways with respect to ERO Retirees:

(i) Medical and/or dental expense coverage that is of a greater or lesser value than the ERO Coverage may be made available as an alternative to the ERO Coverage. There are no particular commitments regarding the nature of any such coverage alternatives or the conditions under which they may be made available, except that no ERO Retiree who prefers the ERO Coverage shall be required to elect any such alternative. An ERO Retiree who elects coverage under an alternative may change such election and re-elect ERO Coverage again at least on an annual basis during open enrollment. No individual may be covered under both ERO Coverage and any alternative coverage at the same time.

(ii) Any program under which the Company provides ERO Coverage may be changed by the Company from time to time in any manner that does not result in the program failing to meet the minimum requirements for ERO Coverage.

LEGISLATIVE REQUIREMENTS

All requirements set forth in this Attachment 1 shall continue to be subject to any conflicting requirements of applicable legislation, and the Plan shall be deemed amended to conform to the requirements of any such legislation.

HEALTH CARE PLAN INFORMATION
FOR
PRE-1991 RETIREES AND 1992 ERO RETIREES

U S WEST is pleased to provide further information regarding the commitments previously communicated to Pre-'91 Retirees and 1992 ERO Retirees. Language has been added to the formal plan documents to specify the following:

(A) Who is covered by these commitments?

Pre-'91 Retirees and ERO Retirees are covered.

"Pre-'91 Retirees" are former employees who retired on a service pension or disability pension under either the U S WEST Management Pension Plan or the U S WEST Pension Plan prior to January 1, 1991. Effective January 1, 1991, non-HMO medical and dental expense coverage for these retirees was provided under a U S WEST Retiree Health Care Medical Plan (Nos. 1,2,3, or 4) and a U S WEST Retiree Health Care Dental Plan (Nos. 1,2,3,4, or 5).

"ERO Retirees" are former employees who retired under the Enhanced Retirement Offer extended to occupational employees under the U S WEST Pension Plan in 1992.

(B) What commitment is made to Pre-'91 Retirees?

If you are a Pre-'91 Retiree, you will be covered for your lifetime by a program of medical and dental coverage that meets at least the following minimum requirements:

(i) The same premium requirements as were in place under your plan^{*} effective January 1, 1996, will be continued without change. This means no premiums will be charged for coverage on you and your Class I Dependents, and 100% of Medicare Part B premiums will continue to be reimbursed as they have in the past. (COBRA premiums, surviving spouse premiums, Class II Dependent premiums, and Sponsored Child premiums will be charged and adjusted on the same basis they have in the past.)

(ii) You will not be required to obtain services under your plan from a limited network of health care providers selected by the Company or Plan Administrator. This means you will not be required to get coverage from an HMO, for example.

^{*} In this document, a reference to "your plan" means the non-HMO medical and dental expense plans that have been provided to you by U S WEST

(iii) Your plan will maintain all the same schedules of medical and dental expense coverage as were in effect under your plan on January 1, 1996. This means the reimbursement schedules, covered services and treatments, deductibles, surviving spouse and dependent coverages (including provisions for survivor coverage after the death of a Pre-'91 Retiree), and other terms under which the amount of your reimbursements from the plan are calculated will remain as they were under your plan on January 1, 1996.

(iv) To the extent that changes in the health care industry or markets, or governmental mandates, prevent U S WEST from meeting the three requirements described above, U S WEST will use reasonable efforts to maintain an equivalent program of medical and dental coverage. (This might occur, for example, if by future legislation, all medical care in a given state is required to be provided only through a network of physicians, making it necessary for Pre-'91 Retirees, along with all others in that state, to use a network provider.)

(C) What commitment is made to ERO Retirees?

If you are an ERO Retiree, you will be covered for your lifetime by a program of medical and dental coverage that meets at least the following minimum requirements:

(i) The program will have an average actuarial value of not less than 95% of the average actuarial value of the coverage you had in place under the U S WEST Health Care Plan in 1992. "Average actuarial value" will be determined using reasonable actuarial assumptions, consistent with industry norms, approved by the Plan Administrator.

