

AGREEMENT AND PLAN OF MERGER

Dated as of July 18, 1999

between

U S WEST, INC.

and

QWEST COMMUNICATIONS INTERNATIONAL INC.

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AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of July 18, 1999, between U S WEST, Inc., a Delaware corporation ("U S WEST") and Qwest Communications International Inc., a Delaware corporation ("Qwest").

WITNESSETH

WHEREAS, the respective Boards of Directors of U S WEST and Qwest have approved, and deem it advisable and in the best interest of their respective stockholders to consummate the business combination transaction provided for herein in which U S WEST will merge with and into Qwest (the "Merger").

WHEREAS, it is intended that, for U.S. federal income tax purposes, the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Code, and that this Agreement be adopted as a plan of reorganization within the meaning of such Section.

WHEREAS, the Boards of Directors of U S WEST and Qwest have each determined that the Merger and the other transactions contemplated hereby are consistent with, and in furtherance of, their respective business strategies and goals and have each approved this Agreement and the Merger contemplated hereby.

WHEREAS, the parties hereto intend that the transactions contemplated hereby shall be accounted for using the purchase method of accounting with U S WEST as the acquiror.

WHEREAS, simultaneously with the execution and delivery of this Agreement, and to induce U S WEST to enter into this Agreement, certain shareholders of Qwest are entering into a Voting Agreement with U S WEST with respect to this Agreement and the Merger (the "Voting Agreement").

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and subject to Section 1.05 hereof, intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I THE MERGER

SECTION 1.01 *The Merger.* At the Effective Time (as defined below), U S WEST shall be merged with and into Qwest in accordance with Delaware Law, whereupon the separate existence of U S WEST shall cease, and Qwest shall be the surviving corporation (the "Surviving Corporation"). U S WEST and Qwest, as well as any other Person which may become a party to this Agreement after the date of this Agreement, are herein referred to collectively as the "Parties" and each individually as a "Party."

SECTION 1.02 *Effective Time.* As promptly as practicable after the satisfaction or waiver of the conditions set forth in Article 7 hereof and the consummation of the Closing referred to in Section 6.03 hereof, the Parties shall cause the Merger to be consummated by filing with the Secretary of State of the State of Delaware a Certificate of Merger (the "**Delaware Certificate**") in such form as is required by, and executed in accordance with, the relevant provisions of Delaware Law. The Merger shall become effective at such time (the "**Effective Time**") as the Delaware Certificate is duly filed with such Secretary of State of Delaware (or at such later time as may be agreed by U S WEST and Qwest and specified in the Delaware Certificate).

SECTION 1.03 *Effect of the Merger.* At the Effective Time, the effect of the Merger shall be as provided in the applicable provisions of Delaware Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of U S WEST and Qwest shall continue with, or vest in, as the case may be, the Surviving Corporation, and all debts, liabilities and duties of U S WEST and Qwest shall continue to be, or become, as the case may be, the debts, liabilities and duties of the Surviving Corporation.

SECTION 1.04 *Certificate of Incorporation; Bylaws of the Surviving Corporation.* Unless otherwise agreed by Qwest and U S WEST before the Effective Time, at the Effective Time:

(a) the Certificate of Incorporation of the Surviving Corporation shall be the Certificate of Incorporation of U S WEST as in effect immediately prior to the Effective Time (as amended to reflect the changes specified in Section 2.08), until thereafter amended as provided by law and the Certificate of Incorporation of the Surviving Corporation; and

(b) the Bylaws of the Surviving Corporation shall be the Bylaws of U S WEST as in effect immediately prior to the Effective Time (as amended to reflect the changes specified in Section 2.07), until thereafter amended as provided by law and the Certificate of Incorporation and the Bylaws of the Surviving Corporation.

ARTICLE 2 EFFECT OF MERGER ON STOCK AND OPTIONS

SECTION 2.01 *Conversion of Securities.* The manner and basis of converting the shares of common stock of U S WEST and the treatment of shares of Qwest, as well as options, warrants and other rights to purchase or otherwise acquire shares of common stock of U S WEST and Qwest, at the Effective Time, by virtue of the Merger and without any action on the part of any of the Parties or the holder of any of such securities, shall be as hereinafter set forth in this Article 2.

SECTION 2.02 *Conversion.* (a) Each share of common stock, par value \$0.01 per share, of Qwest ("**Qwest Common Stock**") issued and outstanding immediately prior to the Effective Time, and all rights in respect thereof, shall at the Effective Time continue to remain outstanding as one share of Qwest Common Stock.

(b) Each option, warrant and other right issued and outstanding immediately prior to the Effective Time to purchase or otherwise acquire common stock, par value \$0.01 per share, of U S WEST ("U S WEST Common Stock") (each, a "U S WEST Right") (other than U S WEST Rights owned by Qwest (collectively, the "Disqualified Rights")) shall at the Effective Time no longer be options, warrants or rights to purchase or otherwise acquire U S WEST Common Stock, as applicable, and shall be converted into the options, warrants or rights, as applicable to purchase such number of shares of Qwest Common Stock determined as provided in Section 2.02(c). Each option, warrant and other right issued and outstanding immediately prior to the Effective Time to purchase or otherwise acquire Qwest Common Stock (each a "Qwest Right") shall at the Effective Time continue in full force and effect on the same terms and conditions that would have applied to the purchase or other acquisition of Qwest Common Stock prior to the Merger. U S WEST and Qwest shall take all such steps as may be required to cause consummation of the transactions contemplated by this Section 2.02(b) and any other disposition of U S WEST equity securities (including derivative securities) or acquisitions of Qwest equity securities (including derivative securities) in connection with this Agreement by each individual who (x) is a director or officer of U S WEST or (y) at the Effective Time, will become a director or officer of Qwest, to be exempt under Rule 16b-3 promulgated under the Exchange Act (as defined in Article 9 hereof), such steps to be taken in accordance with the No-Action Letter dated January 12, 1999, issued by the Securities and Exchange Commission (the "SEC") to Skadden, Arps, Slate, Meagher & Flom LLP.

(c) Subject to the provisions of Section 2.09, each holder of record of U S WEST Common Stock (other than U S WEST Common Stock owned by Qwest or U S WEST ("Disqualified Shares")) immediately prior to the Effective Time shall be entitled to receive a number of shares of Qwest Common Stock equal to the product of the Conversion Ratio (as defined below) multiplied by the number of shares of U S WEST Common Stock held by such holder at the Effective Time (such shares of Qwest Common Stock and any other consideration to be received by holders of U S WEST Common Stock in connection with the Merger pursuant to Section 2.09 shall be referred to herein as the "Merger Consideration"). The "Conversion Ratio" shall be equal to (i) \$69.00 divided by the Average Price (as defined below), if the Average Price is greater than or equal to \$28.26 and less than or equal to \$39.90; (ii) 2.44161, if the Average Price is less than \$28.26, or (iii) 1.72932, if the Average Price is greater than \$39.90. "Average Price" means the average (rounded to the nearest 1/10,000) of the volume weighted averages (rounded to the nearest 1/10,000) of the trading prices of Qwest Common Stock on the NASDAQ National Market ("NASDAQ"), as reported by Bloomberg Financial Markets (or such other source as the Parties shall agree in writing), for the 15 trading days randomly selected by lot by Qwest and U S WEST together from the 30 consecutive trading days ending on the third trading day immediately preceding the date on which all the conditions to Closing (other than conditions that, by their terms, cannot be satisfied until the Closing Date so long as it is reasonably apparent that such conditions will be able to be satisfied on the Closing Date) set forth in Article 7 of this Agreement have been satisfied or waived (the "Determination Period"). Each Disqualified Share shall at the Effective Time be terminated and no longer be outstanding and no shares of Qwest Common Stock will be issued in connection therewith.

