	Existing Common Stock	The Recapitalization Proposal	
		Communications Stock	Media Stock
Dividends:	The Company's quarterly dividend rate is presently $0.535 per share of Existing Common Stock. Dividends are payable out of all assets of the Company legally available for dividends.	The Company currently intends to pay dividends on the Communications Stock initially at a quarterly rate of $0.535 per share.	The Company currently does not intend to pay dividends on the Media Stock.
	Dividends on the Existing Common Stock are limited to legally available funds under Colorado law and are payable at the discretion of the Board based primarily upon the financial condition, results of operations and business requirements of the Company.	Dividends on the Communications Stock will be paid at the discretion of the Board based primarily upon the financial condition, results of operations and business requirements of the Communications Group and the Company as a whole. Dividends will be payable out of the lesser of (i) the funds of the Company legally available for the payment of dividends and (ii) the Communications Group Available Dividend Amount.	Dividends on the Media Stock will be paid at the discretion of the Board based primarily upon the financial condition, results of operations and business requirements of the Media Group and the Company as a whole. Dividends, if any, will be payable out of the lesser of (i) the funds of the Company legally available for the payment of dividends and (ii) the Media Group Available Dividend Amount.
		The Communications Group Available Dividend Amount is intended to be similar to the amount of assets that would be available for payment of dividends on the Communications Stock under Delaware law if the Communications Group were a separate company.	The Media Group Available Dividend Amount is intended to be similar to the amount of assets that would be available for payment of dividends on the Media Stock under Delaware law if the Media Group were a separate company.
		The Board, subject to the limitations set forth above, may, in its sole discretion, declare and pay dividends exclusively on the Communications Stock, exclusively on the Media Stock or on both such classes, in equal or unequal amounts, notwithstanding the relative amounts of the Communications Group Available Dividend Amount and the Media Group Available Dividend Amount, the amount of prior dividends declared on each class, the respective voting or liquidation rights of each class or any other factor.	The Board, subject to the limitations set forth above, may, in its sole discretion, declare and pay dividends exclusively on the Media Stock, exclusively on the Communications Stock or on both such classes, in equal or unequal amounts, notwithstanding the relative amounts of the Media Group Available Dividend Amount and the Communications Group Available Dividend Amount, the amount of prior dividends declared on each class, the respective voting or liquidation rights of each class or any other factor.

	Existing Common Stock	The Recapitalization Proposal	
		Communications Stock	**Media Stock**
Voting Rights:	One vote per share.	Except as otherwise described herein, the holders of Communications Stock and Media Stock will vote together as a single class. The Communications Stock will have one vote per share.	Except as otherwise described herein, the holders of Media Stock and Communications Stock will vote together as a single class. Prior to March 1, 1996, each share of Media Stock will have .80 of a vote. Thereafter, each share of Media Stock will have a variable number of votes equal to the ratio of the time-weighted average Market Value of one share of Media Stock to the time-weighted average Market Value of one share of Communications Stock, calculated over the 20-Trading Day period ending ten Trading Days prior to the record date, and may have more than, less than or exactly one vote per share.
		Because each share of Media Stock will have a variable number of votes based upon a ratio of the time-weighted average Market Value of one share of Media Stock to the time-weighted average Market Value of one share of Communications Stock, the relative voting power per share of Communications Stock and Media Stock will fluctuate. Market Value could be influenced by many factors, including the results of operations of the Company and each of the Groups, the regulatory environment, trading volume, share issuances and repurchases and general economic and market conditions.	Because each share of Media Stock will have a variable number of votes, the relative voting power per share of Media Stock and Communications Stock will fluctuate. Market Value could be influenced by many factors, including the results of operations of the Company and each of the Groups, the regulatory environment, trading volume, share issuances and repurchases and general economic and market conditions.
Preemptive Rights:	The holders of Existing Common Stock do not have any preemptive rights or any rights to convert their shares into any other securities of the Company.	The holders of Communications Stock will not have any preemptive rights or any rights to convert their shares into any other securities of the Company.	The holders of Media Stock will not have any preemptive rights or any rights to convert their shares into any other securities of the Company.

	Existing Common Stock	The Recapitalization Proposal: Communications Stock	The Recapitalization Proposal: Media Stock
Rights on Disposition:	None.	If the Company disposes of all or substantially all of the properties and assets attributed to the Communications Group (i.e., 80% or more on a current market value basis), other than in a transaction in which the Company receives primarily equity securities of an entity engaged or proposing to engage primarily in a business similar or complementary to the business of the Communications Group, the Company must either (i) distribute to holders of Communications Stock an amount in cash and/or securities or other property equal to the Fair Value of the Net Proceeds of such disposition, either by special dividend or by redemption of all or part of the outstanding shares of Communications Stock, or (ii) convert each share of Communications Stock into a number of shares of Media Stock equal to 110% of the ratio of the average Market Value of one share of Communications Stock to the average Market Value of one share of Media Stock, calculated over the ten-Trading Day period beginning on the 16th Trading Day after consummation of the disposition transaction.	If the Company disposes of all or substantially all of the properties and assets attributed to the Media Group (i.e., 80% or more on a current market value basis), other than in a transaction in which the Company receives primarily equity securities of an entity engaged or proposing to engage primarily in a business similar or complementary to the business of the Media Group, the Company must either (i) distribute to holders of Media Stock an amount in cash and/or securities or other property equal to their proportionate interest in the Fair Value of the Net Proceeds of such disposition, either by special dividend or by redemption of all or part of the outstanding shares of Media Stock, or (ii) convert each share of Media Stock into a number of shares of Communications Stock equal to 110% of the ratio of the average Market Value of one share of Media Stock to the average Market Value of one share of Communications Stock, calculated over the ten-Trading Day period beginning on the 16th Trading Day after consummation of the disposition transaction.

	Existing Common Stock	The Recapitalization Proposal: Communications Stock	The Recapitalization Proposal: Media Stock
		The Company may, at any time prior to the first anniversary of a dividend on, or partial redemption of, shares of Communications Stock following a disposition of all or substantially all of the properties and assets attributed to the Communications Group, convert each remaining outstanding share of Communications Stock into a number of shares of Media Stock equal to 110% of the ratio of the time-weighted average Market Value of one share of Communications Stock to the time-weighted average Market Value of one share of Media Stock, calculated over the 20-Trading Day period ending five Trading Days prior to the date of the notice of such conversion.	The Company may, at any time prior to the first anniversary of a dividend on, or partial redemption of, shares of Media Stock following a disposition of all or substantially all of the properties and assets attributed to the Media Group, convert each remaining outstanding share of Media Stock into a number of shares of Communications Stock equal to 110% of the ratio of the time-weighted average Market Value of one share of Media Stock to the time-weighted average Market Value of one share of Communications Stock, calculated over the 20-Trading Day period ending five Trading Days prior to the date of the notice of such conversion.
Sales of Less than Substantially All of the Assets of a Group:		The proceeds from any disposition of assets that do not comprise all or substantially all of the properties and assets attributed to the Communications Group will be assets attributed to the Communications Group and used for its benefit, subject to the management policies described under "Proposal 1 — The Recapitalization Proposal — Certain Management Policies."	The proceeds from any disposition of assets that do not comprise all or substantially all of the properties and assets attributed to the Media Group will be assets attributed to the Media Group and used for its benefit, subject to the management policies described under "Proposal 1 — The Recapitalization Proposal — Certain Management Policies."

