ATTACHMENT 5

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 1992

OR

☐ TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from to

Commission File No. 1-8611

U S WEST, Inc.

A Colorado Corporation

I.R.S. Employer Identification No. 84-0926774

7800 East Orchard Road, Englewood, Colorado 80111
Telephone Number (303) 793-6500

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

Title of each class	Name of each exchange on which registered*
Common Stock (without par value)	New York Stock Exchange Pacific Stock Exchange
Liquid Yield Option Notes, due 2011 (convertible to common stock under certain circumstances)	New York Stock Exchange

*Common Stock was delisted from Boston Stock Exchange, Midwest Stock Exchange and Philadelphia Stock Exchange effective January 14, 1992.

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

None

At January 29, 1993, 414,673,406 shares of common stock were outstanding.

At January 29, 1993, the aggregate market value of the voting stock held by non-affiliates was approximately $15,916,792,948.

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

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the Registrant's 1992 Annual Report to Shareowners are incorporated by reference into Parts I, II and IV.

Portions of the Registrant's definitive Proxy Statement dated March 18, 1993, to be issued in connection with the 1993 Annual Meeting of Shareowners are incorporated by reference into Parts II and III.

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

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PART I

ITEM 1. BUSINESS

General

U S WEST, Inc. ("U S WEST") was incorporated in 1983 under the laws of the State of Colorado and has its principal executive offices at 7800 East Orchard Road, Englewood, Colorado 80111, telephone number (303) 793-6500. U S WEST is a holding company with subsidiaries engaged in two industry segments: the Communications and Related Services segment, and the Capital Assets segment. (Financial information concerning U S WEST's industry segments is set forth in Note 2: "Industry Segment Information" under Notes to Consolidated Financial Statements on pages 26 and 27 of the U S WEST 1992 Annual Report to Shareowners (the "1992 Annual Report") and is incorporated herein by reference.) U S WEST and its subsidiaries had 63,707 employees at December 31, 1992.

Communications and Related Services Segment

The Communications and Related Services segment represented approximately 80% of U S WEST's assets at December 31, 1992 and 96% of consolidated sales and other revenues for the year ended December 31, 1992. The majority of the business of the Communications and Related Services segment is conducted by U S WEST Communications, Inc. ("U S WEST Communications"), which provided 81% in 1992 and 77% in 1991, and its predecessor companies provided 81% in 1990, of U S WEST's consolidated sales and other revenues.

U S WEST Communications. U S WEST Communications was formed January 1, 1991, when Northwestern Bell Telephone Company ("Northwestern Bell") and Pacific Northwest Bell Telephone Company ("Pacific Northwest Bell") were merged into The Mountain States Telephone and Telegraph Company ("Mountain Bell"), which simultaneously changed its name to U S WEST Communications, Inc. U S WEST acquired ownership of Mountain Bell, Northwestern Bell and Pacific Northwest Bell on January 1, 1984, when American Telephone and Telegraph Company ("AT&T") transferred its ownership interests in these three wholly-owned operating telephone companies to U S WEST. This divestiture was made pursuant to a court-approved consent decree entitled the "Modification of Final Judgment" ("MFJ") which arose out of an antitrust action brought by the United States Department of Justice against AT&T.

Operations of U S WEST Communications. U S WEST Communications provides telecommunications services in the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming (the "14 State Region"). U S WEST Communications serves approximately 80% of the population in these states and approximately 40% of the land area. At December 31, 1992 U S WEST Communications had approximately 13,345,000 telephone network access lines in service, a 3.2% increase over year end 1991.

Under the terms of the MFJ, the 14 State Region was divided into 29 geographical areas called "Local Access and Transport Areas" ("LATAs") with each LATA generally centered on a metropolitan area or other identifiable community of interest. The principal types of telecommunications services offered by U S WEST Communications are (i) local service, (ii) intraLATA long distance network service and (iii) exchange access service (which connects customers to the facilities of interLATA service providers). For the year ended December 31, 1992, local service, exchange access service and intraLATA long distance network service accounted for 37%, 28% and 15%, respectively, of the sales and other revenues of the Communications and Related Services segment. In 1992, revenues from a single customer, AT&T, accounted for approximately 12% of the sales and other revenues of the Communications and Related Services segment.

U S WEST Communications incurred capital expenditures of approximately $2.4 billion in 1992 and expects to incur approximately $2.2 billion in 1993. The 1992 capital expenditures of U S WEST Communications were substantially devoted to the continued modernization of rural and urban telephone plant, including investments in fiber optic cable and the conversion of central offices to digital technology, in order to improve customer service and network productivity.

Regulation of U S WEST Communications. U S WEST Communications is subject to varying degrees of regulation by state commissions with respect to intrastate rates and service, and access charge tariffs. Under traditional rate of return regulation, intrastate rates are generally set on the basis of the amount of revenues needed to produce an authorized rate of return.

U S WEST Communications has sought alternative forms of regulation ("AFOR") plans which provide for competitive parity, enhanced pricing flexibility and improved capability in bringing to market new products and services. In a number of states where AFOR plans have been adopted, such actions have been accompanied by requirements to refund revenues, reduce existing rates or upgrade service, any of which could have adverse short-term effects on earnings. Similar agreements may have resulted under traditional rate of return regulation. (See "State Regulatory Issues" under Management's Discussion and Analysis of Financial Condition and Results of Operations on page 13 of the 1992 Annual Report, which is incorporated herein by reference.)

U S WEST Communications is also subject to the jurisdiction of the Federal Communications Commission ("FCC") with respect to interstate access tariffs (that specify the charges for the origination and termination of interstate communications) and other matters. U S WEST's interstate services have been subject to price cap regulation since January 1991. Price caps are a form of incentive regulation and, ostensibly, limit prices rather than profits. However, the FCC's price cap plan includes sharing of earnings in excess of authorized levels. The Company believes that competition will ultimately be the determining factor in pricing telecommunications services.