(d) With respect to each U S WEST Right: (i) from and after the Effective Time, each such U S WEST Right may be exercised only for Qwest Common Stock notwithstanding any contrary agreement or document relating to the U S WEST Rights or pursuant to which any

U S WEST Rights were issued, (ii) each such U S WEST Right shall at the Effective Time become a right to acquire a number of shares of Qwest Common Stock (rounded up to the next whole share) equal to the product arrived at by multiplying the Conversion Ratio by the number of shares of U S WEST Common Stock subject to such right immediately prior to the Effective Time, and (iii) the exercise price or purchase price per share of Qwest Common Stock for which each such right (as exchanged) is exercisable shall be the amount (rounded up to the next whole cent) arrived at by dividing the exercise price or purchase price per share of U S WEST Common at which such U S WEST Right is exercisable immediately prior to the Effective Time by the Conversion Ratio. Each Disqualified Right at the Effective Time shall be terminated and no longer be outstanding and no shares of Qwest Common Stock will be issued in connection therewith. To the extent that the Merger Consideration includes a cash payment pursuant to Section 2.09 hereof the shares subject to and exercise price and such other terms and conditions of U S WEST Rights shall be adjusted pursuant to the terms of such U S WEST Rights or in accordance with the provisions of any plan or agreement applicable to such U S WEST Rights so as to preserve the economic benefit of such cash payment for the holders of such U S WEST Rights and without negative effect on such holders' interest.

(e) Commencing immediately after the Effective Time, each certificate which, immediately prior to the Effective Time, represented issued and outstanding shares of U S WEST Common Stock shall evidence ownership of Qwest Common Stock on the basis hereinbefore set forth. Customary provisions will be made for uncertificated shares to provide for equivalent treatment. Commencing immediately after the Effective Time, each option, warrant or other right which, immediately prior to the Effective Time, represented the right to purchase or otherwise acquire shares of U S WEST Common Stock shall evidence the right to purchase or otherwise acquire shares of Qwest Common Stock on the basis hereinabove set forth and, subject to Section 2.02(d) and 2.05, on the same terms and conditions that would have applied to the purchase or other acquisition of U S WEST Common Stock.

(f) For all purposes of this Agreement, unless otherwise specified, all shares of U S WEST Common Stock held by employee stock ownership plans or other pension savings, 401(k) or deferred compensation plans of U S WEST (i) shall be deemed to be issued and outstanding, (ii) shall not be deemed to be held in the treasury of U S WEST and (iii) shall be subject to the rights and procedures described in Sections 2.02(c) and 2.03.

SECTION 2.03 *Exchange of Shares.* (a) Prior to the Effective Time, Qwest shall appoint an agent (the "Exchange Agent") for the purpose of (i) exchanging certificates representing shares of U S WEST Common Stock for shares of Qwest Common Stock in accordance with Section 2.02 and (ii) paying cash, if applicable, in accordance with Section 2.09. To the extent the Merger Consideration includes cash, the Surviving Corporation shall deposit with the Exchange Agent for inclusion in the Exchange Fund (defined below), from time to time sufficient cash as is necessary to promptly pay to stockholders of U S WEST the cash portion of the Merger Consideration. Promptly after the Effective Time, Qwest shall cause a letter of transmittal to be mailed to the holders of record of shares of U S WEST Common Stock and holders of record of U S WEST Rights at the Effective Time.

(b) Subject to the terms and conditions hereof, Qwest shall cause the Exchange Agent to effect the exchange of U S WEST Common Stock for the Qwest Common Stock and the

payment of cash, if applicable, in accordance with the provisions of this Article 2. From time to time after the Effective Time, Qwest shall deposit, or cause to be deposited, with the Exchange Agent an amount of cash and certificates representing Qwest Common Stock required to effect the conversion of U S WEST Common Stock in accordance with the provisions of Section 2.02 and 2.09 hereof (such certificates, together with any dividends or distributions with respect thereto and any cash deposited, if necessary, being herein referred to as the "Exchange Fund"). Commencing immediately after the Effective Time and until the appointment of the Exchange Agent shall be terminated, (i) each holder of a certificate or certificates theretofore representing U S WEST Common Stock may surrender the same to the Exchange Agent, and, after the appointment of the Exchange Agent shall be terminated, any such holder may surrender any such certificate to Qwest and (ii) each holder of uncertificated shares of outstanding U S WEST Common Stock may deliver a completed letter or transmittal to the Exchange Agent. Such holder shall be entitled upon such surrender or, with respect to uncertificated shares, the delivery of a duly completed letter of transmittal, to receive in exchange therefor (i) shares representing the number of full shares of Qwest Common Stock into which the U S WEST Common Stock theretofore represented by the shares so surrendered shall have been converted in accordance with the provisions of Sections 2.02 and 2.03 hereof, (ii) cash pursuant to Section 2.09, if applicable, and (iii) a cash payment in lieu of fractional shares, if any, in accordance with Section 2.05 hereof, and all such shares of Qwest Common Stock so issued shall be deemed to have been issued at the Effective Time. Each outstanding certificate which, prior to the Effective Time, represented issued and outstanding U S WEST Common Stock shall, until so surrendered or exchanged, and each uncertificated outstanding share of U S WEST Common Stock shall, be deemed for all corporate purposes of Qwest, other than the payment of dividends and other distributions, if any, to evidence ownership of the number of full shares of Qwest Common Stock into which the U S WEST Common Stock theretofore represented thereby shall have been converted at the Effective Time. Unless and until any such certificate theretofore representing U S WEST Common Stock is so surrendered, or, with respect to uncertificated shares, a duly completed letter of transmittal shall have been delivered to the Exchange Agent with respect to such shares, no dividend or other distribution, if any, payable to the holders of record of Qwest Common Stock as of any date subsequent to the Effective Time shall be paid to the holder of such shares in respect thereof. Upon the surrender of any such shares representing U S WEST Common Stock, however, the record holder of the shares representing shares of Qwest Common Stock issued in exchange therefor shall receive from the Exchange Agent, or from Qwest, as the case may be, payment of the amount of dividends and other distributions, if any, which as of any date subsequent to the Effective Time and until such surrender shall have become payable with respect to such number of shares of Qwest Common Stock ("**Pre-Surrender Dividends**"). No interest shall be payable with respect to the payment of Pre-Surrender Dividends upon the surrender of certificates theretofore representing U S WEST Common Stock. After the appointment of the Exchange Agent shall have been terminated, any holders of shares representing U S WEST Common Stock which have not received payment of Pre-Surrender Dividends shall look only to Qwest for payment thereof. Notwithstanding the foregoing provisions of this Section 2.03(b), neither the Exchange Agent nor any Party shall be liable to a holder of U S WEST Common Stock for any Qwest Common Stock, any dividends or distributions thereon or any cash payment as contemplated by Section 2.05 or 2.09, delivered to a public official pursuant to any applicable abandoned property, or escheat or similar law.

(c) Notwithstanding anything herein to the contrary, shares surrendered for exchange by any affiliate of U S WEST shall not be exchanged until a signed agreement from such affiliate as provided in Section 6.14 hereof has been delivered to Qwest.