	Existing Common Stock	The Recapitalization Proposal	
		Communications Stock	**Media Stock**
Conversion at Option of Company:	None.	At any time following the ninth anniversary of the Effective Time, the Company may convert each share of Communications Stock into a number of shares of Media Stock equal to 100% of the ratio of the time-weighted average Market Value of one share of Communications Stock to the time-weighted average Market Value of one share of Media Stock, calculated over the 20-Trading Day period ending five Trading Days prior to the date of notice of such conversion.	The Company may, at any time, convert each share of Media Stock into a number of shares of Communications Stock equal to 115% of the ratio of the time-weighted average Market Value of one share of Media Stock to the time-weighted average Market Value of one share of Communications Stock, calculated over the 20-Trading Day period ending five Trading Days prior to the date of notice of such conversion, for the first five years following the Effective Time and thereafter declining annually to 100% on the ninth anniversary of the Effective Time.
		The ratio of the Market Value of one share of Communications Stock to one share of Media Stock could be influenced by many factors, including the results of operations of the Company and each of the Groups, the regulatory environment, trading volume, share issuances and repurchases and general economic and market conditions.	The ratio of the Market Value of one share of Media Stock to one share of Communications Stock could be influenced by many factors, including the results of operations of the Company and each of the Groups, the regulatory environment, trading volume, share issuances and repurchases and general economic and market conditions.
Redemption in Exchange for Stock of Subsidiary:	None.	The Company may redeem the Communications Stock for all of the shares of the common stock of one or more wholly-owned subsidiaries of the Company that hold all of the assets and liabilities attributed to the Communications Group.	The Company may redeem the Media Stock for a number of shares of one or more wholly-owned subsidiaries of the Company that hold all of the assets and liabilities attributed to the Media Group equal to the proportionate interest in the Media Group represented by the Media Stock.

	Existing Common Stock	The Recapitalization Proposal	
		Communications Stock	**Media Stock**
Liquidation:	Holders of Existing Common Stock are entitled to receive the net assets of the Company, if any, remaining for distribution to holders of Existing Common Stock.	In the event of the liquidation of the Company, holders of Communications Stock will be entitled to a portion of the assets remaining for distribution to holders of Common Stock on a per share basis in proportion to the Liquidation Units per share of Communications Stock. Each share of Communications Stock will have one Liquidation Unit, subject to adjustment if shares of Communications Stock are subdivided, combined or distributed as a dividend.	In the event of the liquidation of the Company, holders of Media Stock will be entitled to a portion of the assets remaining for distribution to holders of Common Stock on a per share basis in proportion to the Liquidation Units per share of Media Stock. Each share of Media Stock will have .80 of a Liquidation Unit, subject to adjustment if shares of Media Stock are subdivided, combined or distributed as a dividend.
Stockholders of One Company:	—	Holders of Communications Stock will continue to be subject to the risks associated with an investment in a single company and all of the Company's businesses, assets and liabilities. Financial effects arising from the Media Group that affect the Company's results of operations or financial condition could, if significant, affect the results of operations or financial position of the Communications Group or the market price of the Communications Stock. Any net losses of the Communications Group or the Media Group, and dividends or distributions on, or repurchases of, Communications Stock, Media Stock or Preferred Stock, will reduce the funds of the Company legally available for payment of future dividends on the Communications Stock and the Media Stock.	Holders of Media Stock will continue to be subject to the risks associated with an investment in a single company and all of the Company's businesses, assets and liabilities. Financial effects arising from the Communications Group that affect the Company's results of operations or financial condition could, if significant, affect the results of operations or financial position of the Media Group or the market price of the Media Stock. Any net losses of the Media Group or the Communications Group, and dividends or distributions on, or repurchases of, Media Stock, Communications Stock or Preferred Stock, will reduce the funds of the Company legally available for payment of future dividends on the Media Stock and the Communications Stock.

PROXY STATEMENT SUMMARY

The following is a summary of certain information contained elsewhere in this Proxy Statement and the Annexes hereto. Reference is made to, and this Proxy Statement Summary is qualified in its entirety by, the more detailed information contained, or incorporated by reference, in this Proxy Statement and the Annexes hereto. Unless otherwise defined herein, capitalized terms used in this Proxy Statement Summary have the respective meanings ascribed to them elsewhere in this Proxy Statement. See "Glossary of Defined Terms" located immediately following the Table of Contents of this Proxy Statement. Shareholders are urged to read carefully this Proxy Statement and the Annexes hereto in their entirety.

THE SPECIAL MEETING

Date, Time and Place of Meeting . . . A Special Meeting of Shareholders of the Company will be held on October 31, 1995, at 10:00 a.m., Mountain Time, at the U S WEST Denver Service Center, 1005 17th Street, Denver, Colorado.

Meeting Record Date . . . . September 5, 1995.

Proposals to be Considered at the Meeting . . . . The following Proposals of the Board will be considered at the Special Meeting:

- Proposal 1 — The Recapitalization Proposal.
- Proposal 2 — A proposal to amend the U S WEST 1994 Stock Plan to provide for the granting of stock awards in Communications Stock and/or Media Stock and to establish the number of shares of Media Stock available for awards.
- Proposal 3 — A proposal to amend the U S WEST Deferred Compensation Plan to provide for the deferral of compensation by certain employees in phantom units of Communications Stock, Media Stock or both.

If Proposal 1 is approved by the shareholders, it will be implemented whether or not Proposals 2 and 3 are approved. If Proposal 1 is not approved by the shareholders, Proposals 2 and 3 will not be implemented.

Vote Required . . . . The following shareholder votes are required for approval of the Proposals, with each share of Existing Common Stock and each share of Existing Series B Preferred Stock having one vote:

- Proposal 1 — The affirmative vote of (i) the holders of a majority of the outstanding shares of Existing Common Stock, voting as a separate class, (ii) the holders of two-thirds of the outstanding shares of Existing Series B Preferred Stock, voting as a separate class, and (iii) the holders of a majority of the outstanding shares of Existing Common Stock and Existing Series B Preferred Stock, voting together as a single class.

  Fund American Enterprises Holdings, Inc. ("Fund American"), the sole holder of all of the outstanding shares of Existing Series B Preferred Stock, has agreed to vote such shares in favor of the Recapitalization Proposal.

- Proposal 2 — The affirmative vote of the holders of a majority of the shares of Existing Common Stock represented in person or by proxy at the Special Meeting.
- Proposal 3 — The affirmative vote of the holders of a majority of the shares of Existing Common Stock represented in person or by proxy at the Special Meeting.

The directors and executive officers of U S WEST beneficially own less than one percent of the outstanding shares of Existing Common Stock.

THE COMPANY
7800 East Orchard Road
Englewood, Colorado 80111
(303) 793-6500

The Communications Group . . . . The Communications Group, through U S WEST Communications, provides regulated communications services to more than 25 million residential and business customers in the Communications Group Region. The Communications Group Region currently includes seven of the ten fastest growing states in the United States. Communications services offered by U S WEST Communications include local telephone services, exchange access services (which connect customers to the facilities of carriers, including long distance providers and wireless operators), and certain long distance services within geographic areas in the Communications Group Region. U S WEST Communications also offers its customers various new services, including Caller ID, voice messaging and high-speed data networking services. U S WEST Communications plans to build an interactive broadband telecommunications network capable of providing a broader range of products and services to its customers in the Communications Group Region.

The Communications Group also provides customer premise equipment and certain communications services to business customers and governmental agencies both inside and outside the Communications Group Region. See "Annex VI — Communications Group — Description of Business," "— Selected Financial Data," "— Management's Discussion and Analysis of Financial Condition and Results of Operations" and "— Combined Financial Statements."

The Media Group . . . . The Media Group is comprised of: (i) cable and telecommunications network businesses outside of the Communications Group Region and internationally, (ii) domestic and international wireless communications network businesses and (iii) domestic and international multimedia content and services businesses.

The Media Group's cable and telecommunications businesses include domestic cable and telecommunications businesses and investments outside of the Communications Group Region, including the Atlanta Systems and its interest in TWE, the second largest provider of cable television services in the United States, and international cable and telecommunications investments, including the Company's interest in TeleWest, a leading provider of combined cable and telecommunications services in the United Kingdom.

