

QWEST CORP

FORM 10-Q (Quarterly Report)

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 1999

OR

**[] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____
Commission File Number 1-3040

U S WEST Communications, Inc.

A Colorado Corporation
(State or other jurisdiction of incorporation
of organization)

84-0273800
(I.R.S. Employer Identification No.)

1801 California Street, Denver, Colorado 80202
Telephone Number (303) 672-2700

THE REGISTRANT, A WHOLLY-OWNED SUBSIDIARY OF U S WEST, INC., MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1) (a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM WITH REDUCED DISCLOSURE FORMAT PURSUANT TO GENERAL INSTRUCTION H(2).

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

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U S WEST Communications, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(dollars in millions)

(unaudited)

	Three Months Ended June 30, -----		Six Months Ended June 30, -----	
	1999 ----	1998 ----	1999 ----	1998 ----
Operating revenues:				
Local services.....	\$1,933	\$1,756	\$3,800	\$3,486
Access services.....	688	671	1,369	1,336
Long-distance services.....	150	195	321	396
Other services.....	78	73	152	146
	-----	-----	-----	-----
Total operating revenues.....	2,849	2,695	5,642	5,364
Operating expenses:				
Employee-related expenses.....	891	860	1,784	1,682
Other operating expenses.....	658	740	1,287	1,344
Depreciation and amortization.....	557	518	1,142	1,036
	-----	-----	-----	-----
Total operating expenses.....	2,106	2,118	4,213	4,062
	-----	-----	-----	-----
Operating income.....	743	577	1,429	1,302
Other expense:				
Interest expense.....	98	94	187	185
Other expense-net.....	12	29	24	56
	-----	-----	-----	-----
Total other expense-net.....	110	123	211	241
	-----	-----	-----	-----
Income before income taxes.....	633	454	1,218	1,061
Provision for income taxes.....	246	178	462	411
	-----	-----	-----	-----
Net income.....	\$387	\$276	\$756	\$650
	=====	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

U S WEST Communications, Inc.
CONSOLIDATED BALANCE SHEETS
(dollars in millions)

	June 30, 1999	December 31, 1998
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$66	\$68
Accounts receivable, less allowance for uncollectibles of \$53 and \$48, respectively.....	1,640	1,619
Inventories and supplies.....	194	154
Deferred tax assets.....	109	113
Prepaid and other.....	115	61
	-----	-----
Total current assets.....	2,124	2,015
Property, plant and equipment-net.....	15,224	14,681
Other assets-net.....	987	882
	-----	-----
Total assets.....	\$18,335	\$17,578
	=====	=====
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities:		
Short-term debt.....	\$1,342	\$789
Accounts payable.....	1,446	1,411
Accrued expenses.....	1,604	1,383
Advance billings and customer deposits.....	337	326
	-----	-----
Total current liabilities.....	4,729	3,909
Long-term debt.....	4,970	5,154
Postretirement and other postemployment benefit obligations.....	2,427	2,458
Deferred income taxes.....	997	898
Unamortized investment tax credits.....	159	159
Deferred credits and other.....	591	537
Commitments and Contingencies		
Stockholder's equity:		
Common stock-one share without par value, owned by parent.....	8,079	8,080
Cumulative deficit.....	(3,617)	(3,617)
	-----	-----
Total stockholder's equity.....	4,462	4,463
	-----	-----
Total liabilities and stockholder's equity.....	\$18,335	\$17,578
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

U S WEST Communications, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in millions)

(unaudited)

	Six Months Ended June 30,	
	1999	1998
OPERATING ACTIVITIES		
Net income.....	\$756	\$650
Adjustments to net income:		
Depreciation and amortization.....	1,142	1,036
Deferred income taxes and amortization of investment tax credits.....	98	79
Changes in operating assets and liabilities:		
Accounts receivable.....	(21)	(20)
Inventories, supplies and other current assets.....	(87)	(63)
Accounts payable, accrued expenses and advance billings.....	221	(159)
Other.....	(61)	86
	-----	-----
Cash provided by operating activities.....	2,048	1,609
	-----	-----
INVESTING ACTIVITIES		
Expenditures for property, plant and equipment.....	(1,627)	(1,242)
Proceeds from (payments on) disposals of property, plant and equipment.....	(18)	34
Other.....	-	(24)
	-----	-----
Cash used for investing activities.....	(1,645)	(1,232)
	-----	-----
FINANCING ACTIVITIES		
Net proceeds from short-term debt.....	555	228
Proceeds from issuance of long-term debt.....	17	-
Repayments of long-term debt.....	(280)	(83)
Dividends paid on common stock.....	(697)	(566)
Equity infusions from U S WEST.....	-	63
	-----	-----
Cash used for financing activities.....	(405)	(358)
	-----	-----
CASH AND CASH EQUIVALENTS		
Increase (decrease).....	(2)	19
Beginning balance.....	68	26
	-----	-----
Ending balance.....	\$66	\$45
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

U S WEST Communications, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 1999
(dollars in millions)

(unaudited)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation. The consolidated financial statements include accounts of U S WEST Communications, Inc. (the "Company") and its wholly owned subsidiaries. We are a wholly owned subsidiary of U S WEST, Inc. ("U S WEST").

The consolidated interim financial statements are unaudited. The financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not necessarily include all information and footnotes required by generally accepted accounting principles. In our opinion, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly our consolidated financial position, results of operations and cash flows as of June 30, 1999 and for all periods presented have been made. The statements are subject to year-end audit adjustment. A description of our accounting policies and other financial information are included in the audited consolidated financial statements filed with the Securities and Exchange Commission in our Form 10-K/A for the year ended December 31, 1998. The consolidated results of operations for the three and six months ended June 30, 1999 are not necessarily indicative of the results expected for the full year.

Certain reclassifications of prior period revenue amounts have been made to conform to the current year presentation.

On January 1, 1999, we adopted the accounting provisions required by the American Institute of Certified Public Accountants' Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1, among other things, requires that certain costs of internal use software, whether purchased or developed internally, be capitalized and amortized over the estimated useful life of the software. Adoption of the SOP resulted in an increase in net income for the three months ended June 30, 1999 of \$52 and \$86 for the six months ended June 30, 1999, respectively.