(d) Any portion of the Exchange Fund which remains undistributed for six (6) months after the Effective Time shall be delivered to the Surviving Corporation, upon demand, and any holders of U S WEST Common Stock who have not theretofore complied with the provisions of this Article shall thereafter look only to Qwest for satisfaction of their claims for Qwest Common Stock and cash, if applicable, and any Pre-Surrender Dividends.

SECTION 2.04 *Transfer Books.* The stock transfer books of U S WEST shall be closed at the Effective Time and no transfer of any U S WEST Common Stock will thereafter be recorded on any of such stock transfer books. In the event of a transfer of ownership of U S WEST Common Stock that is not registered in the stock transfer records of U S WEST at the Effective Time, the number of full shares of Qwest Common Stock into which such U S WEST Common Stock shall have been converted shall be issued to the transferee and any cash payable in respect of such U S WEST Common Stock in accordance with Section 2.03(b), 2.05 and 2.09 hereof shall be paid to the transferee if the U S WEST Common Stock is surrendered as provided in Section 2.03 hereof, accompanied by all documents required to evidence and effect such transfer and by evidence of payment of any applicable stock transfer tax.

SECTION 2.05 *No Fractional Share Certificates.* (a) No scrip or fractional share certificate for Qwest Common Stock will be issued upon the surrender for exchange of certificates evidencing U S WEST Common Stock or upon exercise of Qwest Rights or U S WEST Rights, and an outstanding fractional share interest will not entitle the owner thereof to vote, to receive dividends or to any rights of a stockholder of the Surviving Corporation with respect to such fractional share interest.

(b) As promptly as practicable following the Effective Time, the Exchange Agent shall determine the excess of (i) the number of full shares of Qwest Common Stock to be issued and delivered to the Exchange Agent pursuant to Section 2.03 hereof, over (ii) the aggregate number of full shares of Qwest Common Stock to be distributed to holders of U S WEST Common Stock pursuant to Section 2.03 hereof (such excess being herein called the "Excess Shares"). Following the Effective Time, the Exchange Agent, as agent for the holders of U S WEST Common Stock, shall sell the Excess Shares at then prevailing prices on the NASDAQ, all in the manner provided in Section 2.05(c).

(c) The sale of the Excess Shares by the Exchange Agent shall be executed on NASDAQ and shall be executed in round lots to the extent practicable. The Exchange Agent shall use all commercially reasonable efforts to complete the sale of the Excess Shares as promptly following the Effective Time as, in the Exchange Agent's reasonable judgment, is practicable consistent with obtaining the best execution of such sales in light of prevailing market conditions. Until the net proceeds of such sale or sales have been distributed to the holders of U S WEST Common Stock, the Exchange Agent will hold such proceeds in trust for the holders of U S WEST Common Stock (the "Common Shares Trust").

(d) Notwithstanding the provisions of subsections (b) and (c) of this Section 2.05, Qwest may decide, at its option, exercised prior to the Effective Time, in lieu of the issuance and sale of Excess Shares and the making of the payments contemplated in such subsections, that Qwest shall pay to the Exchange Agent an amount sufficient for the Exchange Agent to pay each holder of U S WEST Common Stock the amount such holder would have received pursuant to Section 2.05(c) assuming that the sales of Qwest Common Stock were made at a price equal to the average of the closing prices of the Qwest Common Stock on the NASDAQ for the ten (10) consecutive trading days immediately following the Effective Time and, in such case, all references herein to the cash proceeds of the sale of the Excess Shares and similar references shall be deemed to mean and refer to the payments calculated as set forth in this subsection (d). In such event, Excess Shares shall not be issued or otherwise transferred to the Exchange Agent pursuant to Section 2.05(b) or 2.03(b) hereof.

(e) As soon as practicable after the determination of the amount of cash, if any, to be paid to holders of U S WEST Common Stock with respect to any fractional share interests, the Exchange Agent shall make available such amounts, net of any required withholding and net of fees and expenses, to such holders of U S WEST Common Stock, subject to and in accordance with the terms of Section 2.03 hereof.

(f) Following the Effective Time, upon the exercise of any U S WEST Right entitling the holder thereof to purchase a fractional share of Qwest Common Stock, Qwest will, in lieu of issuing a fractional share certificate therefor, pay to such holder the value of such fractional interest as determined based on the closing price on the trading day immediately preceding the date of exercise, of a share of Qwest Common Stock on NASDAQ or such other principal security exchange on which the Qwest Common Stock shall then be trading, or, if not so traded, based on such price as shall be determined by, or pursuant to authority delegated by, the Board of Directors of Qwest.

SECTION 2.06 *Certain Adjustments.* If between the date hereof and the Effective Time, the outstanding shares of U S WEST Common Stock or Qwest Common Stock shall, in accordance with Section 5.02(a), be changed into a different number of shares by reason of any reclassification, recapitalization, split-up, combination or exchange of shares, or any dividend payable in stock or other securities shall be declared thereon with a record date within such period, then the Conversion Ratio and other related share prices used in this Agreement shall be adjusted accordingly to provide to the holders of U S WEST Common Stock the same economic effect as contemplated by this Agreement prior to such reclassification, recapitalization, split-up, combination, exchange or dividend.

SECTION 2.07 *By-Laws of the Surviving Corporation.* The By-Laws of the Surviving Corporation will include the following provisions which will be applicable and in full force and effect until the third anniversary of the Effective Time unless otherwise amended as set forth below:

(i) The Board of Directors of the Surviving Corporation (the "Board of Directors") shall consist of 14 members. Initially, U S WEST shall have the right to designate 7 members and Qwest shall have the right to designate 7 members. Thereafter, U S WEST designees on the Board of Directors shall have the right to nominate 7

members of the Board of Directors and Qwest designees on the Board of Directors shall have the right to nominate 7 members of the Board of Directors. Any vacancy created on the Board of Directors as a result of any such nominee leaving the Board of Directors shall be filled by the remaining designees of U S WEST or Qwest, as applicable, on the Board of Directors who nominated such person leaving the Board of Directors. To the extent the Surviving Corporation has a classified Board of Directors, each class of Directors shall contain as even a number of U S WEST designees and Qwest designees as possible.

(ii) The Surviving Corporation will establish an Office of the Chairman of the Surviving Corporation which initially will consist of 3 members: the Chief Executive Officer/Chairman of U S WEST, the Chief Executive Officer/Chairman of Qwest and Philip F. Anschutz. Only the Board of Directors shall have the authority to remove from office and replace any member of the Office of the Chairman.

(iii) Subject to the power and authority of the Board of Directors of the Surviving Corporation as required by applicable law, the Office of the Chairman shall, through one of its members so designated, chair all meetings of the Board of Directors and shall have the exclusive power and final authority with respect to the following matters (to the extent Board of Director and/or stockholder action is not required by law):

(A) the approval of any acquisition or disposition of a business through a merger, strategic acquisition or disposition, asset purchase or sale, joint venture, partnership, lease arrangement or otherwise, in each case involving aggregate sale or purchase proceeds of \$25 million or more;

(B) the approval of any merger, consolidation or other similar type of transaction between the Surviving Corporation and any third party;

(C) the setting of general corporate strategy and direction involving approval of long term strategic plans and annual budgets and goals;

(D) the allocation of capital resources including approval of Qwest's annual capital budget and any material amendment or deviation therefrom; and

(E) the termination or any significant diminution of the responsibilities of the officers in the 8 positions as set forth in the letter of understanding dated July 18, 1999.

To the extent Board of Directors action is required with respect to any such matters, the Office of the Chairman shall have the sole power and authority to present such matters to the Board of Directors.