The Media Group, through U S WEST NewVector Group, Inc. ("NewVector"), provides domestic wireless communications products and services, including cellular services, to a rapidly growing customer base. U S WEST and AirTouch have announced plans to combine their domestic cellular properties and create the third largest cellular company in the United States. In addition, U S WEST and AirTouch, in partnership with Bell Atlantic Corporation and NYNEX Corporation, have formed a national wireless alliance, which successfully bid on 11 personal communications services ("PCS") licenses in March 1995, and have agreed to coordinate the operations of their PCS and cellular businesses. The Media Group also provides wireless communications services internationally, including through Mercury One-2-One, the world's first PCS service, in the United Kingdom.

The Media Group's multimedia content and services business develops and packages content and information services, including telephone directories, database marketing and other interactive services in domestic and international markets. See "Annex VII — Media Group — Description of Business," "— Selected Financial Data," "— Management's Discussion and Analysis of Financial Condition and Results of Operations" and "— Combined Financial Statements."

PROPOSAL 1 — THE RECAPITALIZATION PROPOSAL

General . . . . The shareholders of U S WEST are being asked to consider and approve the Recapitalization Proposal which, if approved, would constitute approval of the Merger Agreement, pursuant to which:

(i) U S WEST would be merged with and into U S WEST Delaware with U S WEST Delaware continuing as the surviving corporation; and

(ii) each outstanding share of the Existing Common Stock would be automatically converted into one share of Communications Stock and one share of Media Stock and each outstanding share of Existing Series B Preferred Stock would be automatically converted into one share of Series C Preferred Stock.

For a description of the procedures pursuant to which the Media Stock and new certificates representing Communications Stock will be distributed to shareholders, see "Proposal 1 — The Recapitalization Proposal — Exchange Procedures; Odd-Lot Program." The conversion of the Existing Common Stock into Communications Stock and Media Stock is intended to be tax free. See "— Tax Considerations" and "Proposal 1 — The Recapitalization

Proposal — Certain Federal Income Tax Considerations." No state or federal regulatory approvals are required in connection with the consummation of the Merger.

IF THE RECAPITALIZATION PROPOSAL IS NOT APPROVED BY THE SHAREHOLDERS, THE MERGER WILL NOT BE CONSUMMATED AND THE EXISTING COMMON STOCK WILL NOT BE CONVERTED INTO COMMUNICATIONS STOCK AND MEDIA STOCK.

Risk Factors . . . . When evaluating the Recapitalization Proposal, shareholders of U S WEST should be aware of certain risk factors relating thereto. Such risk factors include: (i) the risks associated with an investment in a single company and all of the Company's businesses, assets and liabilities; (ii) the potential diverging interests of the two classes of Common Stock; (iii) the lack of legal precedent with respect to the fiduciary duties of the board of directors of a company with two classes of common stock the rights of which are defined by specified operations of the Company; (iv) limited separate stockholder rights with respect to the two classes of Common Stock; (v) the ability of the Board to change certain management and accounting policies without stockholder approval; (vi) the ability to transfer funds between the Groups; (vii) the Company's ability to issue authorized but unissued shares of Communications Stock or Media Stock without stockholder approval; (viii) limitations on potential unsolicited acquisitions of either Group; (ix) certain anti-takeover provisions; (x) the potential effects of a possible Disposition of assets attributed to a Group; and (xi) no assurances as to the market price of the Communications Stock or the Media Stock following the Merger. For additional information with respect to the foregoing considerations, see "Risk Factors."

Reasons for the Recapitalization Proposal . . . . The Recapitalization Proposal is intended to enhance shareholder value by providing shareholders with securities that should reflect separately the performance of the Company's communications and multimedia businesses. It should enable investors to gain a better understanding of the value inherent in these businesses and allow shareholders to invest in either or both securities depending upon their investment objectives. The Recapitalization Proposal is also intended to provide the Company with an additional equity security that can be used to raise capital as well as for issuance in connection with acquisitions and investments. The Recapitalization Proposal would also preserve for the Company the strategic, financial and operational benefits of doing business as a single company by enabling each Group to benefit from synergies with the other. In addition, the Recapitalization Proposal would permit the Company to grant incentive awards to employees using the class of Common Stock which reflects the performance of the Group in which the employees work.

	By reincorporating in Delaware, the Company will be able to benefit from Delaware's comprehensive and well-developed corporate laws. For many years Delaware has followed a policy of encouraging incorporation in that state. In furtherance of that policy, Delaware has adopted a modern and comprehensive corporation statute that has been periodically updated and revised to meet changing business needs. As a result, many publicly held corporations have initially chosen Delaware for their domicile or have subsequently reincorporated in Delaware in a manner similar to that proposed by the Company. While the Company has not been impeded in operating its businesses, and while the creation of separate classes of common stock would be permitted, under Colorado law, the Company believes that Delaware law will offer clearer guidance with respect to legal issues that may arise as a result of the existence of separate classes of Common Stock. See "Proposal 1 — The Recapitalization Proposal — Background and Reasons for the Recapitalization Proposal."
Recommendation of the Board	**THE BOARD HAS UNANIMOUSLY ADOPTED THE RECAPITALIZATION PROPOSAL AND BELIEVES THAT ITS APPROVAL IS IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS. ACCORDINGLY, THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOR OF THE RECAPITALIZATION PROPOSAL.**
Dividend Policy	The Company has historically paid dividends on the Existing Common Stock, most recently at a quarterly rate of $0.535 per share. If the Recapitalization Proposal is adopted, the Board currently intends to pay dividends on the Communications Stock initially at a quarterly rate of $0.535 per share, the same dividend currently being paid on the Existing Common Stock. With regard to the Media Stock, the Board currently intends to retain future earnings, if any, for the development of the businesses of the Media Group and does not anticipate paying dividends on the Media Stock in the foreseeable future. While the Board does not currently intend to change this dividend policy, it reserves the right to do so at any time and from time to time. Determinations of future dividends on the Communications Stock and the Media Stock, if any, will reflect the financial condition, results of operations and business requirements of the Communications Group and the Media Group, respectively, and the Company as a whole. For information concerning restrictions on the funds out of which dividends on the Communications Stock and the Media Stock may be paid, see "Proposal 1 — The Recapitalization Proposal — Dividend Policy" and "— Description of Communications Stock and Media Stock — Dividends."
Description of Communications Stock and Media Stock	For a summary description of the Communications Stock and the Media Stock, see "Summary Comparison of Terms of Existing Common Stock with Terms of Communications

Stock and Media Stock." For a detailed description of the Communications Stock and the Media Stock, see "Proposal 1 — The Recapitalization Proposal — Description of Communications Stock and Media Stock."

Future Inter-Group Interest . . . .

The number of shares of Media Stock to be issued upon implementation of the Recapitalization Proposal are intended initially to represent 100% of the equity value of the Company attributable to the Media Group. Under management policies adopted by the Board, however, the Board could, in its sole discretion, determine from time to time to contribute, as additional equity, cash or other property of the Communications Group to the Media Group or purchase shares of Media Stock in the open market with cash or other property of the Communications Group. In such event, the Communications Group would hold an interest in the equity value of the Company attributable to the Media Group (an "Inter-Group Interest"). An Inter-Group Interest would not constitute outstanding shares of Common Stock and, accordingly, would not be represented by shares of Media Stock and would not be voted on any matter by the Communications Group, including any matter requiring the vote of the holders of Media Stock as a separate class. However, the Market Value attributable to the Inter-Group Interest should be reflected in the Market Value of the Communications Stock, which in turn would affect the aggregate voting power represented by the Communications Stock on any matter in which holders of Communications Stock and Media Stock vote together as a single class. See "Proposal 1 — The Recapitalization Proposal — Certain Management Policies," "— Description of Communications Stock and Media Stock — Voting Rights" and "— Future Inter-Group Interest."

Stock Exchange Listings . . . .

The NYSE and the PSE have approved, subject to official notice of issuance, the redesignation of the Existing Common Stock as Communications Stock and the listing of the Media Stock under the symbol "UMG." Application will be made to the Foreign Exchanges to amend the Company's current listing agreements to provide for similar redesignations and listings. See "Proposal 1 — The Recapitalization Proposal — Stock Exchange Listings."