NOTE 2 SEGMENT INFORMATION

We operate in three segments: retail services, wholesale services and network services. The retail services segment provides local telephone services, including wireless, data and long-distance services. The wholesale services segment provides access services that connect customers to the facilities of interexchange carriers and interconnection to our telecommunications network to competitive local exchange carriers. Our network services segment provides access to our telecommunications network, including our information technologies, primarily to our retail services and wholesale services segments. We provide our services to more than 25 million residential and business customers in Arizona, Colorado, Idaho, Iowa, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington and Wyoming.

Following is a breakout of our segments, which has been extracted from the financial statements of U S WEST. Separate segment data is not provided to our chief operating decision-maker for the Company. Certain revenues and expenses of U S WEST are included in the segment data, which have been eliminated in the reconciling items column. Additionally, because significant expenses of operating the retail services and wholesale services segments are not allocated to the segments for decision-making purposes, management does not believe the segment margins are representative of the actual operating results of the segments. The margin for the retail services and wholesale services segments excludes network and corporate expenses. The margin for the network services segment excludes corporate expense. The "other" category includes our corporate expenses and intersegment eliminations. Asset information by segment is not provided to our chief operating decision-maker. The total communications and related services column represents a total of the retail services, wholesale services and network services segments.

	Retail Services	Wholesale Services	Network Services	Total Communications and Related Services	Other	Reconciling Items	Consolidated Total
	-----	-----	-----	-----	-----	-----	-----
Three Months Ended June 30, 1999							
Operating revenues.....	\$2,222	\$719	\$65	\$3,006	\$-	\$(157)	\$2,849
Margin.....	1,543	526	(699)	1,370	(3)	(734)	633(1)
Capital expenditures.....	93(2)	9	831	933	38	(23)	948
1998							
Operating revenues.....	\$2,113	\$638	\$53	\$2,804	\$-	\$(109)	\$2,695
Margin.....	1,544	449	(629)	1,364	(81)	(829)	454(1)
Capital expenditures.....	119(2)	-	641	760	34	(13)	781

(1) Represents income before income taxes. Adjustments that are made to the total of the segments' margin to arrive at income before income taxes include the following:

	Three Months Ended June 30,	
	1999	1998
Costs and adjustments excluded from segment data but included in the consolidated total:		
Restructuring costs.....	\$-	\$129
Taxes other than income taxes.....	104	87
Depreciation and amortization.....	557	518
Interest expense.....	98	94
Other amounts applicable to U S WEST, Inc.....	(37)	(28)
Other expense-net.....	12	29
	=====	=====
	\$734	\$829
	=====	=====

(2) Capital expenditures reported for the retail services segment include only expenditures for wireless services and certain data services. Additional capital expenditures relating to those services are included in network services capital expenditures.

	Total Communications and Related Services					Reconciling Items	Consolidated Total
	Retail Services	Wholesale Services	Network Services	Related Services	Other		
Six Months Ended June 30, 1999	-----	-----	-----	-----	-----	-----	-----
Operating revenues.....	\$4,390	\$1,409	\$115	\$5,914	\$-	\$(272)	\$5,642
Margin.....	3,047	1,055	(1,384)	2,718	(36)	(1,464)	1,218(1)
Capital expenditures.....	204(2)	40	1,469	1,713	38	(38)	1,713
1998							
Operating revenues.....	\$4,180	\$1,273	\$99	\$5,552	\$-	\$(188)	\$5,364
Margin.....	3,108	959	(1,305)	2,762	(188)	(1,513)	1,061(1)
Capital expenditures.....	237(2)	-	1,032	1,269	41	(20)	1,290

(1) Represents income before income taxes. Adjustments that are made to the total of the segments' margin to arrive at income before income taxes include the following:

	Six Months Ended June 30,	
	1999	1998
Costs and adjustments excluded from segment data but included in the consolidated total:		
Restructuring costs.....	\$-	\$129
Taxes other than income taxes.....	190	181
Depreciation and amortization.....	1,142	1,036
Interest expense.....	187	185
Other amounts applicable to U S WEST, Inc.....	(79)	(74)
Other expense-net.....	24	56
	=====	=====
	\$1,464	\$1,513
	=====	=====

(2) Capital expenditures reported for the retail services segment include only expenditures for wireless services and certain data services. Additional capital expenditures relating to those services are included in network services capital expenditures.

In addition to the operating revenues disclosed above, intersegment operating revenues of the retail services segment and network services segment were:

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Retail services.....	\$8	\$7	\$14	\$13

NOTE 3: COMMITMENTS AND CONTINGENCIES

Commitments

We have entered into an agreement with Olympic Properties of the United States to sponsor the 2002 Salt Lake City Winter Olympics and the U.S. Olympic Teams through 2004. As of June 30, 1999, we have a remaining commitment of \$49 to be paid in a combination of cash and services through 2004.

Contingencies

On May 1, 1996, the Oregon Public Utilities Commission ("OPUC") approved a stipulation terminating prematurely our alternative form of regulation ("AFOR") plan and it then undertook a review of our earnings. In May 1997, the OPUC ordered us to reduce our annual revenues by \$97, effective May 1, 1997, and to issue a one-time refund, including interest, of approximately \$102 to reflect the revenue reduction for the period May 1, 1996 through April 30, 1997. This one-time refund for interim rates became subject to refund when our AFOR plan was terminated on May 1, 1996.

We filed an appeal of the order and asked for an immediate stay of the refund with the Oregon Circuit Court which granted our request for a stay, pending a full review of the OPUC's order. On February 19, 1998, the Oregon Circuit Court entered a judgment in our favor on most of the appealed issues. The OPUC appealed to the Oregon Court of Appeals on March 19, 1998, and the appeal remains pending. We continue to charge interim rates, subject to refund, during the pendency of that appeal. The potential exposure, including interest, at June 30, 1999, is not expected to exceed \$386. Management does not believe there will be a material adverse impact to the financial statements as a result of this matter.

Other Contingencies. In December 1998, we were informed of the possibility of a claim by a purported class challenging the transfer of approximately \$54 from the U S WEST pension trust to the U S WEST health care trust to pay retiree medical expenses pursuant to Section 420 of the Internal Revenue Code of 1986, as amended. We believe that this transfer complied with the applicable law and the associated plan documents. We plan to vigorously defend any such claim if and when it is asserted.