(iv) The Office of the Chairman shall take action by a majority vote. Any member of the Office of the Chairman shall have the right to call a special meeting of the Board of Directors or at a regularly called meeting to present any matter referred to in items (a) through (e) above for consideration by the full Board of Directors.

(v) U S WEST designees on the Board of Directors and Qwest designees on the Board of Directors will be represented equally on all of the committees of the Board of Directors.

(vi) The compensation committee of the Board of Directors shall have the right to approve the filling of any vacancy created in the executive positions (exclusive of the Office of the Chairman) as set forth in the letter of understanding dated July 18, 1999 and the setting of compensation levels of such executives. The Board of Directors shall set the compensation of the members of the Office of the Chairman.

(vii) The foregoing provision of the By-Laws may only be amended or repealed by the affirmative vote of 75% of the Board of Directors of the Surviving Corporation or 75% of the then outstanding Surviving Corporation Common Stock.

SECTION 2.08 *Articles of Incorporation of the Surviving Corporation.* The Articles of Incorporation of the Surviving Corporation will include the following provisions:

(i) the name of the Surviving Corporation shall be "Qwest Communications International Inc."; and

(ii) the provisions of the By-Laws of the Surviving Corporation described in Section 2.07 may only be amended or repealed by the affirmative vote of 75% of the Board of Directors of the Surviving Corporation or 75% of the then outstanding Surviving Corporation Common Stock.

SECTION 2.09 *Cash Election Procedures.* (a) If the Average Price is less than \$38.70, Qwest upon written notice (a "Cash Alternative Notice") to U S WEST not more than two days prior to the Effective Time shall have the right to elect (the "Qwest Cash Election") to pay a portion of the Merger Consideration in cash (in lieu of shares of Qwest Common Stock) (the "Cash True-Up"), subject to agreement by U S WEST and Qwest as to the amount of cash as set forth below.

(a) In the event Qwest makes the Qwest Cash Election, in lieu of the provisions of Section 2.02(c), each holder of record of U S WEST Common Stock (other than a holder of Disqualified Shares) immediately prior to the Effective Time shall receive for each share of U S WEST Common Stock:

(i) a number of shares of Qwest Common Stock equal to the True Up Exchange Ratio (as defined below); and

(ii) an amount in cash equal to the Per Share Cash True Up (as defined below).

For purposes of the foregoing, the terms set forth below shall have the meanings indicated:

"Cash Amount" means the aggregate amount of the Cash True Up as mutually agreed upon by U S WEST and Qwest which shall not be greater than the product of (x) the difference between the Conversion Ratio and 1.783 multiplied by (y) the number of outstanding shares of

U S WEST Common Stock (other than Disqualified Shares) multiplied by (z) (I) if the Average Price is greater than or equal to \$28.26, the Average Price or (II) if the Average Price is less than \$28.26, \$28.26. In determining the cash amount, the Parties shall consider (a) U S WEST's desire to provide a meaningful cash element for its stockholders, (b) Qwest's desire to reduce dilution to its stockholders and (c) both Parties' desire to maintain a strong financial condition.

"Per Share Cash True Up" means the quotient of (x) the Cash Amount divided by (y) the number of outstanding shares of U S WEST Common Stock (other than Disqualified Shares).

"True Up Exchange Ratio" means the quotient of (x) the difference between \$69 and the Per Share Cash True Up divided by (y) (I) if the Average Price is greater than or equal to \$28.26, the Average Price or (II) if the Average Price is less than \$28.26, \$28.26.

SECTION 2.10 *Alternative Structure.* U S WEST and Qwest may mutually agree to adopt an alternative merger structure (the "**Alternative Structure**") whereby U S WEST and Qwest will jointly incorporate a new corporation, to be equally owned by U S WEST and Qwest, under the laws of the State of Delaware ("**Parent**") and where Parent will then incorporate two new subsidiaries under the laws of the State of Delaware, to be named U S WEST Merger Sub and Qwest Merger Sub and where, at the effective time, U S WEST will merge into U S WEST Merger Sub, with U S WEST as the surviving corporation and Qwest will merger into Qwest Merger Sub, with Qwest as the surviving corporation. In the event U S WEST and Qwest agree on the Alternative Structure, the Parties will promptly enter into an amendment to this Agreement to make such changes to reflect the Alternative Structure. All other provisions of this Agreement shall remain unchanged.

ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF QWEST

Qwest hereby represents and warrants as of the date hereof to U S WEST as follows:

SECTION 3.01 *Organization and Qualification; Subsidiaries.* Qwest and each of its Significant Subsidiaries, as listed on Schedule 3.01 hereto, is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization. Each of the Qwest Subsidiaries which is not a Significant Subsidiary is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, except for such failure which, when taken together with all other such failures, would not reasonably be expected to have a Material Adverse Effect on Qwest. Each of Qwest and its Subsidiaries has the requisite corporate power and authority and any necessary Permit to own, operate or lease the properties that it purports to own, operate or lease and to carry on its business as it is now being conducted, and is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned, operated or leased or the nature of its activities makes such qualification necessary, except for such failure which, when taken together with all other such failures, would not reasonably be expected to have a Material Adverse Effect on Qwest.

SECTION 3.02 *Certificate of Incorporation and Bylaws.* Qwest has heretofore furnished, or otherwise made available, to U S WEST a complete and correct copy of the

Certificate of Incorporation and the Bylaws, each as amended to the date hereof, of Qwest and each of its Significant Subsidiaries. Such Certificates of Incorporation and Bylaws are in full force and effect. Neither Qwest nor any of its Significant Subsidiaries is in violation of any of the provisions of its respective Certificate of Incorporation or, in any material respect, its Bylaws.

SECTION 3.03 Capitalization. (a) The authorized capital stock of Qwest consists solely of (i) 2,000,000,000 shares of Qwest Common Stock, of which, as of June 14, 1999, (a) 745,195,731 shares were issued and outstanding, (b) no shares were held in the treasury of Qwest, (c) 53,846,897 shares were issuable upon the exercise of options outstanding under the Qwest option plans listed on Schedule 3.03 hereto, and (d) (x) 17.2 million shares were issuable upon the exercise of a warrant exercisable on May 23, 2000 at an exercise price of \$7.00 per share of Qwest Common Stock, and (y) 600,000 shares were issuable upon the exercise of warrants exercisable in 2007 at an exercise price of \$8.905 per share of Qwest Common Stock (collectively, the "**Qwest Warrants**") and (ii) 25,000,000 shares of undesignated preferred stock, \$.01 par value, of Qwest, of which, as of June 14, 1999, none were issued and outstanding. Except as set forth on Schedule 3.03 or, after the date hereof, as permitted by Section 5.02 hereof, (i) since June 14, 1999, no shares of Qwest Common Stock have been issued, except upon the exercise of options and warrants described in the immediately preceding sentence, and (ii) there are no outstanding Qwest Equity Rights. For purposes of this Agreement, Qwest Equity Rights shall mean subscriptions, options, warrants, calls, commitments, agreements, conversion rights or other rights of any character (contingent or otherwise) to purchase or otherwise acquire from Qwest or any of Qwest's Subsidiaries at any time, or upon the happening of any stated event, any shares of the capital stock or other voting or non-voting securities of Qwest ("**Qwest Equity Rights**"). Schedule 3.03 hereto sets forth a complete and accurate list of all outstanding Qwest Equity Rights as of June 14, 1999. Since June 14, 1999, no Qwest Equity Rights have been issued except as set forth on Schedule 3.03 or, after the date hereof, as permitted by Section 5.02 hereof.