Comparison of Shareholder Rights . .

The rights of holders of the Existing Common Stock are governed by the Articles, the Bylaws of U S WEST (the "Existing Bylaws") and Colorado law. Upon approval of the Recapitalization Proposal and consummation of the Merger, the rights of holders of the Common Stock will be governed by the Restated Certificate, the New Bylaws and Delaware law. For a description of the material differences between the rights of holders of the Existing Common Stock and the Common Stock, see "Proposal 1 — The Recapitalization Proposal — Comparison of Shareholder Rights."

Tax Considerations	The Company has been advised by its counsel that the Communications Stock and Media Stock should be treated as common stock of the Company for federal income tax purposes and that no income, gain or loss should be recognized by the Company or the shareholders as a result of the implementation of the Recapitalization Proposal (except with respect to the receipt of cash by shareholders who exercise their dissenters' rights). However, there are no federal income tax regulations, court decisions or published Internal Revenue Service (the "Service") rulings bearing directly on transactions similar to the Recapitalization Proposal. Moreover, the Service announced during 1987 that it was studying the federal income tax consequences of stock similar to the Communications Stock and the Media Stock and, earlier this year, the Service included the issuance of stock with similar characteristics among the transactions upon which it would not issue advance rulings. See "Proposal 1 — The Recapitalization Proposal — Certain Federal Income Tax Considerations."
Odd-Lot Shares	Each holder of Existing Common Stock who receives fewer than 100 shares of each of Communications Stock and Media Stock in the Merger may elect to participate in the Odd-Lot Program pursuant to which such holder may have the exchange agent (i) sell all, but not less than all, of the Communications Stock and/or Media Stock which such holder receives in the Merger or (ii) purchase additional shares of Communications Stock and/or Media Stock for its account so as to "round up" such stockholder's holdings to 100 shares of Communications Stock and/or Media Stock. See "Proposal 1 — The Recapitalization Proposal — Exchange Procedures; Odd-Lot Program."
Dissenters' Rights	Under the Colorado Business Corporation Act (the "CBCA"), a holder of shares of the Existing Common Stock will have the right to dissent from the Merger and elect to have the fair value of such holder's shares paid to such holder in cash. Each shareholder who wishes to dissent must cause U S WEST to receive, prior to the taking of the vote on the approval of the Recapitalization Proposal, a written notice of the shareholder's intent to demand payment if the Merger is effectuated and must comply with the other requirements of Article 113 of the CBCA, the full text of which is attached to this Proxy Statement as Annex IV. A shareholder's vote for the approval of the Merger, or delivery of a proxy in connection with the Special Meeting (unless the proxy specifies a vote against, or expressly abstains from the vote on, the approval of the Recapitalization Proposal), will constitute a waiver of such shareholder's right to dissent and will nullify any written notice of intent to demand payment. A deviation from the detailed requirements of Article 113 may result in a forfeiture of dissenters' rights. See "Proposal 1 — The Recapitalization Proposal — Dissenters' Rights."

OTHER PROPOSALS

Description	At the Special Meeting, shareholders will also be asked to consider and approve (i) Proposal 2, which would, among other things, amend the U S WEST 1994 Stock Plan to reflect the revised capital structure of the Company and authorize the granting of awards in either Communications Stock or Media Stock, or both and (ii) Proposal 3, which would amend the U S WEST Deferred Compensation Plan to provide for the deferral of compensation by certain employees in phantom units of Communications Stock, Media Stock or both. If the Recapitalization Proposal is approved by the shareholders, it will be implemented whether or not Proposals 2 and 3 are approved. If the Recapitalization Proposal is not approved, Proposals 2 and 3 will not be implemented.
Recommendation of the Board	**THE BOARD HAS UNANIMOUSLY ADOPTED EACH OF THE OTHER PROPOSALS AND BELIEVES THEIR APPROVAL IS IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS. ACCORDINGLY, THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE IN FAVOR OF EACH PROPOSAL.**

U S WEST, INC.
SELECTED FINANCIAL DATA

The following table sets forth Selected Financial Data of U S WEST and should be read in conjunction with the U S WEST Management's Discussion and Analysis of Financial Condition and Results of Operations and financial statements and notes thereto. See "Annex V — U S WEST, Inc. — Management's Discussion and Analysis of Financial Condition and Results of Operations" and "— Consolidated Financial Statements." The Selected Financial Data at December 31, 1994, 1993, 1992, 1991 and 1990 and for each of the five years ended December 31, 1994, are derived from the Consolidated Financial Statements of U S WEST which have been audited by Coopers & Lybrand L.L.P., independent certified public accountants. See "Experts." The Selected Financial Data at June 30, 1995 and 1994, and for the six months ended June 30, 1995 and 1994, are derived from the unaudited Consolidated Financial Statements of U S WEST, which have been prepared on the same basis as U S WEST's audited Consolidated Financial Statements and, in the opinion of management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for these periods.

	Six Months Ended June 30,		Year Ended December 31,				
	1995	1994	1994	1993	1992	1991	1990
	Dollars in millions (except per share amounts)						
Financial Data							
Sales and other revenues	$ 5,722	$ 5,349	$ 10,953	$ 10,294	$ 9,823	$ 9,528	$ 9,369
Income from continuing operations (1)	648	699	1,426	476	1,076	840	1,145
Net income (loss) (2)	648	699	1,426	(2,806)	(614)	553	1,199
Total assets	$ 24,193	$ 21,193	$ 23,204	$ 20,680	$ 23,461	$ 23,375	$ 22,160
Total debt (3)	8,990	7,231	7,938	7,199	5,430	5,969	5,147
Shareowners' equity	7,679	6,597	7,382	5,861	8,268	9,587	9,240
Earnings per common share (continuing operations) (1)	1.37	1.56	3.14	1.13	2.61	2.09	2.97
Earnings (loss) per common share	1.37	1.56	3.14	(6.69)	(1.49)	1.38	3.11
Dividends per common share	1.07	1.07	2.14	2.14	2.12	2.08	2.00
Book value per common share	16.31	14.52	15.73	13.29	19.95	23.39	23.48
Return on common shareowners' equity (4)	17.0%	22.1%	21.6%	—	14.4%	5.7%	13.7%
Percentage of debt to total capital (3)	53.9%	52.3%	51.8%	55.1%	39.6%	38.4%	35.8%
Capital expenditures (3)	$ 1,365	$ 1,227	$ 2,820	$ 2,441	$ 2,554	$ 2,425	$ 2,217
Operating Data							
EBITDA (5)	$ 2,451	$ 2,287	$ 4,559	$ 4,228	$ 3,963	$ 3,920	$ 3,889
Telephone network access lines in service (thousands)	14,518	14,009	14,336	13,843	13,345	12,935	12,562
Billed access minutes of use (millions)	28,058	25,630	52,275	48,123	44,369	41,701	38,832
Cellular subscribers	1,165,000	738,000	968,000	601,000	415,000	300,000	219,000
Cable television basic subscribers served	509,000	473,000	486,000	—	—	—	—
Employees	61,448	61,320	61,505	60,778	63,707	65,829	65,469
Number of common shareowners	789,009	831,620	816,099	836,328	867,773	899,082	935,530
Weighted average common shares outstanding (thousands)	469,490	449,024	453,316	419,365	412,518	401,332	386,012
Pro forma Information							
Earnings per share of Communications Stock	$ 1.29	$ 1.30	$ 2.53				
Average shares of Communications Stock outstanding (thousands)	469,490	449,024	453,316				
Earnings per share of Media Stock	$ 0.08	$ 0.26	$ 0.61				
Average shares of Media Stock outstanding (thousands)	469,490	449,024	453,316				

(1) 1995 first six months income includes gains of $49 ($.10 per share) on the sales of rural telephone exchanges. 1994 first six months income includes gains of $31 ($.07 per share) on the sales of rural telephone exchanges and a gain of $41 ($.09 per share) on the sale of the Company's paging unit. 1994 income from continuing operations includes a gain of $105 ($.23 per share) on the sale of 24.4 percent of U S WEST's joint venture interest in cable television/telephone operations in the United Kingdom (TeleWest), a gain of $41 ($.09 per share) on the sale of the Company's paging unit and a gain of $51 ($.11 per share) on the sales of certain rural telephone exchanges. 1993 income from continuing operations was reduced by a restructuring charge of $610 ($1.46 per share) and $54 ($.13 per share) for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1991 income from continuing operations was reduced by a restructuring charge of $230 ($.57 per share).