We are subject to other legal proceedings and claims that arise in the ordinary course of business. Although there can be no assurance of the ultimate disposition of these matters, it is management's opinion, based upon the information available at this time, that the expected outcome, individually or in the aggregate, will not have a material adverse effect on our results of operations or financial position.

NOTE 4: SALE OF EXCHANGES

In June 1999, we entered into a series of definitive agreements to sell local-exchange telephone properties serving approximately 530,000 access lines in nine states for approximately \$1,650 in cash, subject to adjustment. Approval of the sale is subject to review by federal and state regulatory agencies. The transfer of ownership, which will occur on a state-by-state basis, is expected to be completed in 2000.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results
of Operations (dollars in millions)
Special Note Regarding Forward-Looking Statements

Some of the information presented in this Form 10-Q constitutes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Although U S WEST Communications, Inc. (the "Company," which may also be referred to as "we," "us" or "our") believes that its expectations are based on reasonable assumptions within the bounds of its knowledge of its businesses and operations, there can be no assurance that actual results will not differ materially from our expectations. Factors that could cause actual results to differ from expectations include:

- o greater than anticipated competition from new entrants into the local exchange, intraLATA (local access transport area) toll, wireless, data and directories markets, causing loss of customers and increased price competition;
- o changes in demand for our products and services, including optional custom calling features;
- o higher than anticipated employee levels, capital expenditures and operating expenses (such as costs associated with interconnection and Year 2000 remediation);
- o the loss of significant customers;
- o pending and future state and federal regulatory changes affecting the telecommunications industry, including changes that could have an impact on the competitive environment in the local exchange market;
- o a change in economic conditions in the various markets served by our operations;
- o higher than anticipated start-up costs associated with new business opportunities;
- o delays in our ability to begin offering interLATA long-distance services;
- o consumer acceptance of broadband services, including telephony, data, video and wireless services;
- o delays in the development of anticipated technologies, or the failure of such technologies to perform according to expectations; and
- o the timing and completion of the recently announced merger with Qwest Communications International Inc. ("Qwest") and the subsequent integration of the businesses of the two companies.

These cautionary statements should not be construed as an exhaustive list or as any admission by us regarding the adequacy of the disclosures. We cannot always predict or determine after the fact what factors would cause actual results to differ materially from those indicated by our forward-looking statements or other statements. In addition, consider statements that include the terms "believes," "belief," "expects," "plans," "objectives," "anticipates," "intends," or the like to be uncertain and forward-looking. All cautionary statements should be read as being applicable to all forward-looking statements wherever they appear.

We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed herein might not occur.

Results of Operations

Three and Six Months Ended June 30, 1999 Compared with 1998

Net income for the quarter ended June 30, 1999, increased by \$111, or 40.2% to \$387, compared to net income of \$276 for the quarter ended June 30, 1998. Net income for the six months ended June 30, 1999, increased \$106, or 16.3% to \$756, compared to net income of \$650 for the six months ended June 30, 1998. We experienced a 5.7% and 5.2% increase in revenues for the three and six months ended June 30, 1999, respectively, over the comparable 1998 periods. These increases were partially offset by increases in expenses to support our growth initiatives, enhanced customer service and greater network and interconnection costs.

The following sections provide a more detailed discussion of the changes in revenues and expenses.

Operating Revenues

Three Months Ended			Six Months		
June 30,			Ended June 30,		
1999	1998	Increase	1999	1998	Increase

Local services revenues.....	\$1,933	\$1,756	\$177	10.1%	\$3,800	\$3,486	\$314	9.0%
------------------------------	---------	---------	-------	-------	---------	---------	-------	------

Local services revenues. Local services revenues include basic monthly service fees, fees for calling services such as voice messaging and caller identification, wireless revenues, subscriber access line charges, MegaBit(TM) data services, public phone revenues, and installation and connection charges. State public service commissions regulate most local service rates.

Local services revenues increased primarily due to increased sales of wireless and calling services. Wireless services accounted for \$41 and \$72 of the revenue increases for the three and six months ended June 30, 1999, respectively. Increased revenues from calling services contributed \$36 for the quarter ended June 30, 1999 and \$67 for the six months ended June 30, 1999, over comparable 1998 periods. Additionally, revenues from access line growth contributed to the rise in revenues. Second line additions by residential and small business customers contributed to access line growth due to continuing demand for Internet access and data transport capabilities. As of the end of the second quarter of 1999, we had added 510,000 access lines, an increase of 3.1% over the second quarter of 1998. Of this increase, second line installations accounted for 242,000 lines, an increase of 16.5% compared with the second quarter of 1998. Also contributing to the revenue growth were increases in the subscriber base of our Megabit(TM) data services and greater revenue from inside wire maintenance plans. Partially offsetting these increases were net regulatory rate adjustments and refunds of \$4 for the three months ended June 30, 1999 and \$19 for the six months ended June 30, 1999, over the comparable 1998 periods.

While local services revenues increased in 1999, the growth rate has declined from 1998. The decline in the growth rate was primarily attributable to increased competition as well as our customer retention strategy of offering bundles of services to customers at lower prices in return for entering into longer-term contracts. Additionally, some business customers have opted to migrate from multiple single lines to high capacity lines, which decreases local services revenues but increases access services revenues. We believe we may continue to experience declining growth rates as the level of customer demand slows and competition increases. In June 1999, we entered into a series of definitive agreements to sell 530,000 access lines in nine states for \$1,650 in cash, subject to adjustment. The access lines accounted for 3.8% of fiscal 1998 local services revenues. While the sale is expected to provide us with a one-time gain in 2000, it will negatively impact future local services revenue growth.

	Three Months Ended June 30,				Six Months Ended June 30,			
	1999	1998	Increase		1999	1998	Increase	
Access services revenues.....	\$688	\$671	\$17	2.5%	\$1,369	\$1,336	\$33	2.5%

Access services revenues. Access services revenues are derived primarily from charging interexchange carriers, such as AT&T and MCI WorldCom, for use of our local network to connect customers to their long-distance networks. These revenues are generated from both interstate and intrastate services.