(b) Except as set forth on Schedule 3.03, or, after the date hereof, as permitted by Section 5.02 hereof, there are no outstanding obligations of Qwest or any of Qwest's Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock of Qwest.

(c) All of the issued and outstanding shares of Qwest Common Stock are validly issued, fully paid and nonassessable.

(d) Except as disclosed on Schedule 3.03 hereto, all the outstanding capital stock of each of Qwest's Significant Subsidiaries which is owned by Qwest is duly authorized, validly issued, fully paid and nonassessable, and is owned by Qwest free and clear of any liens, security interest, pledges, agreements, claims, charges or encumbrances except for any liens, security interest, pledges, agreements, claims, charges or encumbrances which are granted to secure indebtedness permitted by Section 5.02. Except as set forth on Schedule 3.03 or as hereafter issued or entered into in accordance with Section 5.02 hereof, there are no existing subscriptions, options, warrants, calls, commitments, agreements, conversion rights or other rights of any character (contingent or otherwise) to purchase or otherwise acquire from Qwest or any of Qwest's Subsidiaries at any time, or upon the happening of any stated event, any shares of the capital stock or other voting or non-voting securities of any Qwest Subsidiary, whether or not

presently issued or outstanding (except for rights of first refusal to purchase interests in Subsidiaries which are not wholly-owned by Qwest), and there are no outstanding obligations of Qwest or any of Qwest's Subsidiaries to repurchase, redeem or otherwise acquire any shares of capital stock or other voting or non-voting securities of any of Qwest's Subsidiaries, other than such as would not, individually or in the aggregate, have a Material Adverse Effect on Qwest. Except for (i) its Subsidiaries, (ii) immaterial amounts of equity securities, (iii) investments of Persons in which Qwest has less than a five percent (5%) interest, and (iv) equity interests disclosed on Schedule 3.03 hereto or hereafter acquired as permitted under Section 5.02 hereof, Qwest does not directly or indirectly own any equity interest in any other Person.

(e) No bonds, debentures, notes or other indebtedness of Qwest having the right to vote on any matters on which stockholders may vote are issued or outstanding except for any securities issued after the date hereof in accordance with Section 5.02.

SECTION 3.04 *Authority Relative to this Agreement.* Qwest has the necessary corporate power and authority to enter into this Agreement and, subject to obtaining any necessary stockholder approval of the Merger, this Agreement and the issuance of Qwest Common Stock pursuant to this Agreement, to carry out its obligations hereunder. The execution and delivery of this Agreement by Qwest and the consummation by Qwest of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Qwest, subject to the approval of this Agreement by Qwest's stockholders required by the rules of the NASDAQ and by Delaware Law. This Agreement has been duly executed and delivered by Qwest and, assuming the due authorization, execution and delivery thereof by the other Parties, constitutes a legal, valid and binding obligation of Qwest, enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws relating to or affecting the rights and remedies of creditors generally and to general principles of equity (regardless of whether considered in a proceeding in equity or at law).

SECTION 3.05 *No Conflict; Required Filings and Consents.* (a) Except as set forth on Schedule 3.05 or as described in subsection (b) below, the execution and delivery of this Agreement by Qwest does not, and the performance of this Agreement by Qwest will not, (i) violate or conflict with the Certificate of Incorporation or Bylaws of Qwest, (ii) conflict with or violate any law, regulation, court order, judgment or decree applicable to Qwest or any of its Significant Subsidiaries or by which any of their respective property is bound or affected, (iii) violate or conflict with the Certificate of Incorporation or Bylaws of any of Qwest's Subsidiaries, or (iv) result in any breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, or give to others any rights of termination or cancellation of, or result in the creation of a lien or encumbrance on any of the properties or assets of Qwest or any of its Subsidiaries pursuant to, or result in the loss of any material benefit or right, including the benefit of any standstill agreement, or result in an acceleration of any rights or amounts due resulting from a change of control or otherwise, or require the consent of any other party to, any contract, instrument, Permit, license or franchise to which Qwest or any of its Significant Subsidiaries is a party or by which Qwest, any of such Subsidiaries or any of their respective property is bound or affected, except, in the case of clauses (ii), (iii) and (iv) above, for conflicts, violations, breaches, defaults, rights, results or

consents which, individually or in the aggregate, would not have a Material Adverse Effect on Qwest.

(b) Except for applicable requirements, if any, of state, local, District of Columbia, or foreign regulatory laws and commissions, the Federal Communications Commission, the Exchange Act, the premerger notification requirements of the HSR Act, filing and recordation of appropriate merger or other documents as required by Delaware Law and any filings required pursuant to any state securities or "blue sky" laws or the rules of any applicable stock exchanges, neither Qwest nor any of its Subsidiaries is required to submit any notice, report or other filing with any Governmental or Regulatory Authority in connection with the execution, delivery or performance of this Agreement. Except as set forth in the immediately preceding sentence, no waiver, consent, approval or authorization of any Governmental or Regulatory Authority is required to be obtained by Qwest or any of its Subsidiaries in connection with its execution, delivery or performance of this Agreement.

(c) The total amount of Qwest's annual revenues for the four fiscal quarters immediately prior to the Closing Date derived from services, activities or interests which could be determined to be in violation of the Communications Act of 1934, as amended (the "Telecom Act") if engaged in or owned by a Bell Operating Company are no more than \$500 million.

SECTION 3.06 *SEC Filings; Financial Statements.* (a) Qwest has filed all forms, reports and documents required to be filed with the SEC since January 1, 1998, and has heretofore delivered or made available to US WEST, in the form filed with the SEC, together with any amendments thereto, its (i) Annual Report on Form 10-K for the fiscal year ended December 31, 1998, (ii) all proxy statements relating to Qwest's meetings of stockholders (whether annual or special) held since January 1, 1998, (iii) Quarterly Reports on Form 10-Q for the fiscal quarter ended March 31, 1999, and (iv) all other reports or registration statements filed by Qwest with the SEC since January 1, 1998 (collectively, the "Qwest SEC Reports"). The Qwest SEC Reports (i) were prepared substantially in accordance with the requirements of the Securities Act or the Exchange Act (as defined in Article 9 hereof), as the case may be, and the rules and regulations promulgated under each of such respective acts, and (ii) did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) The financial statements, including all related notes and schedules, contained in the Qwest SEC Reports (or incorporated by reference therein) fairly present the consolidated financial position of Qwest and its Subsidiaries as at the respective dates thereof and the consolidated results of operations and cash flows of Qwest and its Subsidiaries for the periods indicated in accordance with GAAP applied on a consistent basis throughout the periods involved (except for changes in accounting principles disclosed in the notes thereto) and subject in the case of interim financial statements to normal year-end adjustments.

SECTION 3.07 *Absence of Certain Changes or Events.* Except as disclosed in the Qwest SEC Reports filed prior to the date hereof and on Schedule 3.07, since December 31, 1998, and except as permitted by this Agreement or consented to hereunder, Qwest and its Subsidiaries have not incurred any material liability, except in the ordinary course of their

businesses consistent with their past practices, and there has not been any change, or any event involving a prospective change, in the business, financial condition or results of operations of Qwest or any of its Subsidiaries which has had, or is reasonably likely to have, a Material Adverse Effect on Qwest, and Qwest and its Subsidiaries have conducted their respective businesses in the ordinary course consistent with their past practices.