(2) 1993 net income was reduced by extraordinary charges of $3,123 ($7.45 per share) for the discontinuance of Statement of Financial Accounting Standards ("SFAS") No. 71 and $77 ($.18 per share) for the early extinguishment of debt. 1993 net income also includes a charge of $120 ($.28 per share) for U S WEST's decision to discontinue the operations of its capital assets segment. 1992 income includes a charge of $1,793 ($4.35 per share) for the cumulative effect of change in accounting principles. Discontinued operations provided net income (loss) of $38 ($.09 per share), $103 ($.25 per share), $(287) ($.71 per share) and $54 ($.14 per share) in 1993, 1992, 1991 and 1990, respectively.

(3) Capital expenditures, debt and the percentage of debt to total capital exclude discontinued operations.

(4) 1993 return on shareowners' equity is not presented. Return on shareowners' equity for fourth quarter 1993 was 19.9 percent based on income from continuing operations. 1992 return on shareowners' equity is based on income before the cumulative effect of change in accounting principles.

(5) Earnings before interest, taxes, depreciation and amortization ("EBITDA"). EBITDA excludes gains on sales of assets, restructuring charges and other income. The Company considers EBITDA an important indicator of the operational strength and performance of its businesses. EBITDA, however, should not be considered as an alternative to operating or net income as an indicator of the performance of the Company's businesses or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with generally accepted accounting principles ("GAAP").

COMMUNICATIONS GROUP
SELECTED FINANCIAL DATA

The following table sets forth Selected Combined Financial Data of the Communications Group and should be read in conjunction with the Communications Group Management's Discussion and Analysis of Financial Condition and Results of Operations and Combined Financial Statements. See "Annex VI — Communications Group — Management's Discussion and Analysis of Financial Condition and Results of Operations" and "— Combined Financial Statements." The Selected Combined Financial Data at December 31, 1994 and 1993, and for each of the three years in the period ended December 31, 1994, have been derived from the Communications Group Combined Financial Statements, which have been audited by Coopers & Lybrand L.L.P., independent certified public accountants. See "Experts." At December 31, 1992, 1991 and 1990, and June 30, 1995 and 1994, and for the years ended December 31, 1991 and 1990, and for the six months ended June 30, 1995 and 1994, the Selected Combined Financial Data have been derived from unaudited Communications Group Combined Financial Statements. The unaudited Combined Financial Statements have been prepared on the same basis as the audited Combined Financial Statements and, in the opinion of management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for these periods.

	Six Months Ended June 30,		Year Ended December 31,				
	1995	1994	1994	1993	1992	1991	1990
	Dollars in millions (except per share amounts)						
Financial Data							
Operating revenues	$ 4,656	$ 4,534	$ 9,176	$ 8,870	$ 8,530	$ 8,345	$ 8,235
Net income (loss) (1)	608	584	1,150	(2,809)	(815)	771	935
Total assets	16,078	15,655	15,944	15,423	20,655	20,244	19,756
Total debt	6,657	5,940	6,124	5,673	5,181	5,287	5,029
Communications Group equity	3,191	3,044	3,179	2,722	6,003	7,530	7,279
Return on Communications Group equity (2, 3)	38.2%	40.6%	39.0%	22.5%	13.7%	12.8%	12.8%
Percentage of debt to total capital (3)	67.6%	66.1%	65.8%	67.6%	46.3%	41.3%	40.9%
Capital expenditures	$ 1,193	$ 1,118	$ 2,477	$ 2,226	$ 2,385	$ 2,194	$ 2,022
Operating Data							
EBITDA (4)	$ 2,106	$ 2,018	$ 4,026	$ 3,743	$ 3,553	$ 3,547	$ 3,500
Telephone network access lines in service (thousands)	14,518	14,009	14,336	13,843	13,345	12,935	12,562
Billed access minutes of use (millions)	28,058	25,630	52,275	48,123	44,369	41,701	38,832
Employees	51,169	52,937	51,402	52,598	55,352	57,725	57,410
Pro forma Information							
Earnings per share	$ 1.29	$ 1.30	$ 2.53				
Dividends per share	1.07	1.07	2.14				
Average shares outstanding (thousands)	469,490	449,024	453,316				

(1) Net income for the first six months of 1995 and 1994 includes gains of $49 and $31, respectively, on the sales of certain rural telephone exchanges. 1994 net income includes a gain of $51 on the sales of certain rural telephone exchanges. 1993 net income was reduced by a $534 restructuring charge and $54 for the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1993 net income was also reduced by extraordinary charges of $3,123 for the discontinuance of SFAS No. 71 and $77 for the early extinguishment of debt. 1992 net income was reduced by $1,745 for the cumulative effect of change in accounting principles. 1991 net income was reduced by $173 for a restructuring charge.

(2) 1993 return on Communications Group equity is based on net income excluding extraordinary items, a restructuring charge and the cumulative effect on deferred taxes of the 1993 federally mandated increase in income tax rates. 1992 return on Communications Group equity is based on income before cumulative effect of change in accounting principles. 1991 return on Communications Group equity is based on net income excluding the effects of a restructuring charge.

(3) The increases in the percentage of debt to total capital and return on Communications Group equity since 1992 are impacted by the effects of discontinuing SFAS No. 71 in 1993 and the cumulative effect of change in accounting principles in 1992.

(4) The Communications Group considers EBITDA an important indicator of the operational strength and performance of its businesses. EBITDA, however, should not be considered as an alternative to operating or net income as an indicator of the performance of the Communications Group's businesses or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with GAAP.

MEDIA GROUP
SELECTED FINANCIAL DATA

The Media Group uses consolidation and proportionate principles of accounting to present certain financial information. Consolidation accounting principles are used to prepare the Combined Financial Statements. See Note 1 to the Media Group Combined Financial Statements included in Annex VII for a complete description of the accounting principles used to prepare the Combined Financial Statements. Proportionate financial information is not required by GAAP, or intended to replace the Combined Financial Statements prepared in accordance with GAAP. Under GAAP, the Media Group combines the entities in which it has a controlling interest and uses the equity method to account for entities in which the Media Group does not have a controlling interest. In contrast, proportionate accounting reflects the Media Group's relative ownership interests in operating revenues and expenses for both its consolidated and equity method entities. Because significant assets attributed to the Media Group are not consolidated, and because of the substantial effect of certain joint ventures on the year-to-year comparability of the Media Group's combined financial results, the Media Group believes that proportionate financial and operating data facilitate the understanding and assessment of its Combined Financial Statements.

Selected Combined Financial Data

The following table sets forth Selected Combined Financial Data of the Media Group and should be read in conjunction with the Media Group Management's Discussion and Analysis of Financial Condition and Results of Operations and Combined Financial Statements. See "Annex VII — Media Group — Management's Discussion and Analysis of Financial Condition and Results of Operations" and "— Combined Financial Statements." The Selected Combined Financial Data at December 31, 1994 and 1993, and for each of the three years in the period ended December 31, 1994, have been derived from the Media Group Combined Financial Statements audited by Coopers & Lybrand L.L.P. See "Experts." At December 31, 1992, 1991 and 1990, and June 30, 1995 and 1994, and for the years ended December 31, 1991 and 1990, and for the six months ended June 30, 1995 and 1994, the Selected Combined Financial Data has been derived from unaudited Media Group Combined Financial Statements. The unaudited Combined Financial Statements have been prepared on the same basis as the audited Combined Financial Statements and, in the opinion of management, contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations for these periods.