In October 1992, the FCC adopted an order requiring that certain telephone companies, including U S WEST Communications, allow competitive access providers to collocate their equipment in telephone company central office facilities. The order, which is effective in May 1993, applies only to interstate special access (i.e., private line) services generally provided to large business users. It is expected that the order will increase competition and result in lower prices for special access services, which accounted for about 11 percent of U S WEST Communications' interstate access revenues during 1992. Under the order, U S WEST Communications would obtain additional flexibility in pricing these services. The FCC is considering whether a similar order should be extended to switched access services.

In August 1992, the FCC adopted an order allowing telephone companies to deliver video programming developed by others and to provide certain other video services including video gateways, billing and collection services, and video customer premises equipment. The FCC also recommended that Congress repeal the "in-region" cable ownership restriction imposed on telephone companies. These recent and proposed actions would allow the Company access to provide cable television and other services within its telephone service area.

Also, in August 1992, the FCC issued a Notice of Proposed Rulemaking to establish Personal Communications Services ("PCS"). PCS offers users mobile voice and data communications capabilities similar to existing cellular service, though usage may be limited to local communities or within a business complex. PCS is viewed as a potential competitor to both the local exchange and cellular businesses. The Company intends to pursue PCS opportunities.

The FCC has adopted a regulatory structure known as "Open Network Architecture," under which U S WEST Communications is required to unbundle its telephone network services in a manner which will accommodate the service needs of the growing number of information service providers.

Competition. Regulatory, legislative and judicial actions have been leading to a more competitive environment for local exchange companies. Perhaps even more importantly, as a result of rapid technological change, the computer, cable television and telecommunications industries are starting to converge, a development which will lead to more competition and new strategic alliances in the future. With respect to local exchange service, competition is expected from a host of potential players, including cable television companies, competitive access providers ("CAPs"), cellular companies, providers of PCS and the interexchange carriers.

Currently, competition from long distance companies is eroding U S WEST Communications' market share of intraLATA long distance services such as Wide Area Telephone Service ("WATS") and "800" service. These revenues have steadily declined over the last several years as customers have migrated to interexchange carriers who have the ability to offer these services on both an intraLATA and interLATA basis. U S WEST and its affiliates are prohibited from providing interLATA long distance services.

Competition from CAPs is currently limited to providing large business customers (with high volume traffic) private line access to the facilities of interexchange carriers. In coming years CAPs could also become significant competitors for other local exchange services.

The planned entrance of AT&T into the cellular arena through its proposed investment in McCaw Cellular Communications, Inc. ("McCaw") creates a new competitor for providers of cellular and, potentially, local exchange services. The AT&T/McCaw alliance would include a nationwide long distance network, equipment manufacturing, research expertise and national branding. This alliance could ultimately lead to a reduction in revenues, including access charges. A substantial portion of AT&T's operating costs are represented by such access charges.

In addition to CAPS and providers of wireless services, including PCS, a major potential source of future competition includes cable television companies which may offer telecommunications and other information services in addition to existing video services.

The impact of increased competition on the operations of U S WEST Communications will be influenced by the future actions of regulators and legislators who increasingly are advocating competition. For example, at the federal level, as described above, collocation will position alternative service providers to compete with local exchange carriers for a variety of telecommunications services, although the ultimate financial impact of the FCC order is not determinable.

Other Communications and Related Services Segment Operations. The Communications and Related Services segment also includes subsidiaries engaged in (i) publishing services, primarily "Yellow Pages" and other directories, (ii) designing, engineering and operating mobile telecommunications systems, including cellular and paging operations and (iii) cellular and land-line telecommunications, network infrastructure and cable television businesses in certain foreign countries.

U S WEST Marketing Resources Group, Inc. ("Marketing Resources"), which accounted for about 10% of the 1992 revenues of the Communications and Related Services segment, publishes nearly 400 white and yellow pages telephone directories in 25 states and marketing reference guides for 45 cities. Marketing Resources competes with local and national publishers of directories, as well as other advertising media such as newspapers, magazines, broadcast media and direct mail.

U S WEST NewVector Group, Inc. ("NewVector"), which accounted for approximately 4% of the 1992 revenues of the Communications and Related Services segment, does business in a number of competitive areas, including the cellular, paging and other radio communications businesses. Competition for full service cellular customers is currently limited to holders of the two cellular licenses granted in a given cellular market. Despite its rapid growth, the cellular industry is faced with many challenges including the introduction of new technologies, increased competition and an uncertain regulatory environment.

Concerns have been raised about the safety of hand-held cellular telephones. The U.S. Congress recently held a hearing on this issue at which various expert witnesses testified that hand-held cellular phones do not pose a health risk. Additionally, the Cellular Telecommunications Industry Association has asked for an independent panel to review the existing cellular phone research and to recommend additional research, if necessary.

During 1992, U S WEST continued expanding its international ventures, which include investments in cable television and telecommunications, wireless communications including PCS, and international networks. U S WEST's net investment in international ventures approximated $345 million at December 31, 1992, approximately 64 percent of which is in the United Kingdom. Of the total international investment, approximately 69 percent is invested in cable television joint ventures, mostly in the United Kingdom and Western Europe.

Because our international investments are in new, developing businesses, they typically are in a high growth, reinvestment phase for several years and do not show net income or positive cash flow until they become more mature. Consequently, start-up losses from these investments, in total, are expected to increase in 1993 and possibly beyond. The Company's future commitment to international ventures is currently planned at about $325 million over the next five years, but could increase as new opportunities become available.

U S WEST is currently exploring its strategic alternatives with respect to businesses not directly involved in telecommunications. (See pages 14 and 15 of Management's Discussion and Analysis of Financial Condition and Results of Operations in the 1992 Annual Report, which is incorporated by reference.)