SECTION 3.08 *Litigation.* There are no claims, actions, suits, proceedings or investigations pending or, to Qwest's Knowledge, threatened against Qwest or any of its Subsidiaries, or any properties or rights of Qwest or any of its Subsidiaries, before any Governmental or Regulatory Authority as to which there is a reasonable likelihood of an adverse judgment or determination against Qwest or any of its Subsidiaries, except for those that are not, individually or in the aggregate, reasonably likely to have a Material Adverse Effect on Qwest or prevent or materially delay the ability of Qwest to consummate the transactions contemplated by this Agreement except as set forth on Schedule 3.08 hereof. With respect to Tax matters, litigation shall not be deemed threatened unless a Tax authority has delivered a written notice of deficiency to Qwest or any of its Subsidiaries.

SECTION 3.09 *No Violation of Law; Permits.* The business of Qwest and its Subsidiaries is not being conducted in violation of any statute, law, ordinance, regulation, judgment, order or decree of any Governmental or Regulatory Authority (including, without limitation, any stock exchange or other self-regulatory body) ("**Legal Requirements**"), or in violation of any permits, franchises, licenses, privileges, immunities, approvals, certificates, orders, authorizations or consents that are granted by any Governmental or Regulatory Authority (including, without limitation, any stock exchange or other self-regulatory body) ("**Permits**"), except for possible violations none of which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on Qwest. Except as disclosed in Qwest SEC Reports and as set forth on Schedule 3.09 hereto, no investigation, review or proceeding by any Governmental or Regulatory Authority (including, without limitation, any stock exchange or other self-regulatory body) with respect to Qwest or its Subsidiaries in relation to any alleged violation of law or regulation is pending or, to Qwest's Knowledge, threatened, nor has any Governmental or Regulatory Authority (including, without limitation, any stock exchange or other self-regulatory body) indicated an intention to conduct the same, except for such investigations which, if they resulted in adverse findings, would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect on Qwest. Except as set forth in the Qwest SEC Reports and on Schedule 3.09 hereto, neither Qwest nor any of its Subsidiaries is subject to any cease and desist or other order, judgment, injunction or decree issued by, or is a party to any written agreement, consent agreement or memorandum of understanding with, or is a party to any commitment letter or similar undertaking to, or is subject to any order or directive by, or has adopted any board resolutions at the request of, any Governmental or Regulatory Authority that materially restricts the conduct of its business or which would reasonably be expected to have a Material Adverse Effect on Qwest, nor has Qwest or any of its Subsidiaries been advised that any Governmental or Regulatory Authority is considering issuing or requesting any of the foregoing. None of the representations and warranties made in this Section 3.09 are being made with respect to Environmental Laws.

SECTION 3.10 *Joint Proxy Statement.* None of the information supplied or to be supplied by or on behalf of Qwest for inclusion or incorporation by reference in the registration

statement to be filed with the SEC by Qwest in connection with the issuance of shares of Qwest Common Stock in the Merger (the "**Registration Statement**") will, at the time the Registration Statement becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. None of the information supplied or to be supplied by or on behalf of Qwest for inclusion or incorporation by reference in the joint proxy statement, in definitive form, relating to the meetings of Qwest and US WEST stockholders to be held in connection with the Merger, or in the related proxy and notice of meeting, or soliciting material used in connection therewith (referred to herein collectively as the "**Joint Proxy Statement**") will, at the dates mailed to stockholders and at the times of the Qwest stockholders' meeting and the US WEST stockholders' meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Registration Statement and the Joint Proxy Statement (except for information relating solely to US WEST) will comply as to form in all material respects with the provisions of the Securities Act and the Exchange Act and the rules and regulations promulgated thereunder.

SECTION 3.11 *Employee Matters; ERISA.* Except as set forth on Schedule 3.11:

(a) Schedule 3.11 contains a true and complete list of all employee benefit plans covering present or former employees or directors of Qwest and of each of its Subsidiaries or their beneficiaries, or providing benefits to such persons in respect of services provided to any such entity, or with respect to which Qwest or any of its Subsidiaries has, or has had, an obligation to contribute or any other liability, including, but not limited to, any employee benefit plans within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), any deferred compensation, bonus, stock option, restricted stock, incentive, profit sharing, retirement, savings, medical, health, life insurance, disability, sick leave, cafeteria or flexible spending, vacation, unemployment compensation, severance or change in control agreements, arrangements, programs, policies or plans and any other benefit arrangements or payroll practice (collectively, the "**Qwest Benefit Plans**"), whether funded or unfunded, insured or uninsured, written or unwritten.

(b) All contributions and other payments required to be made by Qwest or any of its Subsidiaries to or under any Qwest Benefit Plan (or to any person pursuant to the terms thereof) have been made or the amount of such payment or contribution obligation has been reflected in the Qwest Financial Statements.

(c) Each of the Qwest Benefit Plans intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the Internal Revenue Service (the "**IRS**") to be so qualified, and, to Qwest's Knowledge, no circumstances exist that could reasonably be expected by Qwest to adversely affect such qualification. Qwest is in compliance in all material respects with, and each of the Qwest Benefit Plans complies in form with, and is and has been operated in all material respects in compliance with, all applicable Legal Requirements, including, without limitation, ERISA and the Code. No assets of Qwest or any of its Subsidiaries are subject to liens arising under ERISA or the Code on account of any Qwest Benefit Plan, neither Qwest nor any of its Subsidiaries has been required to provide any security

under Sections 401(a)(29) or 412(f) of the Code, or under Section 307 of ERISA, and no event has occurred that could give rise to any such lien or a requirement to provide such security.

(d) With respect to the Qwest Benefit Plans, individually and in the aggregate, no event has occurred and, to Qwest's Knowledge, there does not now exist any condition or set of circumstances, that could subject Qwest or any of its Subsidiaries to any material liability arising under the Code, ERISA or any other applicable Legal Requirements (including, without limitation, any liability to any such plan or the Pension Benefit Guaranty Corporation (the "PBGC")), or under any indemnity agreement to which Qwest or any of its Subsidiaries is a party, excluding liability for benefit claims and funding obligations payable in the ordinary course. No Qwest Benefit Plan subject to Title IV of ERISA has terminated, nor has a "reportable event" (within the meaning of Section 4043 of ERISA) occurred with respect to any such plan (other than such events with respect to which the reporting requirement has been waived by regulation).

(e) None of the Qwest Benefit Plans that are "welfare plans" within the meaning of Section 3(1) of ERISA (i) provide for any post-employment or retiree benefits other than continuation coverage required to be provided under Section 4980B of the Code, Part 6 of Title I of ERISA, or applicable state law, or (ii) has provided any disqualified benefit, within the meaning of Section 4976 of the Code, with respect to which an excise tax has been, or could be, imposed.

(f) Qwest has made available to U S WEST a true and correct copy of each current or last, in the case where there is no current, expired collective bargaining agreement to which Qwest or any of its Subsidiaries is a party or under which Qwest or any of its Subsidiaries has obligations and copies of the following documents with respect to each Qwest Benefit Plan, where applicable; (i) all plan documents governing such plan and the most recent summary plan description furnished to employees, (ii) the three (3) most recent annual reports filed with the IRS, (Form 5500-series), including all schedules and attachments thereto, (iii) each related trust agreement or other funding arrangement (including all amendments to each such agreement), (iv) the most recent determination of the IRS with respect to the qualified status of such Qwest Benefit Plan, and any currently-pending application for such a letter, (v) the most recent actuarial report or valuation, and (vi) written descriptions of unwritten Qwest Benefit Plans.