	Six Months Ended June 30,		Year Ended December 31,				
	1995	1994	1994	1993	1992	1991	1990
	Dollars in millions (except per share amounts)						
Financial Data							
Sales and other revenues	$ 1,121	$ 877	$ 1,908	$1,549	$1,384	$1,261	$1,210
Income from continuing operations (1)	40	115	276	85	146	69	210
Net income (loss)	40	115	276	3	201	(218)	264
Total assets	8,220	5,646	7,394	5,446	3,130	3,235	2,555
Total debt (2)	2,333	1,291	1,814	1,526	249	682	118
Media Group equity	4,488	3,553	4,203	3,139	2,265	2,057	1,961
Percentage of debt to total capital (2)	34.2%	26.7%	30.1%	32.7%	9.9%	24.9%	5.7%
Capital expenditures (2)	$ 172	$ 109	$ 343	$ 215	$ 169	$ 231	$ 195
Operating Data							
EBITDA (3)	$ 345	$ 269	$ 533	$ 485	$ 410	$ 373	$ 388
Employees	10,279	8,383	10,103	8,180	8,355	8,104	8,059
Pro forma Information							
Earnings per share	$ 0.08	$ 0.26	$ 0.61				
Average shares outstanding (thousands)	469,490	449,024	453,316				

(1) Income from continuing operations for the first half of 1994 includes a gain of $41 from the sale of the Company's paging operations. 1994 income from continuing operations includes a gain of $105 on the sale of 24.4 percent of the Company's joint venture interest in TeleWest, and a gain of $41 from the sale of the Company's paging operations. 1993 income from continuing operations was reduced by restructuring charges of $76. 1991 income from continuing operations was reduced by restructuring charges of $57.

(2) Debt, the percentage of debt to total capital and capital expenditures exclude discontinued operations. Including discontinued operations the percentage of debt to total capital was 42.4% at June 30, 1995 and 42.4%, 49.1%, 61.9%, 67.2%, and 66.9% for each of the five years ended in 1994.

(3) The Media Group considers EBITDA an important indicator of the operational strength and performance of its businesses. EBITDA, however, should not be considered as an alternative to operating or net income as an indicator of the performance of the Media Group's businesses or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with GAAP.

Selected Proportionate Financial Data

The following table shows the entities included in the Media Group Combined Financial Statements and the percent ownership by industry segment. The proportionate financial and operating data for these entities are summarized in the proportionate data table below.

	Cable and Telecommunications		Wireless Communications		Multimedia Content and Services	
	Domestic	**International**	**Domestic**	**International**	**Domestic**	**International**
CONSOLIDATED	Atlanta Systems 100%		NewVector 84% (1)		U S WEST Marketing Resources Group, Inc. 100%	Thomson Directories 100% U S WEST Polska 100%
EQUITY	TWE 25.51%	TeleWest 37.8% TeleWest Europe 50%		Mercury One-2-One 50% Westel Radiotelefon 49% Westel 900 44% EuroTel Czech & Slovak 24.5%		

The above table and the selected proportionate financial data that follows exclude certain international and domestic investments (collectively not material) for which the Media Group does not receive timely detailed financial statements.

(1) Proportionate information reflects an approximate 16 percent minority interest in NewVector's underlying operations.

Selected Proportionate Financial Data (continued)

The following table is not required by GAAP or intended to replace the Combined Financial Statements prepared in accordance with GAAP. It is presented supplementally because the Company believes that proportionate financial and operating data facilitate the understanding and assessment of its Combined Financial Statements. The following table includes allocations of Media Group corporate activity. The table does not reflect financial data of the capital assets segment, which had net assets of $422 at June 30, 1995 and $302 at December 31, 1994. **The financial information included below departs materially from GAAP because it aggregates the revenues and operating income of entities not controlled by the Media Group with those of the consolidated operations of the Media Group.**

	Cable and Telecommunications		Wireless Communications		Multimedia Content and Services		Total
Six Months Ended June 30, 1995	**Domestic (1)(2)**	**International**	**Domestic**	**International**	**Domestic**	**International**	
Financial Data (millions):							
Revenues	$1,251	$ 56	$361	$ 134	$ 524	$ 44	$2,370
Operating expenses	973	79	249	159	313	48	1,821
Depreciation and amortization	201	19	50	22	13	5	310
Operating income (loss)	77	(42)	62	(47)	198	(9)	239
Net income (loss)	(32)	(13)	31	(60)	119	5	40
Operating Data (thousands):							
EBITDA (millions) (3)	$ 278	$(23)	$112	$ (25)	$ 211	$ (4)	$ 549
Subscribers/Customers	2,887	237	988	241	—	—	4,353
Advertisers	—	—	—	—	472	161	633
Homes passed	4,550	646	—	—	—	—	5,196
POPs (4)	—	—	33,200	38,300	—	—	71,500
Telephone lines	—	93	—	—	—	—	93
Six Months Ended June 30, 1994							
Financial Data (millions):							
Revenues	$1,023	$ 43	$313	$ 69	$ 490	$ 11	$1,949
Operating expenses	803	63	236	92	280	13	1,487
Depreciation and amortization	151	15	41	17	12	1	237
Operating income (loss)	69	(35)	36	(40)	198	(3)	225
Income (loss) from continuing operations	(14)	(18)	54	(35)	130	(2)	115
Operating Data (thousands):							
EBITDA (millions) (3)	$ 220	$(20)	$ 77	$ (23)	$ 210	$ (2)	$ 462
Subscribers/Customers	1,853	225	624	90	—	—	2,792
Advertisers	—	—	—	—	464	120	584
Homes passed	3,092	588	—	—	—	—	3,680
POPs–Cellular (4)	—	—	18,500	38,300	—	—	56,800
Telephone lines	—	58	—	—	—	—	58

(see footnotes on following page)

Selected Proportionate Financial Data (continued)

	Cable and Telecommunications		Wireless Communications		Multimedia Content and Services		Total
Year Ended 1994	**Domestic (1)(2)**	**International**	**Domestic**	**International**	**Domestic**	**International**	
Financial Data (millions):							
Revenues	$2,386	$ 85	$634	$ 186	$1,005	$ 79	$4,375
Operating expenses	1,854	127	485	254	592	77	3,389
Depreciation and amortization	383	31	80	35	24	10	563
Operating income (loss)	149	(73)	69	(103)	389	(8)	423
Income (loss) from continuing operations (5)	(53)	(40)	30	(68)	251	(4)	116
Debt (6)	—	—	—	—	—	—	3,865
Operating Data (thousands):							
EBITDA (millions) (3)	$ 532	$(42)	$149	$ (68)	$ 413	$ 2	$ 986
Subscribers/Customers	2,407	226	817	169	—	—	3,619
Advertisers	—	—	—	—	468	147	615
Homes passed	3,952	576	—	—	—	—	4,528
POPs (4)	—	—	18,900	38,300	—	—	57,200
Telephone lines	—	69	—	—	—	—	69
Year Ended 1993							
Financial Data (millions):							
Revenues	$2,048	$ 59	$432	$ 78	$ 958	$ 7	$3,582
Operating expenses	1,611	101	331	126	540	10	2,719
Depreciation and amortization	301	22	76	5	21	—	425
Operating income (loss)	136	(64)	25	(53)	397	(3)	438
Income (loss) from continuing operations (5)	(6)	(49)	(2)	(22)	252	(3)	170
Debt (6)	—	—	—	—	—	—	3,492
Operating Data (thousands):							
EBITDA (millions) (3)	$ 437	$(42)	$101	$ (48)	$ 418	$ (3)	$ 863
Subscribers/Customers	1,837	215	509	41	—	—	2,602
Advertisers	—	—	—	—	459	25	484
Homes passed	3,061	524	—	—	—	—	3,585
POPs (4)	—	—	18,200	38,300	—	—	56,500
Telephone lines	—	44	—	—	—	—	44

(1) The proportionate results are based on the Media Group's 25.51 percent pro rata priority and residual equity interests in reported TWE results. The reported TWE results are prepared in accordance with GAAP and have not been adjusted to report TWE investments accounted for under the equity method on a proportionate basis. The Media Group's share of TWE results on a proportionate basis do not necessarily reflect the Media Group's recorded share of income due to special allocations of income stipulated by the TWE Partnership Agreement and the amortization of the excess of fair market value over the book value of the partnership net assets. As a result of this special income allocation and amortization, the Media Group's recorded pretax share of TWE operating results was ($11) and ($6) for the six months ended June 30, 1995 and 1994 respectively, and ($18) and ($20) for 1994 and 1993, respectively.