Access services revenues increased due to greater demand for both interstate and intrastate access services. The volume of interstate and intrastate access minutes billed both increased 5% for the three months ended June 30, 1999, over the comparable periods in 1998. Interstate and intrastate access minutes billed increased 6% and 5%, respectively, for the six months ended June 30, 1999 over the comparable 1998 periods. Rate reductions of \$17 and \$14 for interstate and intrastate access services, respectively, for the three months ended June 30, 1999, and \$31 and \$30 for the six months ended June 30, 1999, offset increases in demand. The net impact of increased demand, offset by rate reductions for the three months ended June 30, 1999, was to increase interstate access services revenues by \$42, or 9% and to decrease intrastate access services revenues by \$4, or 3% over the comparable 1998 periods. The net impact of increased demand, offset by rate reductions for the six months ended June 30, 1999, was to increase interstate access services revenues by \$93, or 10% and to decrease intrastate access services revenues by \$19, or 3% over the comparable 1998 periods. While we anticipate increased demand for total access services will continue, the effect of rate reductions is anticipated to continue to cause a decline in intrastate access services revenues. Additionally, revenues for the quarter and six months ended June 30, 1998 were favorably impacted by regulatory rate adjustments of \$20 and \$40, respectively.

	Three Months Ended June 30,				Six Months Ended June 30,			
	1999	1998	Decrease		1999	1998	Decrease	
Long-distance services revenues..	\$150	\$195	(\$45)	(23.1%)	\$321	\$396	(\$75)	(18.9%)

Long-distance services revenues. Long-distance services revenues are derived from customer calls to locations outside of their local calling area but within the same LATA. The decrease in long-distance services revenues for the three and six months ended June 30, 1999 was primarily attributable to greater competition, resulting in revenue declines of \$31 and \$51, respectively. Rate reductions of \$7 and \$17 for the three and six months ended June 30, 1999, respectively, also contributed to the revenue losses. As of June 30, 1999, customers in 11 of the 14 states in which we operate were able to choose an alternative provider for intraLATA calls without dialing a special access code when placing the call.

We believe we will continue to experience further declines in long-distance services revenues as regulatory actions provide for increased levels of competition. We are responding to competition through competitive pricing of intraLATA long-distance services and increased promotional efforts to retain customers. See "Special Note Regarding Forward-Looking Statements" on page 11.

	Three Months Ended June 30,				Six Months Ended June 30,			
	1999	1998			1999	1998		
Other services revenues.....	\$78	\$73	\$5	6.8%	\$152	\$146	\$6	4.1%

Other services revenues. Other services revenues include billings and collections for interexchange carriers and sales of customer equipment. The increases for the three and six months ended June 30, 1999, were primarily attributable to billing and collection and rent revenues.

Operating Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	1999	1998			1999	1998		
Employee-related expenses.....	\$891	\$860	\$31	3.6%	\$1,784	\$1,682	\$102	6.1%

Employee-related expenses. Employee-related expenses include salaries and wages, benefits, payroll taxes and contract labor.

Employee-related expenses increased during the three and six month periods ended June 30, 1999, because of increased commitments towards improving customer services, including meeting requests for installation, repair services and customer services, resulting in higher labor costs. Additionally, growth in several sectors of the business, primarily wireless and data communications, resulted in increased employee levels. Across-the-board wage increases also contributed to the increase in employee-related expenses. Partially offsetting the higher expenses were net reductions in the costs of employee benefits, including pension expense, of \$22 for the three months ended June 30, 1999 and \$41 for the six months ended June 30, 1999, over the comparable 1998 periods. In addition, \$24 for the quarter ended June 30, 1999 and \$38 for the six months ended June 30, 1999, of employee-related expenses associated with developing internal use software were capitalized in 1999 due to the adoption of Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," effective January 1, 1999.

	Three Months Ended June 30,				Six Months Ended June 30,			
	1999	1998			1999	1998		
Other operating expenses.....	\$658	\$740	(\$82)	(11.1%)	\$1,287	\$1,344	(\$57)	(4.2%)

Other operating expenses. Other operating expenses include access charges paid to independent local exchange carriers ("LECs") for the routing of local and long-distance traffic through their facilities and other selling, general and administrative costs. Included in the quarter and six months ended June 30, 1998 were \$129 of separation costs associated with the split from MediaOne Group, Inc. and asset impairment charges. Excluding these charges, other operating expenses increased \$47, or 7.7%, for the quarter ended June 30, 1999 and increased \$72 or 5.9% for the six months ended June 30, 1999. These increases in other operating expenses for the quarter and six months ended June 30, 1999, were primarily attributable to the following:

- o higher access charge expenses resulting from regulatory rulings that require us to pay reciprocal compensation to other LECs for calls that originate on our network and terminate on other LECs' networks,
- o increased costs of product sales associated with growth initiatives, including wireless handset costs and costs applicable to our data communications services, and
- o higher interconnection and Year 2000 remediation costs.

In addition, the increase in other operating expenses for the six months ended June 30, 1999, was also due to the following:

- o higher marketing and advertising costs for wireless, data communications services and calling services, such as caller identification, and
- o higher rent expense related to increased computer hardware leasing and increases in leasing costs associated with telephone poles.

Offsetting the increases in other operating expenses were the effects of capitalizing \$73 for the quarter ended June 30, 1999 and \$127 for the six months ended June 30, 1999 of costs associated with developing internal use software in accordance with SOP 98-1.

	Three Months Ended June 30,				Six Months Ended June 30,			
	1999	1998			1999	1998		
Depreciation and amortization expense.....	\$557	\$518	\$39	7.5%	\$1,142	\$1,036	\$106	10.2%

Depreciation and amortization expense. Depreciation and amortization expense increased primarily due to higher overall property, plant and equipment balances resulting from continued investment in our network. Additionally, the useful lives of certain assets were reduced, reflecting changes in technology, causing greater depreciation expense. Partially offsetting the second quarter increase was the cessation of depreciation primarily associated with the 530,000 access lines that are under definitive sales agreements entered into in the second quarter of 1999.