(g) Except as set forth on Schedule 3.11 hereto as made available to U S WEST prior to the date hereof, (i) the consummation or announcement of any transaction contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events) result in any (a) payment (whether of severance pay or otherwise) becoming due from Qwest or any of its Subsidiaries to any officer, employee, former employee or director thereof or to the trustee under any "rabbi trust" or similar arrangement, (b) benefit under any Qwest Benefit Plan being established or becoming accelerated, vested or payable, or (c) "reportable event" (as defined in Section 4043 of ERISA) with respect to a Qwest Benefit Plan subject to Title IV of ERISA, and (ii) neither Qwest nor any of its Subsidiaries is a party to (a) any management, employment, deferred compensation, severance (including any payment, right or benefit resulting from a change in control), bonus or other contract for personal services with any current or former officer, director or employee (whether or not characterized as a plan for purposes of ERISA), (b) any consulting contract with any person who prior to entering into such contract was

a director or officer of Qwest or any of its Subsidiaries, or (c) any plan, agreement, arrangement or understanding similar to any of the items described in clause (ii)(a) or (b) of this sentence.

(h) The consummation or announcement of any transaction contemplated by this Agreement will not (either alone or upon the occurrence of any additional or further acts or events) result in the disqualification of any of the Qwest Benefit Plans intended to be qualified under, result in a prohibited transaction or breach of fiduciary duty under, or otherwise violate, ERISA or the Code.

(i) Neither Qwest nor any of its Subsidiaries nor any of their directors, officers, employees or agents, nor any "party in interest" or "disqualified person", as such terms are defined in Section 3 of ERISA and Section 4975 of the Code, with respect to any Qwest Benefit Plan, has engaged in or been a party to any "prohibited transaction", as such term is defined in Section 4975 of the Code or Section 406 of ERISA, which is not otherwise exempt, which could result in the imposition of either a penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code upon Qwest or its Subsidiaries, or which could constitute a breach of fiduciary duty which could result in liability on the part of Qwest or any of its Subsidiaries.

(j) No Qwest Benefit Plan has incurred any "accumulated funding deficiency" (as defined in Section 412 of the Code or Part 3 of Title I of ERISA), whether or not waived. Neither Qwest nor any of its Subsidiaries has incurred, and none of such entities reasonably expects to incur, any material liability to the PBGC with respect to any Qwest Benefit Plan. Neither Qwest nor any of its Subsidiaries is a party to, contributes to, or is required to contribute to, and neither has incurred or reasonably expects to incur, any withdrawal liability with respect to, any "multiemployer plan" (as defined in Section 3(37) of ERISA). No Qwest Benefit Plan is a "multiple employer plan", within the meaning of the Code or ERISA.

SECTION 3.12 *Labor Matters.* Except as set forth on Schedule 3.12, neither Qwest nor any of its Subsidiaries is the subject of any pending material proceeding asserting that it or any of its Subsidiaries has committed an unfair labor practice or seeking to compel it to bargain with any labor union or labor organization, nor is any such proceeding pending or, to Qwest's Knowledge, threatened, except in each case as would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect on Qwest.

SECTION 3.13 *Environmental Matters.* Except for such matters that, individually or in the aggregate, are not reasonably likely to have a Material Adverse Effect on Qwest, or would not otherwise require disclosure pursuant to the Securities Act, or are listed on Schedule 3.13 hereto (i) each of Qwest and its Subsidiaries has complied and is in compliance with all applicable Environmental Laws (as defined below); (ii) the properties currently owned or operated by it or any of its Subsidiaries (including soils, groundwater, surface water, buildings or other structures) are not contaminated with any Hazardous Substances (as defined below); (iii) Hazardous Substances were not present, disposed, released or otherwise deposited on, under, at or from the properties formerly owned or operated by it or any of its Subsidiaries during the period of ownership or operation by it or any of its Subsidiaries; (iv) neither it nor any of its Subsidiaries is subject to liability for any Hazardous Substance disposal or contamination on any third party property; (v) neither it nor any of its Subsidiaries has been associated with any release

or threat of release of any Hazardous Substance; (vi) neither it nor any of its Subsidiaries has received any notice, demand, threat, letter, claim or request for information alleging that it or any of its Subsidiaries may be in violation of or liable under any Environmental Law (including any claims relating to electromagnetic fields or microwave transmissions); (vii) neither it nor any of its Subsidiaries is subject to any orders, decrees, injunctions or other arrangements with any Governmental or Regulatory Authority or is subject to any indemnity or other agreement with any third party relating to liability under any Environmental Law or relating to Hazardous Substances; and (viii) there are no circumstances or conditions involving it or any of its Subsidiaries that could reasonably be expected to result in any claims, liability, investigations, costs or restrictions on the ownership, use, or transfer of any of its properties pursuant to any Environmental Law.

As used herein and in Section 4.13, the term “**Environmental Law**” means any federal, state, local, foreign or other law (including common law), statutes, ordinances or codes relating to: (a) the protection, investigation or restoration of the environment, health, safety or natural resources, (b) the handling, use, presence, disposal, release or threatened release of any Hazardous Substance, or (c) noise, odor, wetlands, pollution, contamination or any injury or threat of injury to person or property in connection with any Hazardous Substance.

As used herein and in Section 4.13, the term “**Hazardous Substances**” means any substance that is: listed, classified or regulated pursuant to any Environmental Law, including any petroleum product or by-product, asbestos-containing material, lead-containing paint or plumbing, polychlorinated biphenyls, radioactive materials or radon.

SECTION 3.14 *Board Action; Vote Required; Applicability of Section 203.*

(a) The Board of Directors of Qwest has unanimously determined that the transactions contemplated by this Agreement are in the best interests of Qwest and its stockholders and has resolved to recommend to such stockholders that they vote in favor thereof.

(b) The approval of this Agreement and the issuance of Qwest Common Stock pursuant to this Agreement by a majority of the votes entitled to be cast by all holders of Qwest Common Stock is the only vote of the holders of any class or series of the capital stock of Qwest required to approve this Agreement, the Merger and the other transactions contemplated hereby.

(c) The provisions of Section 203 of Delaware Law will not, assuming the accuracy of the representation specified in Section 4.20 hereof (without giving effect to the knowledge qualification therein), apply to this Agreement, the Voting Agreement or any of the transactions contemplated hereby or thereby.

SECTION 3.15 *Opinion of Financial Advisor.* Qwest has received the opinion of Donaldson, Lufkin & Jenrette Securities Corporation dated the date hereof, to the effect that, as of such date, the Merger Consideration is fair from a financial point of view to the holders of Qwest Common Stock.

SECTION 3.16 *Brokers.* Except for Donaldson, Lufkin & Jenrette Securities Corporation, the arrangements with which have been disclosed to US WEST prior to the date hereof, who have been engaged by Qwest, no broker, finder or investment banker is entitled to

any brokerage, finder's, investment banking or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of Qwest or any of its Subsidiaries.

SECTION 3.17 *Tax Matters.* Except as set forth on Schedule 3.17 attached hereto and except to the extent that the failure of the following representations to be true would not have a Material Adverse Effect on Qwest:

(a) All Tax Returns required to be filed by Qwest or its Subsidiaries on or prior to the Effective Time have been or will be timely filed with the appropriate Governmental or Regulatory Authorities and are or will be correct in all respects, and all Taxes due by Qwest or its Subsidiaries on or prior to the Effective Time have been, or will be, timely paid;

(b) All unpaid Taxes in respect of Qwest or its Subsidiaries with respect to taxable periods ending on or prior to the Effective Time or with respect to taxable periods that begin before the Effective Time and end after the Effective Time, to the extent such Taxes are attributable to the portion of such period ending at the Effective Time, have been or will be adequately reflected as a liability on the books of Qwest or its Subsidiaries on or prior to the Effective Time;

(c) There are no liens (except for statutory liens for current Taxes not yet due and payable) against any domestic or foreign assets of Qwest or any of its Subsidiaries resulting from any unpaid Taxes;

(d) No audit or other proceeding with respect to Taxes due from Qwest or any of its Subsidiaries, or any Tax Return of Qwest or any of its Subsidiaries, is pending, threatened in writing, or being conducted by any Governmental or Regulatory Authority; and

(e) No extension of the statute of limitations on the assessment of any Taxes has been granted by Qwest or any of its Subsidiaries and is currently in effect.