(2) Although the TWE and Atlanta Systems acquisitions occurred within 1993 and 1994, for comparability in reporting, 1993 proportionate results include 12 months of TWE activity and 1994 proportionate results include 12 months of activity for the Atlanta Systems. June 30, 1994 results do not include activity for the Atlanta Systems.

(3) Proportionate EBITDA represents the Media Group's equity interest in the entities multiplied by the entity's EBITDA. As such, proportionate EBITDA does not represent cash available to the Media Group. The Media Group considers EBITDA an important indicator of the operational strength and performance of its businesses. EBITDA, however, should not be considered as an alternative to operating or net income as an indicator of the performance of the Media Group's businesses or as an alternative to cash flows from operating activities as a measure of liquidity, in each case determined in accordance with GAAP.

(4) Potential customers ("POPs"). Wireless Communications — International includes 29,000 POP's representing the total POP's to be achieved upon completion of the build-out of Mercury One-2-One's PCS network. As of June 30, 1995, Mercury One-2-One's network reached 30% of the population. June 30, 1995 data also includes 14.300 POPs related to the March 1995 acquisition of domestic PCS licenses.

(5) See the Supplementary Selected Proportionate Financial Data schedule to the Media Group Combined Financial Statements for a reconciliation of the proportionate amount of income from continuing operations to the amount reported on a GAAP basis.

(6) See Note 5 to the Media Group Combined Financial Statements for additional information regarding the obligations inherent in the capital structure of the TWE partnership. Included in debt is the Company's proportionate share of TWE external debt of $1,835 and $1,824 in 1994 and 1993, respectively.

PRICE RANGES OF EXISTING COMMON STOCK

The following table sets forth the high and low sales prices of the Existing Common Stock on the New York Stock Exchange Composite Tape (the "Composite Tape") and the dividends paid per share of the Existing Common Stock during the periods indicated.

	Sale Prices High	Sale Prices Low	Dividends Paid
1993			
First Quarter	$43.875	$37.750	$0.535
Second Quarter	46.00	40.625	0.535
Third Quarter	49.375	44.50	0.535
Fourth Quarter	50.750	45.750	0.535
1994			
First Quarter	$46.25	$38.50	$0.535
Second Quarter	43.75	38.25	0.535
Third Quarter	43.125	38.25	0.535
Fourth Quarter	38.875	34.625	0.535
1995			
First Quarter	$41.375	$35.125	$0.535
Second Quarter	42.875	39.375	0.535
Third Quarter (through August 24, 1995)	45.00	40.875	0.535

On April 7, 1995, the trading day prior to the Company's announcement of the Recapitalization Proposal, and on August 24, 1995, the closing sales price of the Existing Common Stock, as reported on the Composite Tape, was $41.875 and $42.625, respectively. As of August 24, 1995, there were 471,395,359 shares of Existing Common Stock outstanding and 793,856 holders of record of Existing Common Stock.

RISK FACTORS

Stockholders of One Company; Financial Impacts on One Group Could Affect the Other. Notwithstanding the allocation of assets and liabilities (including contingent liabilities) and stockholders' equity between the Communications Group and the Media Group for the purpose of preparing the respective financial statements of such Groups, holders of Communications Stock and Media Stock will continue to be subject to risks associated with an investment in a single company and all of the Company's businesses, assets and liabilities. Such allocation of assets and liabilities and change in the equity structure of the Company will not result in a distribution or spin-off to shareholders of any assets or liabilities of the Company or any of its subsidiaries or otherwise affect responsibility for the liabilities of the Company or such subsidiaries. As a result, the rights of holders of the Company's or any of its subsidiaries' debt will not be affected thereby. Financial effects arising from either Group that affect the Company's results of operations or financial condition could, if significant, affect the results of operations or financial position of the other Group or the market price of the class of Common Stock relating to the other Group. In addition, the incurrence of significant indebtedness by the Company or one of its subsidiaries on behalf of a Group, including indebtedness incurred or assumed in connection with acquisitions of or investments in businesses, would continue to affect the credit ratings of the Company and its subsidiaries and therefore could increase the borrowing costs of the other Group and the Company as a whole. Any net losses of the Communications Group or the Media Group, and dividends or distributions on, or repurchases of, Communications Stock, Media Stock or Preferred Stock, will reduce the funds of the Company legally available for payment of future dividends on the Communications Stock and the Media Stock. Accordingly, the Company's consolidated financial information should be read in conjunction with the Communications Group's and the Media Group's combined financial information.

If the Recapitalization Proposal is approved by the shareholders and implemented by the Board, the Company will provide to holders of Communications Stock and Media Stock financial statements, management's discussion and analysis of financial condition and results of operations, business descriptions and other information for each Group and for the consolidated Company. The financial statements of each Group would reflect the financial position, results of operations and cash flows of the businesses included therein. Consistent with the Restated Certificate and relevant policies, such Group's financial statements would also include allocated portions of the Company's corporate assets and liabilities (including contingent liabilities) that are not separately identified with the operations of a specific Group. See "Proposal 1 — The Recapitalization Proposal — Accounting Matters and Policies" and the financial information of the Company, the Communications Group and the Media Group set forth in Annexes V, VI, and VII hereto, respectively.

Limited Separate Stockholder Rights; No Additional Rights with respect to the Groups; Effects on Voting Power. Under the Recapitalization Proposal, holders of Communications Stock and Media Stock would have only the rights customarily held by common stockholders of the Company and would not have any rights related to their corresponding Group or have any right to vote on matters as a separate class other than (i) as set forth in the provisions relating to dividend and liquidation rights and requirements for a mandatory dividend, redemption or conversion upon the disposition of assets attributed to their corresponding Group described under "Proposal 1 — The Recapitalization Proposal — Description of Communications Stock and Media Stock — Conversion and Redemption — Mandatory Dividend, Redemption or Conversion of Common Stock" and (ii) separate voting rights in limited circumstances under the Delaware General Corporation Law (the "DGCL"). Separate meetings for the holders of Communications Stock and Media Stock would not be held. In addition, principles of Delaware law established in cases involving differing treatment of two classes of capital stock or two groups of holders of the same class of capital stock provide that a board of directors owes an equal duty to all stockholders regardless of class or series and does not have separate or additional duties to either group of stockholders.

The relative voting power of shares of Communications Stock and Media Stock would fluctuate from time to time, with each share of Communications Stock having one vote and each share of Media Stock having a variable number of votes, based upon the ratio, over a specified period, of the time-weighted average Market Value of one share of Media Stock to the time-weighted average Market Value of one share of Communications Stock. This formula is intended to equate the proportionate voting rights of each class of Common Stock to their respective Market Values at the time of any vote. The Company anticipates that the Communications Stock will initially represent a majority of the voting power of all the Company's stock entitled to vote in the election of directors. Market Value could be influenced by many factors, including the results of operations of the Company and each of the Groups, the regulatory environment, trading volume, share issuances and repurchases and general economic and market conditions. See "Proposal 1 — The Recapitalization Proposal — Description of Communications Stock and Media Stock — Voting Rights." Such changes in the aggregate votes or relative voting power of the Media Stock or Communications Stock could result from the market's reaction to a decision by the Company's management or Board that is perceived to disparately affect one class of Common Stock in comparison to another.