Capital Assets Segment

The Capital Assets segment represented approximately 20% of U S WEST's assets at December 31, 1992 and 4% of consolidated sales and other revenues for the year ended December 31, 1992. This segment is comprised of businesses conducted by (i) U S WEST Capital Corporation subsidiaries engaged in financial services, including financial guarantee insurance, and (ii) U S WEST Real Estate, Inc.

U S WEST Capital Corporation ("Capital Corporation"). The two primary subsidiaries of Capital Corporation are U S WEST Financial Services, Inc. ("Financial Services") and Financial Security Assurance Holdings Ltd. ("FSA"). At December 31, 1992, Financial Services' net finance receivables were approximately $3.2 billion. Financial Services, which focuses on niches left by banks in the lending markets, is organized into eight divisions: The Special Industries Finance Division provides financing for equipment and facilities. The Corporate Finance Division provides senior and subordinated term financing for acquisitions and customized financial products. The Commercial Real Estate Division provides financing for commercial real estate projects. The Project Finance Division provides senior and subordinated financing for facilities that generate cash flow to service debt on a stand-alone basis. The Mortgage Investments Division acquires and manages portfolios of home equity and home improvement loans and invests in mortgage-backed securities. The Consumer Receivables Division acquires and manages portfolios of consumer loans. The Leasing Division provides leveraged lease financing and related products on aircraft, power plants and industrial equipment. The Portfolio Management Division manages portfolios of small to middle market loans and leases to maximize profits through intensive collection efforts. In addition, Financial Services participates in the municipal bond reinsurance marketplace through its approximately 30% ownership of Enhance Financial Services Group, Inc.

FSA, through its insurance company subsidiaries, is engaged in providing guarantee insurance for structured corporate and asset-backed financings, and municipal obligations. The claims-paying ability of each of FSA's insurance company subsidiaries is rated "AAA" by Standard & Poor's Corporation and "Aaa" by Moody's Investors Service. The Tokio Marine and Fire Insurance Co., Ltd., a Japanese property and casualty insurance company, owns approximately 8.4% of FSA.

U S WEST Real Estate, Inc. ("U S WEST Real Estate"). U S WEST Real Estate's assets totaled approximately $1.1 billion at December 31, 1992, consisting of 39 operating properties, finance eceivables and other assets. At December 31, 1992, U S WEST Real Estate had approximately 6.6 million square feet in its operating portfolio and approximately 84% of such space was leased, with U S WEST or affiliates of U S WEST occupying approximately 8% of the leased space.

In February 1990, U S WEST decided to focus its Capital Assets segment on financial services. As a result of that decision, U S WEST Real Estate is liquidating its real estate portfolio. U S WEST Real Estate sold approximately $93 million of its properties in 1992 and intends to dispose of its real estate portfolio over the next several years. (See "1991 Restructuring Charge" on page 12 of Management's Discussion and Analysis of Financial Condition and Results of Operations included in the 1992 Annual Report, which is incorporated herein by reference.)

ITEM 2. PROPERTIES

The properties of U S WEST do not lend themselves to description by character and location of principal units. At December 31, 1992, the majority of U S WEST property was utilized in providing telecommunications services by U S WEST Communications. Substantially all of U S WEST Communications' central office equipment is located in owned buildings situated on land owned in fee, while many garages and administrative and business offices are in leased quarters. For information regarding the distribution of property, plant and equipment at December 31, 1992, reference is made to Schedule V on page S-1.

ITEM 3. LEGAL PROCEEDINGS.

AT&T and its former telephone subsidiaries, including U S WEST Communications, are defendants in various pending private actions which involve claims of substantial monetary damages. Under the MFJ and certain divestiture agreements, the expenses and judgments in excess of one million dollars associated with the cases are required to be shared among U S WEST, AT&T, the other regional holding companies (formed by the AT&T divestiture) and certain affiliated companies whether or not such companies are defendants. Amounts paid in settlement of these actions will be shared only to the xtent the parties to the agreement agree to share such amounts. In the opinion of U S WEST with respect to all such actions, (i) any monetary liability or financial impact to which U S WEST would be subject after final adjudication as a result of all such actions would not be material in amount to U S WEST's financial position and (ii) any equitable relief which might be granted would not have a material effect on the business of U S WEST.

On May 12, 1992, an alleged shareholder of U S WEST filed an amended class action complaint (the "Amended Complaint") in the United States District Court for the District of Colorado against U S WEST and various individuals, including certain present and former officers of U S WEST (the "Defendants"). *Rosenbaum v. U S WEST, Inc. et al.*, Civ. Action No. 91-B-2164 (D. Colo. filed May 12, 1992). The Amended Complaint challenges the Defendants' actions in connection with U S WEST's real estate activities and planned work force reductions, including its December 1991 restructuring charge, and related disclosures, and alleges violations of the Securities Exchange Act of 1934, the Securities Act of 1933 and the rules of the Securities and Exchange Commission. The Amended Complaint seeks relief in the form of damages allegedly sustained by the members of the purported class. Plaintiff's motion for leave to amend the Amended Complaint to add derivative claims is pending before the Court.

U S WEST has reached a tentative resolution of all claims in the Amended Complaint. Counsel for the plaintiffs will undertake discovery to confirm the adequacy and fairness of the proposed settlement to the plaintiffs and allow it to execute a formal settlement agreement for submission to the court if counsel concludes that is in the best interest of the plaintiffs. A later confirmation hearing would be held before the court before the settlement becomes final.

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

Not applicable.