SECTION 3.18 *Intellectual Property.* Qwest and its Subsidiaries have all right, title and interest in, or a valid and binding license to use, all Intellectual Property (as defined below) that is individually or in the aggregate material to the conduct of the businesses of Qwest and its Subsidiaries taken as a whole ("**Qwest Intellectual Property**"). Except as disclosed in Schedule 3.18, Qwest and its Subsidiaries (i) have not defaulted in any material respect under any license to use Qwest Intellectual Property, (ii) are not the subject of any proceeding or litigation for infringement of any third party Intellectual Property, (iii) have no Knowledge of circumstances that would be reasonably expected to give rise to any such proceeding or litigation, and (iv) have no Knowledge of circumstances that are causing or would be reasonably expected to cause the loss or impairment of Qwest Intellectual Property, other than a default, proceeding, litigation, loss or impairment that is not having or would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect on the conduct of the businesses of Qwest and its Subsidiaries taken as a whole. For purposes of this Agreement, "**Intellectual Property**" means patents and patent rights, trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, copyrights and copyright

rights, trade secret and trade secret rights, and other intellectual property rights, and all pending applications for and registrations of any of the foregoing.

SECTION 3.19 *Insurance.* Except as set forth on Schedule 3.19 hereto, each of Qwest and each of its Significant Subsidiaries is insured with financially responsible insurers in such amounts and against such risks and losses as are customary for companies conducting the business as conducted by Qwest and its Subsidiaries during such time period. Except as set forth on Schedule 3.19 hereto, since January 1, 1998, neither Qwest nor any of its Subsidiaries has received notice of cancellation or termination with respect to any material insurance policy of Qwest or its Subsidiaries which has not been cured. The insurance policies of Qwest and its Subsidiaries are valid and enforceable policies.

SECTION 3.20 *Ownership of Securities.* Except as set forth on Schedule 3.20 hereto, as of the date hereof, neither Qwest nor, to Qwest's Knowledge, any of its affiliates or associates (as such terms are defined under the Exchange Act), (a) (i) beneficially owns, directly or indirectly, or (ii) is party to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of, in each case, shares of capital stock of U S WEST, which in the aggregate represent ten percent (10%) or more of the outstanding shares of U S WEST Common Stock (other than shares held by Qwest Benefit Plans), nor (b) is an "interested stockholder" of U S WEST within the meaning of Section 203 of Delaware Law. Except as set forth on Schedule 3.20 hereto, Qwest owns no shares of U S WEST Common Stock which would constitute Disqualified Shares.

SECTION 3.21 *Certain Contracts.* Except as set forth on Schedule 3.21 hereto, all material contracts required to be described in Item 601(b)(10) of Regulation S-K to which Qwest or its Subsidiaries is a party or may be bound have been filed as exhibits to, or incorporated by reference in, Qwest's Annual Report on Form 10-K for the year ended December 31, 1998. Schedule 3.21 lists all material joint venture or strategic alliance agreements to which Qwest is a party. All contracts, licenses, consents, royalty or other agreements which are material to Qwest and its Subsidiaries, taken as a whole, to which Qwest or any of its Subsidiaries is a party (the "Qwest Contracts") are valid and in full force and effect on the date hereof except to the extent they have previously expired in accordance with their terms or, to the extent such invalidity would not have a Material Adverse Effect on Qwest, and, to Qwest's Knowledge, neither Qwest nor any of its Subsidiaries has violated any provision of, or committed or failed to perform any act which with or without notice, lapse of time or both would constitute a default under the provisions of, any Qwest Contract, except for defaults which individually and in the aggregate would not reasonably be expected to result in a Material Adverse Effect on Qwest. Schedule 3.21 separately identifies each Qwest Contract which contains a change-in-control or similar type provision which will be "triggered" and/or require a consent as a result of the transactions contemplated hereby.

SECTION 3.22 *Licenses.* Qwest and each of its Subsidiaries are the authorized legal holders or otherwise have rights to all material Permits and licenses and operating rights necessary for the operation of their businesses as presently operated (collectively, the "Qwest Licenses"). All Qwest Licenses were duly obtained and are validly issued and in full force and effect. Qwest is in compliance in all respects with the Communications Act of 1934, as amended, and the rules, regulations and policies of the FCC and all applicable Governmental or

Regulatory Authorities, except for such failure to comply which would not have a Material Adverse Effect on Qwest. There is not now pending and, to Qwest's Knowledge, there is not threatened in each case as of the date hereof, any action by or before the FCC or any Governmental or Regulatory Authority to revoke, suspend, cancel, rescind or modify in any material respect any of the Qwest Licenses. Schedule 3.22 sets forth a complete list of all Qwest Licenses.

SECTION 3.23 *Year 2000.* Qwest has (i) initiated a review and assessment of all areas within its and each of its existing Subsidiaries' business and operations that could be adversely affected by a failure of any of its Systems to be Year 2000 Compliant (as defined below), (ii) developed a plan and timeline for addressing Year 2000 compliance on a timely basis, and (iii) to date, implemented that plan in accordance with that timetable. Subject to the qualification contained in the Qwest SEC Reports, based on the foregoing, to Qwest's Knowledge, all Systems that are material to its or any of its Subsidiaries' business or operations are reasonably expected on a timely basis to be Year 2000 Compliant.

SECTION 3.24 *Foreign Corrupt Practices and International Trade Sanctions.* To Qwest's Knowledge, neither Qwest, nor any of its Subsidiaries, nor any of their respective directors, officers, agents, employees or any other Persons acting on their behalf has, in connection with the operation of their respective businesses, (i) used any corporate or other funds for unlawful contributions, payments, gifts or entertainment, or made any unlawful expenditures relating to political activity to government officials, candidates or members of political parties or organizations, or established or maintained any unlawful or unrecorded funds in violation of Section 104 of the Foreign Corrupt Practices Act of 1977, as amended, or any other similar applicable foreign, federal or state law, (ii) paid, accepted or received any unlawful contributions, payments, expenditures or gifts, or (iii) violated or operated in non-compliance with any export restrictions, anti-boycott regulations, embargo regulations or other applicable domestic or foreign laws and regulations, except in each case where there would be no Material Adverse Effect on Qwest.

SECTION 3.25 *Disclosure of Qwest Plans.* Qwest has disclosed to U S WEST all plans, projections or the like (written or otherwise) relating to its or its affiliates' efforts to compete in U S WEST's 14 state region.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF U S WEST

U S WEST hereby represents and warrants as of the date hereof to Qwest as follows:

SECTION 4.01 *Organization and Qualification; Subsidiaries.* U S WEST and each of its Significant Subsidiaries, as listed on Schedule 4.01 hereto, is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization. Each of the U S WEST Subsidiaries which is not a Significant Subsidiary is duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation or organization, except for such failure which, when taken together with all other such failures, would not reasonably be expected to have a Material Adverse Effect on U S WEST. Each of U S WEST and its Subsidiaries has the requisite corporate power and