	Three Months Ended June 30,				Six Months Ended June 30,			
	1999	1998	Decrease		1999	1998	Decrease	
Other expense-net.....	\$110	\$123	(\$13)	10.6%	\$211	\$241	(\$30)	(12.4%)

Other expense-net. Interest expense remained relatively consistent for the three and six months ended June 30, 1999, compared to the prior comparable periods. Included in other expense-net were other expenses of \$12 for the quarter ended June 30, 1999, compared to \$29 for the quarter ended June 30, 1998 and \$24 for the six months ended June 30, 1999, compared to \$56 for the prior comparable period. The decreases were due to a reduction in regulatory interest expense from the prior year. Additionally, for the six months ended June 30, 1999, there was a reduction in interest expense attributable to an anticipated settlement of federal income tax liabilities for tax years still under audit.

	Three Months Ended				Six Months			
	June 30,		Increase		Ended June 30,		Increase	
	1999	1998	(Decrease)		1999	1998	(Decrease)	
Segment margin results:								
Retail segment.....	\$1,543	\$1,544	\$ (1)	(0.1)%	\$3,047	\$3,108	\$ (61)	(1.2)%
Wholesale segment.....	526	449	77	17.1	1,055	959	96	10.0
Network segment.....	(699)	(629)	(70)	(11.1)	(1,384)	(1,305)	(79)	(6.1)

Segment results. For segment reporting purposes, segment margins exclude certain costs and expenses, including depreciation and amortization, corporate expenses and taxes other than income. See Note 2 to the consolidated financial statements.

Margin from the retail services segment decreased for the six months ended June 30, 1999 over the comparable prior period due to operating expenses increasing at a greater rate than revenue growth. Revenue from the retail services segment increased 5.0% for the six months ended June 30, 1999 over the comparable 1998 period, primarily due to growth in local services revenue. The revenue increase was more than offset by the higher operating expenses driven by growth initiatives and increased customer service costs. For the quarter ended June 30, 1999, the margin was flat compared to the prior comparable quarter. This improvement, compared to the margin decline for the six months ended June 30, 1999, resulted from a reduction in advertising costs. Margins from the wholesale services segment increased as a result of greater demand for access services, partially offset by price reductions as mandated by both federal and state regulatory authorities and higher operating costs relating to interconnection costs and additional access charge expenses. Margins from the network services segment decreased as a result of expenditures to support growth in both the retail and wholesale services segments. Additionally, the implementation of SOP 98-1 in 1999, contributed favorably to each segment's margin results.

	Three Months Ended				Six Months			
	June 30,				Ended June 30,			
	1999	1998	Increase		1999	1998	Increase	
Provision for income								
taxes.....	\$246	\$178	\$68	38.2%	\$462	\$411	\$51	12.4%

Provision for income taxes. The effective tax rate for the three months ended June 30, 1999 was 38.9% compared to 39.2% for the comparable quarter of 1998. The effective tax rate was 37.9% for the six months ended June 30, 1999 compared to 38.7% for the six months ended June 30, 1998. The reductions in the 1999 effective tax rates were due to lower permanent differences in the current year.

Risk Management

Over time, we are exposed to market risks arising from changes in interest rates. The objective of our interest rate risk management program is to manage the level and volatility of our interest expense. We may employ derivative financial instruments to manage our interest rate risk exposure. We have also employed financial derivatives to hedge interest rate and foreign currency exposures associated with particular debt issues to synthetically obtain below market interest rates. We do not use derivative financial instruments for trading purposes.

As of June 30, 1999 and December 31, 1998, approximately \$464 and \$123, respectively, of floating-rate debt was exposed to changes in interest rates. This exposure is primarily linked to commercial paper rates and changes in 3-month LIBOR. A hypothetical increase of 1% in commercial paper rates and 3-month LIBOR would not have had a material effect on our earnings. As of June 30, 1999 and December 31, 1998, we also had \$222 and \$228, respectively, of long-term fixed rate debt obligations maturing in the following 12 months. Any new debt obtained to refinance this debt would be exposed to changes in interest rates. A hypothetical 10% change in the interest rates on this debt would not have had a material effect on our earnings.

As of June 30, 1999, all outstanding interest rate swaps and the associated debt instrument have matured. As of December 31, 1998, we had interest rate swaps with notional amounts of \$155. The swaps synthetically transformed certain of the Company's floating rate issues into fixed rate obligations. The swaps and associated debt issues were indexed to two and 10-year constant maturity U.S. Treasury rates. Any gains (losses) on the swaps were offset by losses (gains) on the associated debt instruments.

As of June 30, 1999 and December 31, 1998, we had also entered into cross-currency swaps with notional amounts of \$133 and \$204, respectively. The cross-currency swaps synthetically transform \$97 and \$182 of Swiss Franc borrowings at June 30, 1999 and December 31, 1998, respectively, into U.S. dollar obligations. Any gains (losses) on the cross-currency swaps would be offset by losses (gains) on the Swiss Franc debt obligations.

Recent Regulatory Developments

Interconnection. The FCC issued an order (the "Order") in 1996 relating to the Telecommunications Act of 1996 (the "Act") that established interconnection costing and pricing rules which, from our perspective, significantly impeded negotiations with new entrants to the local exchange market, state regulatory commission interconnection rulemakings and interconnection arbitration proceedings.

On January 25, 1999, the U.S. Supreme Court ("Supreme Court") issued a ruling on our appeal of the Order. Although the decision stated that the Act was ambiguous and self-contradictory, the Supreme Court ruled that:

- o the FCC has authority to set pricing methodology;
- o unbundled network elements ("UNEs") must be provided in cases where necessary or the lack of availability would impair competition;
- o Incumbent local exchange companies ("ILECs") must sell on a bundled basis, at the competitive local exchange carriers' ("CLECs") request, network elements the ILEC uses itself on a bundled basis; and
- o CLECs may pick and choose pricing or other terms and conditions from multiple contracts within certain bounds.

The impact of the Supreme Court ruling is unclear since state regulatory commissions generally follow the FCC's pricing and unbundling requirements in setting UNE prices. On April 16, 1999, the FCC issued a Further Notice of Proposal Rulemaking ("FNPRM") to address how it should interpret the "necessary and impair" standard and which specific network elements the FCC should require ILECs to unbundle. We expect further review of the legality of the FCC's pricing rules will occur at the Eighth Circuit Court of Appeals.

InterLATA Long-Distance Entry. Several regional Bell operating companies have filed for entry into the interLATA long-distance business. Although many of these applications have been approved by state regulatory commissions, the FCC has rejected all applications to date.