EXECUTIVE OFFICERS OF U S WEST

Pursuant to General Instructions G(3), the following information is included as an additional item in Part I:

Name	Position	Age	Date Assumed Present Position
A. Gary Ames (1)	President & Chief Executive Officer of U S WEST Communications	48	1990
James T. Anderson	Vice President & Treasurer	53	1984
J. Thomas Bouchard	Senior Vice President & Chief Human Resources Officer	52	1989
David I. Brenner	Vice President & Controller	48	1986
Richard J. Callahan	Executive Vice President, U S WEST, & President, U S WEST International and Business Development Group	51	1988
Charles M. Lillis	Executive Vice President & Chief Planning Officer	51	1987
Richard D. McCormick	Chairman of the Board, Chief Executive Officer & President	52	1986(2)
James M. Osterhoff	Executive Vice President & Chief Financial Officer	56	1991
Lorne G. Rubis	Vice President	42	1992(3)
Charles P. Russ III	Executive Vice President, General Counsel & Secretary	48	1992(4)
Judith A. Servoss	Vice President	47	1987
James H. Stever	Executive Vice President	49	1993(5)

(1) Mr. Ames, while not an officer of U S WEST, performs significant policy making functions equivalent to those typically performed by an officer.

(2) Mr. McCormick was elected Chairman of the Board effective May 1, 1992.

(3) Mr. Rubis was elected Vice President effective June 6, 1992.

(4) Mr. Russ was elected Executive Vice President, General Counsel and Secretary effective June 8, 1992.

(5) Mr. Stever was elected Executive Vice President-Public Policy effective January 8, 1993.

Executive Officers are not elected for a fixed term of office, but serve at the discretion of the Board of Directors.

Each of the above executive officers has held a managerial position with U S WEST or an affiliate of U S WEST since 1987, except for Messrs. Bouchard, Osterhoff, Rubis and Russ. Mr. Bouchard was Senior Vice President — Human Resources and Organization of United Technologies Corporation from 1987 to 1989; Mr. Osterhoff was Vice President — Finance and Chief Financial Officer of Digital Equipment Corporation from 1985 to 1991. Mr. Rubis was Vice President — Quality for U S WEST International and Business Development Group, a division of U S WEST, from 1991 to 1992; Director — Quality and Service Improvement for U S WEST NewVector Group, Inc., a subsidiary of U S WEST, from 1990 to 1991. Prior to joining the U S WEST family, Mr. Rubis worked as an independent labor relations consultant and as co-founder and principal of Workplace One, Ltd., a Canadian-based

consulting firm, from 1979 to 1988. In 1988, he merged his firm with Deltapoint Corp., a Seattle-based Quality Improvement consulting firm. Mr. Russ was Vice President, Secretary and General Counsel of [illegible] Corporation from February, 1984 to June, 1992.

PART II

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

The information required by this item is included on page 39 of the 1992 Annual Report under the heading "Note 14: Quarterly Financial Data (Unaudited)" and is incorporated herein by reference. The U.S. markets for trading in U S WEST common stock are the New York Stock Exchange and the Pacific Stock Exchange. As of December 31, 1992, U S WEST common stock was held by approximately 867,773 shareholders of record.

ITEM 6. SELECTED FINANCIAL DATA.

The information required by this item is included on page 1 of the 1992 Annual Report under the heading "Financial Highlights" and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The information required by this item is included on pages 8 through 20 of the 1992 Annual Report and is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The information required by this item is included on pages 21 through 39 of the 1992 Annual Report and is incorporated herein by reference.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item with respect to executive officers is set forth in Part I, page 8, under the caption "Executive Officers of U S WEST."

The information required by this item with respect to Directors is included in the U S WEST definitive Proxy Statement dated March 18, 1993 ("Proxy Statement") under "Election of Directors" on pages 4 and 5 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is included in the Proxy Statement under "Executive Compensation" on pages 9 through 14 and "Compensation of Directors" on page 3 and is incorporated herein by reference.

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

The information required by this item is included in the Proxy Statement under "Securities Owned by Management" and "Election of Directors" on pages 3, 4 and 5 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Not applicable.

PART IV

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

(a) The following independent accountants' report and consolidated financial statements are incorporated by reference in Part II of this report on Form 10-K:

		Page Number of Annual Report
(1)	Report of Independent Accountants	21
(2)	Consolidated Financial Statements:	
	Consolidated Statements of Income — for the years ended December 31, 1992, 1991 and 1990	22
	Consolidated Balance Sheets as of December 31, 1992 and 1991	23
	Consolidated Statements of Cash Flows — for the years ended December 31, 1992, 1991 and 1990	24
	Notes to Consolidated Financial Statements	25 through 39
(3)	Consolidated Financial Statement Schedules:	

	Page Number
Report of Independent Accountants	14
V — Property, Plant and Equipment	S-1
VI — Accumulated Depreciation and Amortization	S-2
VIII — Valuation and Qualifying Accounts	S-3
IX — Short-Term Borrowings	S-4
X — Supplementary Income Statement Information	S-5

Financial statement schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

(b) Reports on Form 8-K:

U S WEST filed the following reports on Form 8-K during the fourth quarter of 1992:

(i) report dated October 22, 1992 relating to release of earnings for the period ended September 30, 1992; and

(ii) report dated December 4, 1992 relating to a press release announcing the election of two new members of its Board of Directors.

(c) Exhibits:

Exhibits identified in parentheses below, on file with the Securities and Exchange Commission ("SEC"), are incorporated herein by reference as exhibits hereto.

Exhibit Number	
(3a)	— Articles of Incorporation of U S WEST, Inc. dated September 22, 1983 (Exhibit 3a to Registration Statement No. 2-87861).
(3a.1)	— Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated June 6, 1988 (Exhibit 3b to Form 10-K, date of report March 29, 1989, File No. 1-8611).
(3a.2)	— Articles of Amendment to the Articles of Incorporation of U S WEST, Inc. dated May 3, 1991 (Exhibit 3c to Form SE filed on March 5, 1992, File No. 1-8611).