(ii) No premiums will be charged for coverage on you and your Class I Dependents. The extent to which other premiums are charged (e.g., COBRA premiums, surviving spouse premiums, Class II Dependent premiums, and Sponsored Child premiums) or Medicare Part B premiums are reimbursed, will be subject to the previous requirement regarding the average actuarial value of your program of coverage.

* The 1992 U S WEST Health Care Plan coverage referred to means the self-funded indemnity coverage offered as the "Company" plan and not any HMO programs that were offered as alternatives.

(D) To what extent can U S WEST make any changes to the medical and dental plans that cover Pre-'91 Retirees and ERO Retirees?

Any program of medical and dental coverage that meets the minimum requirements described in "B" and "C," above, may only be changed by U S WEST in a manner that keeps your plan in compliance with those minimum requirements. An example of a permissible change would be the selection of a new claims administrator (as has occurred in the past). No change may be made if the Plan Administrator (acting in the best interest of the Pre-'91 Retirees and the ERO Retirees) determines the change violates "B" or "C," above.

U S WEST may also offer separate or different programs of coverage as alternatives to the minimum coverages it maintains for Pre-'91 and ERO Retirees. U S WEST retains full discretion in determining the nature and conditions upon which such alternative programs may be made available, but no Pre-'91 or ERO Retiree will be required to use such programs instead of the minimum coverage programs as described above. If you elect coverage under an alternative program, you will be able to re-elect the minimum coverage program at least once each year during annual open enrollment.

In all events, U S WEST has the obligation to conform its plans to the requirements of applicable laws.

(E) Can the Company change its mind on all of these commitments?

As with the prior statements published by the Company, these commitments are binding on U S WEST, Inc. the sponsor of the Plan, and cannot be revoked.

YOU SHOULD KEEP THIS SUPPLEMENTAL INFORMATION WITH YOUR BOOKLETS AND OTHER SUPPLEMENTS DESCRIBING YOUR U S WEST RETIREE HEALTH CARE MEDICAL AND DENTAL PLANS. (A NEW BOOKLET ON YOUR PLAN WILL BE DISTRIBUTED LATER THIS YEAR. YOU MAY OBTAIN A COPY OF THE CURRENT BOOKLET BY SENDING A WRITTEN REQUEST TO _____ AND ENCLOSING A CHECK PAYABLE TO _____ IN THE AMOUNT OF \$ _____.)

U S WEST'S RETIREE HOTLINE REPRESENTATIVES WOULD BE HAPPY TO HEAR FROM YOU ABOUT THESE MATTERS. JUST CALL THEM AT 1-800 -

Retirees

P U B L I S H E D F O R R E T I R E D E M P L O Y E E S O F U S W E S T

M E M O

TO: U S WEST Retirees
FROM: Dick McCormick
RE: Today's Pension Check

Last April, I sent a letter announcing a pension increase for service and disability retirees effective Jan. 1, 1996. Today, you're receiving the first pension check to reflect that increase.

I know some of you have mixed feelings about the increase. During the past year, I've heard both compliments and complaints. I clarified some issues in a November letter. And I'll continue to do so as I visit with retirees.

But today, I'd like to take a minute to say why I personally feel good about this pension increase and the company's relationship with retirees.

First, I believe a graded increase is the right thing to do. It allows us to really help long-time retirees on a fixed income. Many of these folks will receive up to 12 percent more per month.

It's also good to see a bigger move toward shared responsibility between the company and retirees. Only by working together can we contribute to the success of our business and its benefits.

During the past year, I know fears over benefits have been unnecessarily raised with some retirees. So, I'm glad we've included specific, official language about our healthcare commitment in the plans for pre-1991 and ERO retirees (*see related story at right*).

I'm also pleased to see increased dialogue between the company and retirees about healthcare, communications and other subjects. We plan to increase those efforts during 1996.