We view entry into this business as important to our strategy of providing an integrated bundle of services to our customers. In 1999, we withdrew our applications to enter the interLATA long-distance business in Wyoming and Montana but we filed an application in Arizona. In April 1999, the Nebraska Public Service Commission indicated it needed additional information before making a recommendation to the FCC. We expect our application to be forwarded to the FCC for its review in late 1999 or early 2000. See "Special Note Regarding Forward-Looking Statements" on page 11.

Access Reform. In its access reform order, the FCC mandated a substantial restructuring of interstate access pricing. A significant portion of the services that were charged using minutes-of-use pricing are now being charged using a combination of minutes-of-use rates, flat-rate presubscribed interexchange carrier charges ("PICCs") and subscriber line charges ("SLCs"). Although an increase in the SLC to multi-line business users occurred on July 1, 1997, the bulk of the mandated pricing changes occurred on January 1, 1998. Additional mandated pricing changes occurred on January 1, 1999 and July 1, 1999 and more will be implemented on January 1, 2000 and 2001. The net effect of these changes will be to decrease minutes-of-use charges and increase flat-rate charges (i.e., PICCs and SLCs).

The access reform order also continued in place the current rules under which ILECs may not assess interstate access charges on information service providers and purchasers of UNEs.

In February 1999, the FCC issued an order declaring that Internet traffic is interstate and opened a proceeding to determine the appropriate regulatory structure. The FCC allowed no change in the current agreements for reciprocal compensation with CLECs until it rules on this matter. A ruling is expected in the summer of 1999.

Advanced Telecommunications Services. On March 31, 1999, the FCC issued an order establishing expanded collocation requirements for both conventional voice and advanced services. The FCC also issued a FNPRM on "line sharing." Line sharing allows a CLEC to provide advanced services over the same loop that the ILEC uses to provide analog voice service.

Long-Term Number Portability Tariffs. In July 1999, the FCC issued an order on our local number portability tariff that was originally effective in February 1999. The FCC's order reduced our tariff from \$0.54 per access line to \$0.43 per access line. The FCC also required that the difference between \$0.54 and \$0.43 be refunded to customers. The Company does not expect the refund to have a material impact on its financial statements.

Court Remand of 6.5% Productivity Factor. On May 21, 1999, the District of Columbia U.S. Court of Appeals issued a ruling reversing and remanding back to the FCC its order requiring ILECs to retroactively increase the productivity offset to price caps to 6.5% in their annual price cap filings. The Court found that the FCC's order did not justify the increase. The FCC must revise and reissue its order by April 2000.

Shared Transport. In June 1999, the Supreme Court vacated and remanded to the Eight Circuit Court of Appeals its decision on the FCC's shared transport rules. Until the FCC issues new rules, there is no federal requirement to make shared transport available as a UNE. The FCC has combined this issue with its FNPRM on UNE pricing.

Contingencies

We have pending regulatory actions in local regulatory jurisdictions. See Note 3 to the consolidated financial statements.

Other Items

From time to time, we engage in discussions regarding restructurings, dispositions, acquisitions and other similar transactions. Any such transaction could include, among other things, the transfer, sale or acquisition of significant assets, businesses or interests, including joint ventures, or the incurrence, assumption or refinancing of indebtedness, and could be material to our financial condition and results of operations. There is no assurance that any such discussions will result in the consummation of any such transaction.

Year 2000 Costs

Background. We have conducted a comprehensive review of our computer-based systems and related software and are taking measures to ensure that such systems will properly recognize the year 2000 and continue to process beyond December 31, 1999. The systems we evaluated include systems within (i) the Public Switched Telephone Network (the "Network"), (ii) Information Technologies ("IT"), and (iii) individual Business Units (the "Business Units").

The Network, which processes voice and data information relating to our core communications business, relies on remote switches, central office equipment, interoffice equipment and loop transport equipment that is predominantly provided to us by telecommunications network vendors. IT is comprised of our internal business systems that employ hardware and software on an enterprise-wide basis, including operational, financial and administrative functions. The Business Units, which include internal organizations such as finance, procurement, directory services, operator services, wireless, data networks, real estate, etc., employ systems that support desktop and departmental applications, as well as embedded computer chip technologies, which relate specifically to each of our Business Unit's functions and generally are not part of the Network or IT.

We have approached year 2000 remediation activities through five general phases: (i) inventory/assessment, (ii) planning, (iii) conversion, (iv) testing/certification and (v) implementation. Additionally, we are continuously monitoring and improving our year 2000 related activities and progress, communicating with our customers and vendors, participating in cooperative testing with others and taking steps to assure that we have contingency plans in place prior to the end of 1999. These activities will continue throughout 1999.

Network update. With regard to the Network, we are working with our telecommunications network vendors to obtain and convert to compliant releases of hardware and software. We also are testing, at our own initiative, in cooperation with certain of our customers, vendors and with other major wireline telecommunications companies, network equipment over multiple configurations involving a broad spectrum of services. Toward this end, we participate in the Telco Year 2000 Forum (the "Forum"), an organization that addresses the year 2000 readiness of network elements and network interoperability. The Forum has contracted with Telcordia (formerly known as Bellcore), a former affiliate engaged in telecommunications industry research, development and maintenance activities, to engage in inter-region interoperability testing. No significant issues have been found to date. We also participate in (i) the FCC's Network Reliability and Interoperability Council IV working group, which is tasked to evaluate the year 2000 readiness of the public telecommunications network, and (ii) the Alliance for Telecommunications Industry Solutions ("ATIS"), which is testing inter-network interoperability, and which, in

conjunction with the Cellular Telecommunications Industry Association ("CTIA"), is testing network interoperability with wireless networks. Our inventory/assessment, planning and conversion phases for the Network are complete. The network testing/certification phase was approximately 100% complete as of June 30, 1999. Cooperative testing with certain customers, vendors and other telecommunications companies is expected to continue during 1999. As of June 30, 1999, approximately 99.6% of our Network remediation implementation was complete, with the remainder anticipated to be finished by August 1999. Substantial progress has been made with Network contingency planning activities. We anticipate that the remainder of the Network contingency planning activities will be complete by the end of the third quarter, 1999.