Exhibit Number	
b	— Bylaws of the Registrant as amended February 5, 1993.
4	— No instrument which defines the rights of holders of long and intermediate term debt of U S WEST, Inc. and all of its subsidiaries is filed herewith pursuant to Regulation S-K, Item 601(b)(4)(iii)(A). Pursuant to this regulation, the Registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request.
(10a)	— Reorganization and Divestiture Agreement dated as of November 1, 1983, between American Telephone and Telegraph Company and its affiliates, U S WEST, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and NewVector Communications, Inc. (Exhibit 10a to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10b)	— Shared Network Facilities Agreement dated as of January 1, 1984, between American Telephone and Telegraph Company, AT&T Communications of the Midwest, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company (Exhibit 10b to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10c)	— Agreement Concerning Termination of the Standard Supply Contract effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and Central Services Organization (Exhibit 10d to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10d)	— Agreement Concerning Certain Centrally Developed Computer Systems effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and Central Services Organization (Exhibit 10e to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10e)	— Agreement Concerning Patents, Technical Information and Copyrights effective December 31, 1983, between American Telephone and Telegraph Company and U S WEST, Inc. (Exhibit 10f to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10f)	— AMPS Software Agreement effective December 31, 1983, between American Telephone and Telegraph Company and NewVector Communications, Inc. (Exhibit 10h to Form 10-K, date of report March 28, 1984, File No. 1-8611).
(10g)	— Agreement Concerning Contingent Liabilities, Tax Matters and Termination of Certain Agreements dated as of November 1, 1983, between American Telephone and Telegraph Company, U S WEST, Inc., The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and NewVector Communications, Inc. (Exhibit 10h to Form 10-K, date of report March 8, 1984, File No. 1-3501).
(10h)	— Agreement Concerning Trademarks, Trade Names and Service Marks effective December 31, 1983, between American Telephone and Telegraph Company, American Information Technologies Corporation, Bell Atlantic Corporation, BellSouth Corporation, Cincinnati Bell, Inc., NYNEX Corporation, Pacific Telesis Group, The Southern New England Telephone Company, Southwestern Bell Corporation and U S WEST, Inc. (Exhibit 10i to Form 10-K, date of report March 8, 1984, File No. 1-3501).
10i	— U S WEST Executive Short Term Incentive Plan.
(10j)	— Financial Counseling Program for Officers of U S WEST (Exhibit 10-ee to Registration Statement No. 2-87861).

Exhibit Number	
(10k)	— U S WEST Deferred Compensation Plan for Non-Employee Directors (Exhibit 10-ff to Registration Statement No. 2-87861).
(10l)	— Description of U S WEST Insurance Plan of Non-Employee Directors' Travel and Accident Insurance (Exhibit 10-gg to Registration Statement No. 2-87861).
(10m)	— Extract from the U S WEST Management Pension Plan regarding limitations on and payments of pension amounts which exceed the limitations contained in the Employee Retirement Income Security Act (Exhibit 10-hh to Registration Statement No. 2-87861).
(10n)	— U S WEST Executive Non-Qualified Pension Plan (Exhibit 10o to Form 10-K, date of report March 29, 1989, File No. 1-8611).
(10o)	— U S WEST Deferred Compensation Plan (Exhibit 10o to Form SE filed March 5, 1992, File No. 1-8611).
(10p)	— Description of U S WEST Directors' Retirement Benefit Plan (Exhibit 10p to Form SE filed March 5, 1992, File No. 1-8611).
(10q)	— U S WEST Stock Incentive Plan (Exhibit 10r to Form 10-K, date of report March 29, 1989, File No. 1-8611).
(10r)	— Shareholders' Agreement dated as of January 1, 1988 among Ameritech Services, Inc., Bell Atlantic Management Services, Inc., BellSouth Services Incorporated, NYNEX Service Company, Pacific Bell, Southwestern Bell Telephone Company, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company (Exhibit 10r to Form SE filed March 5, 1992, File No. 1-8611).
(10s)	— U S WEST Senior Management Long Term Disability and Survivor Protection Plan (Exhibit 10-dd to Registration Statement No. 2-87861).
(10t)	— U S WEST Mid-Career Pension Plan (Exhibit 10u to Form 10-K, date of report March 29, 1989, File No. 1-8611).
(10u)	— Form of Executive Severance Agreement (Exhibit 10v to Form SE filed on March 6, 1990, File No. 1-8611).
10v	— Form of U S WEST, Inc. Non-Incentive Stock Option Agreement Under the Stock Incentive Plan.
10w	— Form of U S WEST, Inc. Restricted Stock Agreement Under the Stock Incentive Plan.
10x	— Employment letter from Richard D. McCormick to James M. Osterhoff dated November 1, 1991.
11	— Statement Re Computation of Per Share Earnings.
12	— Computation of Ratio of Earnings to Fixed Charges of U S WEST, Inc. and U S WEST Financial Services, Inc.
13	— 1992 Annual Report to Shareowners (Exhibit 13 to Form SE filed on March 19, 1993, File No. 1-8611).
21	— Subsidiaries of U S WEST, Inc.
23	— Consent of Independent Accountants.
24	— Powers of Attorney.
99a	— Financial Statements of Financial Security Assurance, a 92% owned subsidiary of U S WEST for the year ended December 31, 1992.
99b	— Annual Report on Form 11-K for the U S WEST Savings Plan/ESOP for Salaried Employees for the year ended December 31, 1992, to be filed by amendment.
99c	— Annual Report on Form 11-K for the U S WEST Savings and Security Plan/ESOP for the year ended December 31, 1992, to be filed by amendment.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(D) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Englewood, State of Colorado, on March 19, 1993.

U S WEST, Inc.

By /s/ DAVID I. BRENNER
David I. Brenner
Vice President and Controller

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 date indicated.