As always, thank you for the continued support of the company you helped create. It's very important in this increasingly competitive industry.



Dick McCormick
Chairman and Chief Executive Officer, U S WEST, Inc.

Healthcare commitment to assure pre-'91 and ERO retirees

U S WEST's commitment to pre-1991 retiree healthcare coverage is now formally in the written plan documents. On Jan. 8, U S WEST's Employees' Benefit Committee (EBC) authorized an amendment to the company's healthcare plan for about 30,500 retirees who left the company before 1991. And that amendment specifies:

- **The same coverage for life.** These retirees will always be able to sign up for the same non-HMO medical and dental coverage they have today. The company will continue to maintain the current coverage schedules for medical and dental benefits for those who retired before 1991.
- **No premiums.** The company will not ask these retirees to pay a premium for their non-HMO medical or dental coverage. And the company will continue to

continued on page 3

Pioneers help at-risk teens via 'Zone' project

Getting involved with gangs, drugs or crime is an all-too-easy option for teen-agers. But thanks to a new Pioneers volunteer project called "The Neutral Zone," teen-agers in Mountlake Terrace, Wash., are now opting for education and self-expression on the weekends.

The Neutral Zone is an education, service and recreation program designed for at-risk youth as an alternative to being out on the streets late at night. Many of the teens expressed the desire to become relinked with the education system and have begun pursuing high school credits and GEDs through the Zone.

Pioneer Life Member Ron

Smith, project leader, says, "So many problems in a community are often blamed on these at-risk kids, and it's quite obvious that curfews and incarceration just move the problem without addressing it. For every action we take to help these kids, I see a direct, positive reward."

Richard Follette, executive coordinator for The Neutral Zone, explains how the Pioneers helped a poetry class publish a book: "The class yielded 260 quality poems suitable for publication. In order to encourage this kind of educational effort, the Pioneers got involved to provide the funds for the printing and the volunteer manpower to

market the book of poetry titled *Lost Between the Cracks*. I plan to use the sale of the book to teach the kids about market research, tracking sales and product development."

As The Neutral Zone strives to become a nationwide concept, volunteer opportunities will include fund-raising, more marketing and even the use of the Pioneers' Telephone Museum. For more information about The Neutral Zone, contact Richard Follette at (206) 670-2875. For information on Pioneer volunteer opportunities, see News by Fax on page 4.

HEALTHCARE COMMITMENT (continued from page 1)

reimburse 100 percent of their Medicare Part B premiums.

Spouses and other Class I Dependents will not need to pay premiums either, as long as the retiree is living. If a retiree dies, these dependents are automatically covered for six months. Then, premiums are charged if the dependents want continued coverage.

- **No forced managed care.** These retirees won't be required to join provider networks for medical coverage. Such networks, however, will continue to be offered as a voluntary option to retirees. That's because many retirees have said they like the ease of a co-pay, reduced out-of-pocket expenses and less paperwork.

(Note: Only factors beyond the company's control – specifically, changes in the healthcare industry or markets or governmental

mandates – would make network membership mandatory.)

Also, if pre-1991 retirees join an HMO, they will continue to have the option to return to their company plan during open enrollment.

Besides these commitments, the new amendment also formalizes the company's pledge to about 1,400 occupational employees who retired under the Enhanced Retirement Offer in 1992. They'll continue to receive medical and dental coverage without premiums and with "no significant reduction in the average actuarial value." In other words, their coverage under the U S WEST Health Care Plan will never go below 95 percent of its 1992 worth. (These retirees will also continue to receive Medicare Part B reimbursements.)

These commitments don't apply to U S WEST's more recent retirees (about 6,000 who left beginning in 1991). The company offers these

retirees the same U S WEST Co-Pay Plan as active employees.