When a vote is taken on any matter as to which all stock is voting together as one class, any class or series that is entitled to more than the number of votes required to approve such matter will be in a position to control the outcome of the vote on such matter. Certain matters on which holders of Communications Stock and Media Stock would vote together as a single class could involve a divergence or the appearance of a divergence of the interests between the holders of Communications Stock and the Media Stock. For example, the Restated Certificate and the DGCL do not require that a merger or consolidation of the Company be approved by a separate vote of holders of any class of Common Stock. As a result, if the holders of Common Stock having a majority of the voting power of all shares of Common Stock outstanding approved a merger or consolidation of the Company, then (a) the merger or consolidation could be consummated even if the holders of a majority of any class of

Common Stock had voted against the merger or consolidation and (b) the amount to be received by the holders of such class of Common Stock in the merger or consolidation might be materially less than the amount such holders would have received had the approval of the holders of a majority of such class of Common Stock been required. See "— Potential Diverging Interests — Allocation of Proceeds of Mergers or Consolidations."

Potential Diverging Interests. The existence of separate classes of Common Stock could give rise to occasions when the interests of the holders of Communications Stock and holders of Media Stock diverge or appear to diverge. Examples include determinations by the Board to (i) pay or omit the payment of dividends on Communications Stock or Media Stock, (ii) allocate consideration to be received by holders of Common Stock in connection with a merger or consolidation involving the Company among holders of Communications Stock and Media Stock, (iii) convert one class of Common Stock into shares of the other class of Common Stock, (iv) approve certain dispositions of assets attributed to any Group, (v) if and to the extent there is an Inter-Group Interest, allocate the proceeds of issuances of Media Stock either to the Communications Group in respect of the Inter-Group Interest or to the equity of the Media Group, (vi) formulate uniform public policy positions for the Company and (vii) make operational and financial decisions with respect to one Group that could be considered to be detrimental to the other Group, including whether to make transfers of funds between Groups as described below. When making decisions with regard to matters that create potential diverging interests, the Board would act in accordance with the terms of the Restated Certificate, the management and accounting policies described in "Proposal 1— The Recapitalization Proposal — Certain Management Policies" and "— Accounting Matters and Policies," to the extent applicable, and its fiduciary duties, which require the Board to consider the impact of such decisions on all stockholders. See "— Fiduciary Duties of the Board" below. The Board could also from time to time refer to an existing committee or one or more new committees of the Board matters involving such conflict issues and have such committee or committees report to the Board on such matters or decide such matters to the extent permitted by the New Bylaws and applicable law. Each of the foregoing potential conflicts of interest is discussed below:

No Assurance of Payment of Dividends. The Board currently intends that the dividend policy applicable to the Communications Stock would be the same as the dividend policy applicable to the Existing Common Stock and believes that implementation of the Recapitalization Proposal would not adversely affect the Company's ability to pay dividends on the Communications Stock. The Board currently does not intend to pay dividends on the Media Stock. Determinations as to the future dividends on the Communications Stock and the Media Stock would be based primarily upon the financial condition, results of operations and business requirements of the relevant Group and the Company as a whole. Dividends on the Communications Stock and the Media Stock, if any, would be payable out of the lesser of (i) all funds of the Company legally available for the payment of dividends and (ii) the Available Dividend Amount with respect to the relevant Group. Subject only to such limitations, the Board reserves the right to declare and pay dividends on the Communications Stock and the Media Stock in any amount and could, in its sole discretion, declare and pay dividends exclusively on the Communications Stock, exclusively on the Media Stock or on both, in equal or unequal amounts, notwithstanding the relative amounts of the Communications Group Available Dividend Amount and the Media Group Available Dividend Amount, the amount of prior dividends declared on each class, the respective voting or liquidation rights of each class or any other factor. In addition, net losses of any Group, dividends and distributions on, and repurchases of, any class of Common Stock or Preferred Stock would reduce the assets of the Company legally available for future dividends on the Communications Stock and the Media Stock. See "Proposal 1 — The Recapitalization Proposal — Dividend Policy" and "— Description of Communications Stock and Media Stock — Dividends."

Allocation of Proceeds of Mergers or Consolidations. The Restated Certificate does not contain any provisions governing how consideration to be received by holders of Common Stock in connection with a merger or consolidation involving the entire Company is to be allocated among holders of different classes of Common Stock. In any such merger or consolidation, the percentage of the consideration to be allocated to holders of any class of Common Stock will be determined by the Board and may be materially more or less than that which might have been allocated to such holders had the Board chosen a different method of allocation. See "— Limited Separate Stockholder Rights; No Additional Rights with respect to the Groups; Effects on Voting Power" below.

Optional Conversion of Class of Common Stock. The Board could, in its sole discretion, at any time determine to convert shares of Media Stock into shares of Communications Stock at a premium equal to 115% for the first five years and thereafter declining annually to 100% by the ninth anniversary of the Effective Time and could also, following the ninth anniversary of the Effective Time, in its sole discretion, determine to convert shares of Communications Stock into shares of Media Stock at no premium. In addition, the Board could, in its sole discretion, determine to convert shares of the class of Common Stock of one Group into shares of the class of Common Stock of the other Group at a 110% premium following any dividend or partial redemption undertaken in connection with a disposition of all or substantially all of the properties or assets attributed to the Group whose stock is being converted. Any such determination could be made at a time when either or both of the Communications Stock and the Media Stock may be considered to be overvalued or undervalued. In addition, any such conversion at any premium would dilute the interests in the Company of the holders of the class of Common Stock not subject to conversion and would preclude holders of both classes of Common Stock from retaining their investment in a security that is intended to reflect separately the performance of the relevant Group. In determining whether to convert one class of Common Stock into the other class of Common Stock, the Board would act in accordance with its good faith business judgment that any such conversion is in the best interests of the Company and all of its stockholders, including both the holders of the class of Common Stock being converted and the holders of the class of Common Stock into which it is to be converted. See "Proposal 1 — The Recapitalization Proposal — Description of Communications Stock and Media Stock — Conversion and Redemption."

Dispositions of Group Assets. Assuming the assets attributed to any Group represent less than substantially all of the properties and assets of the Company, the Board could, in its sole discretion and without stockholder approval, approve sales and other dispositions of any amount of the properties and assets attributed to such Group because Delaware law and the Restated Certificate require stockholder approval only for a sale or other disposition of all or substantially all of the properties and assets of the entire Company. The proceeds from any such disposition would be assets attributed to such Group and used for its benefit, subject to the management policies described under "Proposal 1 — The Recapitalization Proposal — Certain Management Policies." The Restated Certificate contains provisions that, in the event of a Disposition of all or substantially all of the properties and assets attributed to any Group (i.e., 80% or more on a current market value basis), other than in a Related Business Transaction, require the Company to either (i) distribute to holders of the class of Common Stock relating to the Group subject to such Disposition an amount equal to their proportionate interest in the Fair Value of the Net Proceeds of such Disposition, either by special dividend or by redemption of all or part of the outstanding shares of such Common Stock, or (ii) convert the outstanding shares of such Common Stock into a number of shares of the class of Common Stock relating to the other Group equal to 110% of the ratio, calculated over a period of time, of the average Market Value of one share of the Common Stock relating to the Group subject to such Disposition to the average Market Value of one share of Common Stock relating to the other Group. See "Proposal 1 — The Recapitalization Proposal — Description of Communications Stock and Media Stock — Conversion and Redemption." The terms of the Common Stock do not require the Board to select the option which would result in the distribution with the highest value to the holders of the Common Stock relating to the Group subject to such Disposition or with the smallest effect on the Common Stock relating to the other Group. The Board would select an option based upon its good faith business judgment that such option is in the best interests of the Company and all of its stockholders. See "— Fiduciary Duties of the Board."