IT update. Within IT, we have identified approximately 570 applications that support our critical business processes, such as billing and collections, network monitoring, repair and ordering. The inventory/assessment and planning phases for such IT applications are complete. As of June 30, 1999, approximately 99% of IT conversion activities, 96.8% of IT testing activities and 97% of IT implementation had been completed. We anticipate that each of these phases for IT will be complete by September 1999. Substantial progress has been made with IT contingency planning activities. We anticipate that the remainder of the IT contingency planning activities will be complete by the end of the third quarter, 1999.

Business Units update. Within our Business Units, it is estimated that as of June 30, 1999, approximately 100% of the inventory/assessment activity, 99.5% of the planning activity, 99.5% of the conversion activity and 99% of the testing and remediation implementation activities were complete. We anticipate that each of these phases will be complete in the Business Units for major conversions and upgrades by the end of the third quarter of 1999. We have recently initiated Business Unit contingency planning activities and we anticipate those will be complete by the end of the third quarter, 1999.

Costs relating to year 2000. We and our parent company have spent approximately \$200 from the beginning of 1997 through the end of the second quarter of 1999 on year 2000 projects and activities. We and our parent company estimate that additional costs for year 2000 related projects and activities will be approximately \$75. Virtually all year 2000 related expenditures are being funded through operations. Though year 2000 costs will directly impact the reported level of future net income, we intend to control our total cost structure, including deferral of non-critical projects to future years, in an effort to mitigate the impact of year 2000 costs on our historical rate of earnings growth. The estimates stated above are subject to change. The timing of our expenses may vary and is not necessarily indicative of readiness efforts or progress to date.

Contingency plan. We cannot provide assurance that the results of our year 2000 compliance efforts or the costs of such efforts will not differ materially from estimates. Accordingly, we are developing year 2000 specific business continuity and contingency plans to address high risk areas as they are identified. Our year 2000 contingency planning activities will include training of crisis managers on year 2000 issues and potential business impacts to their particular process areas, reviewing and modifying existing business continuity plans to address year 2000 issues and establishing rapid response teams and communications procedures for each of the major critical operations and facilities to handle potential post-implementation year 2000 failures. These year 2000 specific contingency planning activities are to be in place by the third quarter of 1999. In addition, we have in place our standard overall business continuity, contingency and disaster recovery plans (such as diesel generator back-up power supply sources for our Network, Network rerouting capabilities, computer data and records safe-keeping and back-up and recovery procedures) which will be verified, and as appropriate, augmented for specific year 2000 contingencies.

Dependencies. Within Network, we are highly dependent upon our telecommunications network vendors to provide year 2000 compliant hardware and software in a timely manner, and on third parties that are assisting us in the focused testing and implementation phases regarding the Network. Because of these dependencies, we have developed and implemented a vendor compliance process whereby we have obtained written assurances of timely year 2000 compliance from most of our critical vendors (not only for Network, but also for IT and the Business Units). In addition, we monitor and actively participate in coordinated Network testing activities, as discussed above, with respect to the Forum, ATIS and Telcordia. Within IT, we depend on the development of software by experts, both internal and external, and the availability of critical resources with the requisite skill sets. Because of this dependency, we have developed detailed timetables, resource plans and standardized year 2000 testing requirements for identified critical applications (irrespective of whether these applications are used primarily by IT, the Network or the Business Units). Within the Business Units, we are dependent on vendor supplied goods and services and operability of the Network and critical IT and Business Unit specific applications. Because of these dependencies, we are implementing the same type of vendor compliance processes and application planning and testing processes at the Business Units, as discussed above with respect to the Network and IT. Overall, we have sought compliance assurances from approximately 7,765 vendors concerning approximately 25,769 products and have received assurances for 99.6% of those products as of June 30, 1999. During 1999, we will continue to pursue assurances of timely year 2000 compliance for the remaining critical vendors.

As with any large-scale computer-related project such as year 2000 remediation, the testing phase may require resources in excess of other project phases and the other project phases may be affected by and dependent upon the results of the testing phase.

Summary. In management's view, the most reasonably likely worse case scenario for year 2000 failure prospects we face is that a limited number of important IT and/or Business Unit specific applications may unexpectedly fail. In addition, there may be unexpected problems with the Network relating to the year 2000. Our failure or the failure by certain of our vendors to remediate year 2000 compliance issues in advance of the year 2000 and to execute appropriate contingency plans in the event that a critical failure is experienced, could result in disruption of our operations, possibly impacting the Network and impairing our ability to bill or collect revenues. However, while no assurance can be given, management believes that our efforts at remediation and testing, year 2000 specific contingency planning, and overall business continuity, contingency and disaster recovery planning will likely be successful, and that the aforementioned "worse case scenario" is unlikely to develop or significantly disrupt our financial operations.

The above discussion regarding year 2000 contains many statements that are "forward-looking" within the meaning of the Reform Act. Although we believe that our estimates are based on reasonable assumptions, we cannot assure that actual results will not differ materially from these expectations or estimates. See "Special Note Regarding Forward-Looking Statements" on page 11.

New Accounting Standards

On June 15, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("FAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments and for hedging activities. FAS No. 133 requires, among other things, that all derivative instruments be recognized at fair value as assets or liabilities on the balance sheet and that changes in fair value generally be recognized currently in earnings unless specific criteria are met. The standard is effective for fiscal years beginning after June 15, 2000, though earlier adoption is permitted. Financial statement impacts of adopting the new standard depend upon the amount and nature of the future use of derivative instruments and their relative changes in valuation over time. Had we adopted FAS No. 133 in 1999, its impact on the consolidated financial statements would not have been material.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The Company and its subsidiaries are subject to claims and proceedings arising in the ordinary course of business. For a discussion of these actions, see "Note 3: Commitments and Contingencies" - to the consolidated financial statements.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits filed for the Company through the filing of this Form 10-Q.

Exhibit No.