Principal Executive Officer /s/ Richard D. McCormick*	Chairman of the Board, President and Chief Executive Officer
Principal Financial Officer: /s/ James M. Osterhoff*	Executive Vice President and Chief Financial Officer
Principal Accounting Officer: /s/ David I. Brenner	Vice President and Controller

Directors:

/s/ Richard B. Cheney*
/s/ Remedios Diaz-Oliver*
/s/ Grant A. Dove*
/s/ Mary M. Gates*
/s/ Allan D. Gilmour*
/s/ Pierson M. Grieve*
/s/ Shirley M. Hufstedler*
/s/ Allen F. Jacobson*
/s/ Richard D. McCormick*
/s/ Glen L. Ryland*
/s/ Jack D. Sparks*
/s/ Jerry O. Williams*
/s/ Daniel Yankelovich*

*By /s/ DAVID I. BRENNER
David I. Brenner
(for himself and as Attorney-in-Fact)

Dated March 19, 1993

REPORT OF INDEPENDENT ACCOUNTANTS

Our report on the consolidated financial statements of U S WEST, Inc., which includes an explanatory paragraph regarding a change in the method of accounting for postretirement benefits other than pensions and other postemployment benefits in 1992, has been incorporated by reference in this Form 10-K from page 21 of the 1992 Annual Report to Shareowners of U S WEST, Inc. In connection with our audits of such financial statements, we have also audited the related consolidated financial statement schedules listed in the index on page 10 of this Form 10-K for the years ended December 31, 1992, 1991 and 1990.

In our opinion, the consolidated financial statement schedules referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

/s/ COOPERS & LYBRAND

COOPERS & LYBRAND
Denver, Colorado
January 21, 1993

U S WEST, Inc.

SCHEDULE V-PROPERTY, PLANT AND EQUIPMENT

(Dollars in millions)

Classification	Balance at beginning of period	Additions at cost (a)	Retirements (b)	Other changes (c)	Balance at end of period
YEAR 1992					
Land and buildings	$ 2,317.9	$ 140.0	$ 21.1	$ (3.7)	$ 2,433.1
Telephone network equipment and outside plant	20,040.0	1,717.9	638.2	123.0	21,242.7
Other	3,426.8	507.2	716.5	86.2	3,303.7
Construction in progress	658.1	190.2	0.0	(165.7)	682.6
	26,442.8	2,555.3	1,375.8	39.8	27,662.1
Real estate held for sale	805.5	42.4	107.6	96.1	836.4
Total	$27,248.3	$2,597.7	$1,483.4	$ 135.9	$28,498.5
YEAR 1991					
Land and buildings	$ 2,241.2	$ 104.1	$ 37.5	$ 10.1	$ 2,317.9
Telephone network equipment and outside plant	19,310.1	1,624.4	942.7	48.2	20,040.0
Other	3,259.5	485.8	493.0	174.5	3,426.8
Construction in progress	586.1	216.4	0.0	(144.4)	658.1
	25,396.9	2,430.7	1,473.2	88.4	26,442.8
Real estate held for sale	1,563.3	223.7	481.5	(500.0)(d)	805.5
Total	$26,960.2	$2,654.4	$1,954.7	$(411.6)	$27,248.3
YEAR 1990					
Land and buildings	$ 2,027.9	$ 106.9	$ 25.4	$ 131.8	$ 2,241.2
Telephone network equipment and outside plant	19,065.4	1,404.8	1,164.2	4.1	19,310.1
Other	3,077.1	452.7	189.3	(81.0)	3,259.5
Construction in progress	376.0	257.2	0.3	(46.8)	586.1
	24,546.4	2,221.6	1,379.2	8.1	25,396.9
Real estate held for sale	1,303.1	337.3	92.3	15.2	1,563.3
Total	$25,849.5	$2,558.9	$1,471.5	$ 23.3	$26,960.2

(a) Additions include transfers from construction in progress and interest charged to construction.

(b) Items of telephone plant, when retired or sold, are deducted from the property accounts at the amounts at which they are included. These amounts are estimated if not specifically identifiable. Telephone network equipment and outside plant includes the retirement of approximately $302 and $615 of fully depreciated customer premises wiring for 1991 and 1990, respectively.

(c) Includes adjustments resulting from physical inventories and prior year reclassifications.

(d) Valuation allowance resulting from a restructuring charge.

U S WEST, Inc.

SCHEDULE VI-ACCUMULATED DEPRECIATION AND AMORTIZATION

(Dollars in millions)

Classification	Balance at beginning of period	Additions charged to expense	Retirements (a)	Other changes (b)	Balance at end of period
YEAR 1992					
Buildings	$ 465.5	$ 71.8	$ 18.5	$ 11.2	$ 530.0
Telephone network equipment and outside plant	7,078.8	1,359.9	635.9	19.1	7,821.9
Other	1,551.4	429.2	680.6	18.8	1,318.8
	9,095.7	1,860.9	1,335.0	49.1	9,670.7
Real estate held for sale	88.8	29.9	12.3	9.1	115.5
Total	$9,184.5	$1,890.8	$1,347.3	$ 58.2	$9,786.2
YEAR 1991					
Buildings	$ 435.6	$ 81.2	$ 30.7	$(20.6)	$ 465.5
Telephone network equipment and outside plant	6,684.2	1,319.1	954.7	30.2	7,078.8
Other	1,539.5	399.1	411.8	24.6	1,551.4
	8,659.3	1,799.4	1,397.2	34.2	9,095.7
Real estate held for sale	88.2	30.3	36.1	6.4	88.8
Total	$8,747.5	$1,829.7	$1,433.3	$ 40.6	$9,184.5
YEAR 1990					
Buildings	$ 427.1	$ 71.4	$ 43.5	$(19.4)	$ 435.6
Telephone network equipment and outside plant	6,567.3	1,296.8	1,166.7	(13.2)	6,684.2
Other	1,273.5	412.3	175.4	29.1	1,539.5
	8,267.9	1,780.5	1,385.6	(3.5)	8,659.3
Real estate held for sale	69.7	30.8	13.7	1.4	88.2
Total	$8,337.6	$1,811.3	$1,399.3	$ (2.1)	$8,747.5

(a) Telephone network equipment and outside plant includes the retirement of approximately $302 and $615 of fully depreciated customer premises wiring for 1991 and 1990, respectively.