By including the amendment in the plan documents, the company hopes to put retirees' minds at ease about their healthcare coverage. "We're concerned that retirees' fears over their benefits have been unnecessarily raised," says Mark Roellig, vice president-Human Resources for U S WEST, Inc. "We're glad to provide them this type of assurance."

Retirees will receive more information about these commitments in benefits handbooks later this year. A copy of the complete amendment along with an explanatory notice is also available through the *Retirees Today News by Fax Service* (see page 4). Retirees who have questions can also call the Retiree Hotline at 1-800-615-9925, beginning Feb. 1.

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Civil Action No. 95-Z-2759

NELSON B. PHELPS, Individually, and as Representative of All Pre-January 1, 1991 Plan Participants and Plan Beneficiaries, and For the Benefit of U S WEST RETIREE HEALTH CARE MEDICAL PLAN(s) and U S WEST RETIREE DENTAL CARE PLAN(s),

Plaintiff,

vs.

U S WEST, INC. and U S WEST, INC. EMPLOYEES' BENEFIT COMMITTEE,

Defendants.

STIPULATION FOR DISMISSAL OF CLAIMS WITHOUT PREJUDICE

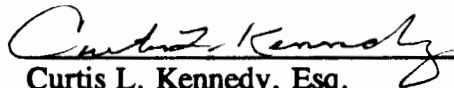
Plaintiff, through his attorney, Curtis L. Kennedy, and Defendants, through their attorneys, O'Melveny and Myers and Parcel, Mauro, Hultin & Spaanstra, P.C., move this Court to enter an Order dismissing Plaintiff's claims without prejudice, and as grounds therefore, state as follows:

1. The parties, after having engaged in discovery and before class certification, have determined that litigation is no longer necessary and accordingly move to dismiss all claims asserted in Plaintiff's Complaint without prejudice.

2. The parties agree that this Stipulation shall not prejudice in any respect either party's right to seek an award of attorney's fees. The parties request that the Court retain jurisdiction to determine any appropriate award of attorney's fees and enter such other orders as the court deems appropriate.

WHEREFORE, the parties request that the Court dismiss Plaintiff's claims without prejudice and retain jurisdiction to determine issues relating to attorney's fees.

Respectfully submitted this 14 day of February , 1996.

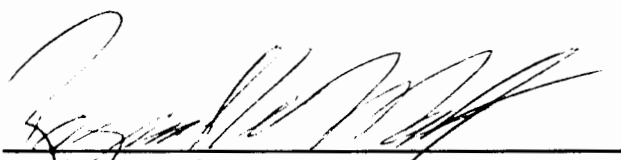
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K-01 2/14/96
FILED
UNITED STATES DISTRICT COURT
DENVER, COLO.

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

FEB 23 1996

Civil Action No. 95-Z-2759

JAMES H. MANSPEAKER
CLERK

NELSON B. PHELPS, Individually, and as Representative of All Pre-January 1, 1991 Plan Participants and Plan Beneficiaries, and For the Benefit of U S WEST RETIREE HEALTH CARE MEDICAL PLAN(s) and U S WEST RETIREE DENTAL CARE PLAN(s),

Plaintiff,

vs.

U S WEST, INC. and U S WEST, INC. EMPLOYEES' BENEFIT COMMITTEE,

Defendants.

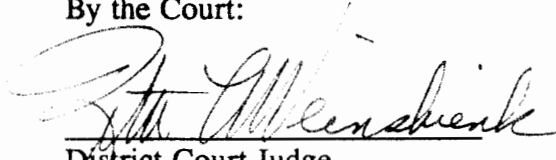
ORDER

THIS MATTER coming before the Court on the Stipulation for Dismissal of Claims Without Prejudice filed by the parties, the Court being fully advised in the premises;

HEREBY ORDERS that the Stipulation for Dismissal is GRANTED. Plaintiff's claims are dismissed without prejudice. The Court retains jurisdiction to determine issues relating to attorney's fees.

DONE IN OPEN COURT this 28 day of February, 1996.

By the Court:


District Court Judge