(b) Consists principally of removal costs and salvage received from disposal.

U S WEST, Inc.

SCHEDULE VIII-VALUATION AND QUALIFYING ACCOUNTS

(Dollars in millions)

Description	Balance at beginning of period	Charged to expense	Charged to other accounts	Deductions (b)	Balance at end of period
ALLOWANCE FOR CREDIT LOSSES					
Year 1992	$120.7	$109.2(a)	$17.6	$125.7	$121.8
Year 1991	106.6	135.6(a)	13.3	134.8	120.7
Year 1990	92.5	119.5(a)	6.3	111.7	106.6
LOSS RESERVE ON FINANCIAL GUARANTEES					
Year 1992	10.0	54.6	0.0	5.9	58.7
Year 1991	0.0	10.0	0.0	0.0	10.0
OTHER					
Year 1992	83.8	0.0	8.7	6.2	86.3
Year 1991	96.5	0.0	6.4	19.1	83.8
Year 1990	0.0	0.0	96.5(c)	0.0	96.5

(a) Does not include amounts charged directly to expense. These amounts were $8.9, $7.2 and $5.7 for 1992, 1991 and 1990, respectively.

(b) Represents credit losses written off during the period, less collection of amounts previously written off.

(c) Valuation allowance related to the purchase of a $294 face amount mobile home loan portfolio for $197.

U S WEST, Inc.

SCHEDULE IX-SHORT-TERM BORROWINGS

(Dollars in millions)

Description	Balance at end of period	End of period weighted average interest rate	Maximum amount outstanding during the period (a)	Average amount outstanding during the period (b)	Weighted average interest rate during the period (c)
YEAR 1992					
Commercial paper	$ 983.3	3.47%	$1,077.7	$ 876.0	4.06%
Other	35.5	6.75%	126.5	64.2	8.04%
Current portion of long-term debt	1,107.4	NA	NA	NA	NA
Total	$2,126.2				
YEAR 1991					
Commercial paper	$ 866.6	5.12%	$1,895.3	$1,314.2	6.17%
Other	26.5	6.92%	25.1	15.6	7.42%
Current portion of long-term debt	980.1	NA	NA	NA	NA
Total	$1,873.2				
YEAR 1990					
Bank loans	$ 31.2	9.21%	$ 67.9	$ 40.1	8.45%
Commercial paper	1,076.7	8.24%	1,509.5	1,251.3	8.14%
Other	33.9	9.46%	33.9	18.3	10.58%
Current portion of long-term debt	680.5	NA	NA	NA	NA
Total	$1,822.3				

(a) Computed based on amounts outstanding at month end.

(b) Computed as the cumulative monthly average divided by 12 months.

(b) Computed by dividing the aggregate related interest expense by the average amount outstanding.

U S WEST, Inc.

SCHEDULE X-SUPPLEMENTARY INCOME STATEMENT INFORMATION

(Dollars in millions)

Item	Charged to costs and expenses		
	1992	1991	1990
Maintenance and repairs	$1,522.9	$1,426.0	$1,444.9
Property taxes	273.0	302.9	293.0
Gross receipts taxes	74.4	94.7	98.2
Advertising	101.9	92.1	93.5

ATTACHMENT 6

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the fiscal year ended December 31, 1993
OR
☐ TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
for the transition period from to
Commission File No. 1-8611

U S WEST, Inc.

A Colorado Corporation | **I.R.S. Employer Identification No. 84-0926774**

7800 East Orchard Road, Englewood, Colorado 80111
Telephone Number (303) 793-6500

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

Title of each class	Name of each exchange on which registered*
Common Stock (without par value)	New York Stock Exchange Pacific Stock Exchange
Liquid Yield Option Notes, due 2011 (convertible to common stock under certain circumstances)	New York Stock Exchange

*Common Stock was delisted from Boston Stock Exchange, Midwest Stock Exchange and Philadelphia Stock Exchange effective January 14, 1992.

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

At January 31, 1994, 441,391,370 shares of common stock were outstanding.

At January 31, 1994, the aggregate market value of the voting stock held by non-affiliates was approximately $19,394,736,798.

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

DOCUMENTS INCORPORATED BY REFERENCE.

Portions of the Registrant's 1993 Annual Report to Shareowners are incorporated by reference into Parts I, II and IV.

Portions of the Registrant's definitive Proxy Statement dated March 17, 1994, to be issued in connection with the 1994 Annual Meeting of Shareowners are incorporated by reference into Parts II and III.

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

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PART I

ITEM 1. BUSINESS

General

U S WEST, Inc. ("U S WEST") was incorporated under the laws of the State of Colorado and has its principal executive offices at 7800 East Orchard Road, Englewood, Colorado 80111, telephone number (303) 793-6500. U S WEST is a diversified global communications company engaged in the telecommunications, directory publishing, marketing and, most recently, entertainment services businesses. Telecommunications services are provided by U S WEST's principal subsidiary, U S WEST Communications, Inc., to more than 25 million residential and business customers in the states of Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming (collectively, the "U S WEST Region"). Directory publishing, marketing and entertainment services as well as cellular mobile communications services are provided by other U S WEST subsidiaries to customers both inside and outside the U S WEST Region. (Financial information concerning U S WEST's operations is set forth in the Consolidated Financial Statements and Notes thereto in the U S WEST 1993 Annual Report to Shareowners (the "1993 Annual Report") and is incorporated herein by reference.) U S WEST and its subsidiaries had 60,778 employees at December 31, 1993.

Recent Developments

U S WEST Communications

Development of Broadband Network. In February, 1993, U S WEST announced its intention to build a broadband telecommunications network (the "Broadband Network") capable of providing voice, data and video services to customers within the U S WEST Region. When completed, the Broadband Network will carry multimedia signals over a mix of optical fiber, coaxial cable and copper wire. U S WEST expects that it will ultimately deliver a variety of integrated communications, entertainment and information services and other high speed digital services, including data applications, through the Broadband Network in selected areas of the U S WEST Region. These integrated services, including video-on-demand, targeted advertising, home shopping, interactive games, high-definition broadcast television and two-way, video telephony are expected to become available over time as the Broadband Network develops. The Broadband Network architecture is currently being installed and technical trials are beginning in Omaha, Nebraska. U S WEST is seeking approval from the Federal Communications Commission (the "FCC") to install Broadband Network architecture in Denver, Minneapolis-St. Paul, Portland, and Boise. U S WEST expects to put the Broadband Network into commercial use in selected areas by 1995, subject to a number of competitive and other factors, some of which are beyond its control, including the receipt of necessary regulatory approvals and the availability of suitable technology.

Restructuring. On September 17, 1993, U S WEST announced that U S WEST Communications would implement a plan (the "Restructuring Plan") designed to provide faster, more responsive customer services while reducing the costs of providing these services. Pursuant to the Restructuring Plan, U S WEST Communications will develop new systems that will enable it to monitor networks to reduce the risk of service interruptions, activate telephone service on demand, provide automated inventory systems and centralize its service centers so that customers can have their telecommunications needs resolved with one phone call. U S WEST Communications will also gradually reduce its work force by approximately 8,000 employees by the end of 1996 (in addition to a remaining reduction of 1,000 employees pursuant to a restructuring plan announced in 1991) and consolidate the operations of its existing 560 customer centers into 26 customer centers in ten cities. U S WEST expects cost reductions will be realized as these components of the Restructuring Plan are implemented. In connection with the Restructuring Plan, U S WEST recognized a pretax restructuring charge of

$1 billion, the components of which are described under "Costs and Expenses" in Management's Discussion and Analysis of Financial Condition and Results of Operations on page 17 of the 1993 Annual Report, which is incorporated by reference herein.

Discontinuance of SFAS 71 Accounting. In the third quarter of 1993, U S WEST incurred a $3.1 billion non-cash, extraordinary charge, net of an income tax benefit of $2.3 billion, against its earnings in conjunction with its decision to discontinue accounting for the operations of U S WEST Communications in accordance with Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). SFAS 71 generally applies to regulated companies that meet certain requirements, including a requirement that a company be able to recover its costs, notwithstanding competition, by charging its customers at prices established by its regulators. U S WEST's decision to discontinue accounting for the operations of U S WEST Communications in accordance with SFAS 71 was based on the belief that the development of competition, market conditions, and broadband technology, more than prices established by regulators, will determine the future revenues of U S WEST Communications. As a result of this change, the remaining asset lives of U S WEST Communications' telephone plant have been shortened to more closely reflect the useful (economic) lives of such plant. U S WEST Communications' accounting and reporting for regulatory purposes will not be affected by the change. U S WEST Communications expects that it will continue to work with regulators to set appropriate prices that reflect changing market conditions, including shorter depreciation lives.

TWE Investment

On September 15, 1993, U S WEST acquired a 25.51% pro rata priority capital and residual equity interests in Time Warner Entertainment Company, L.P. ("TWE") for an aggregate purchase price of $2.553 billion, consisting of $1.532 billion in cash and $1.021 billion in the form of a four-year promissory note bearing interest at a rate of 4.391% per annum (the "TWE Investment"). TWE owns and operates substantially all of the filmed entertainment (including Warner Bros.), programming (including HBO and Cinemax) and cable operations previously owned and operated by Time Warner Inc. TWE is the second-largest domestic multiple system cable operator, owning or operating 22 of the top 100 cable systems in the United States.

U S WEST and TWE intend to upgrade a substantial portion of TWE's cable systems to "Full Service Network™" capacity over the next five years. U S WEST and TWE will jointly designate the systems to be upgraded, and after any required approvals are obtained, U S WEST will share management control with TWE over those systems. U S WEST believes that each Full Service Network™, when completed, will utilize fiber optics, digital compression, digital switching and storage services to provide consumers with video-on-demand, interactive games, distance learning, full motion video, interactive shopping and alternative access and local telephone service. In January, 1993, TWE announced that its first Full Service Network™ was being built in Orlando, Florida. This Full Service Network™ is expected to be available to 10,000 residential customers in that area in 1994. Full implementation of the Full Service Network™ will require the receipt of certain regulatory approvals.

U S WEST has an option to increase its pro rata priority capital and residual equity interests in TWE from 25.51% to 31.84%. The option is exercisable, in whole or in part, between January 1, 1999 and May 31, 2005 upon the attainment of certain earnings thresholds for an aggregate cash exercise price of $1.25 billion to $1.8 billion (depending on the year of exercise). At the election of U S WEST or TWE, the exercise price will be payable by surrendering a portion of the limited partnership interest receivable upon exercise of such option. In connection with the TWE Investment, U S WEST acquired 12.75% of the common stock of Time Warner Entertainment Japan Inc., a joint venture company established to expand and develop the market for entertainment services in Japan.

Personal Communications Services

In September, 1993, Mercury One-2-One, a 50-50 joint venture between U S WEST and Cable & Wireless PLC, launched the world's first commercial Personal Communications Services ("PCS") in