- | | |
|-------|--|
| (2a) | Articles of Merger including the Plan of Merger between The Mountain States Telephone and Telegraph Company (renamed U S WEST Communications, Inc.) and Northwestern Bell Telephone Company. (Incorporated herein by this reference to Exhibit 2a to Form SE filed on January 8, 1991, File No. 1-3040). |
| (2b) | Articles of Merger including the Plan of Merger between The Mountain States Telephone and Telegraph Company (renamed U S WEST Communications, Inc.) and Pacific Northwest Bell Telephone Company. (Incorporated herein by this reference to Exhibit 2b to Form SE filed on January 8, 1991, File No. 1-3040). |
| (3a) | Restated Articles of Incorporation of the Registrant. (Incorporated herein by this reference to Exhibit 3a to Form 10-K/A filed on April 13, 1998, File No. 1-3040). |
| (3b) | Bylaws of the Registrant, as amended. (Incorporated herein by this reference to Exhibit 3b to Form 10-K/A filed on April 13, 1998, File No. 1-3040). |
| 4 | No instrument which defines the rights of holders of long and intermediate term debt of the Registrant is filed herewith pursuant to Regulation S-K, Item 601(b) (4) (iii) (A). Pursuant to this regulation, the Registrant hereby agrees to furnish a copy of any such instrument to the SEC upon request. |
| (10a) | Reorganization and Divestiture Agreement dated as of November 1, 1983, between American Telephone and Telegraph Company, U S WEST Inc., and certain of their affiliated companies, including The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company, Pacific Northwest Bell Telephone Company and NewVector Communications, Inc. (Exhibit 10a to Form 10-K for the period ended December 31, 1983, File No. 1-3040). |

(10b)	Shared Network Facilities Agreement dated as of January 1, 1984, between American Telephone and Telegraph Company, AT&T Communications of the Midwest, Inc. and The Mountain States Telephone and Telegraph Company. (Exhibit 10b to Form 10-K for the period ended December 31, 1983, File No. 1-3040).
(10c)	Agreement Concerning Termination of the Standard Supply Contract effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company and Central Services Organization (Exhibit 10d to Form 10-K for the period ended December 31, 1983, File No. 1-3040).
(10d)	Agreement Concerning Certain Centrally Developed Computer Systems effective December 31, 1983, between American Telephone and Telegraph Company, Western Electric Company, Incorporated, The Mountain States Telephone and Telegraph Company and Central Services Organization (Exhibit 10e to Form 10-K for the period ended December 31, 1983, File No. 1-3040).
(10e)	Agreement Concerning Patents, Technical Information and Copyrights effective December 31, 1983, between American Telephone and Telegraph Company and U S WEST, Inc. (Exhibit 10f to Form 10-K for the period ended December 31, 1983, File No. 1-3040).
(10f)	Agreement Concerning Liabilities, Tax Matters and Termination of Certain Agreements dated as of November 1, 1983, between American Telephone and Telegraph Company, U S WEST, Inc., The Mountain States Telephone and Telegraph Company and certain of their affiliates (Exhibit 10g to Form 10-K for the period ended December 31, 1983, File No. 1-3040).
(10g)	Agreement Concerning Trademarks, Trade Names and Service Marks effective December 31, 1983, between American Telephone and Telegraph Company, American Information Technologies Corporation, Bell Atlantic Corporation, BellSouth Corporation, Cincinnati Bell, Inc., NYNEX Corporation, Pacific Telesis Group, The Southern New England Telephone Company, Southwestern Bell Corporation and U S WEST, Inc. (Exhibit 10i to Form 10-K for the period ended December 31, 1984, File No. 1-3040).
(10h)	Shareholders' Agreement dated as of January 1, 1988, between Ameritech Services, Inc., Bell Atlantic Management Services, Inc., BellSouth Services, Incorporated, NYNEX Service Company, Pacific Bell, Southwestern Bell Telephone Company, The Mountain States Telephone and Telegraph Company, Northwestern Bell Telephone Company and Pacific Northwest Bell Telephone Company (Exhibit 10h to Form SE dated March 5, 1992, File No. 1-3040).
(10i)	Form of Agreement for Purchase and Sale of Telephone Exchanges, dated as of June 16, 1999, between Citizens Utilities Company and U S WEST Communications, Inc. (Exhibit 99B to Form 8-K dated June 17, 1999, File No. 1-3040).
10j	364-Day \$800 Million Credit Agreement, dated May 19, 1999, with The Banks Listed Therein and Morgan Guaranty Trust Company of New York, as Administrative Agent.
10k	Amendment No. 1 to Credit Agreement dated as of June 11, 1999 to the 364-Day \$800 Million Credit Agreement, dated as of May 19, 1998, among U S WEST Communications, Inc., U S WEST, Inc., the Banks listed on the signature pages thereto and Morgan Guaranty Trust Company of New York, as Administrative Agent.
27	Financial Data Schedule
()	Previously filed.

(b) Reports on Form 8-K filed during the Second Quarter of 1999 and through the filing of this form 10-Q.

(i) Form 8-K dated June 17, 1999 providing notification of a press release entitled "Citizens Utilities signs definitive agreements with U S WEST to purchase approximately 530,000 telephone access lines in nine states for \$1.65 billion".

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

U S WEST Communications, Inc.

/s/ ALLAN R. SPIES

By: _____

Allan R. Spies

Vice President and Chief Financial Officer

August 9, 1999

\$800,000,000

364-DAY

CREDIT AGREEMENT

dated as of

May 19, 1999

among

U S WEST Communications, Inc.

The Banks Listed Herein

and

Morgan Guaranty Trust Company of New York, as Administrative Agent

J.P. Morgan Securities Inc. Lead Arranger

Chase Securities Inc. Syndication Agent

The First National Bank of Chicago Documentation Agent

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CREDIT AGREEMENT

AGREEMENT dated as of May 19, 1999 among U S WEST COMMUNICATIONS, INC., the BANKS listed on the signature pages hereof and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent.

The parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1. The Definitions.

The following terms, as used herein, have the following meanings:

"Absolute Rate Auction" means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.03.

"Adjusted London Interbank Offered Rate" has the meaning set forth in Section 2.07.

"Administrative Questionnaire" means, with respect to each Bank, an administrative questionnaire in the form prepared by the Agent and submitted to the Agent (with a copy to the Company) duly completed by such Bank.

"Agent" means Morgan Guaranty Trust Company of New York in its capacity as administrative agent for the Banks hereunder, and its successors in such capacity.

"Applicable Lending Office" means, with respect to any Bank, (i) in the case of its Domestic Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office and (iii) in the case of its Money Market Loans, its Money Market Lending Office.

"Assignee" has the meaning set forth in Section 9.06(c).

"Bank" means each lender listed on the signature pages hereof, each Assignee which becomes a Bank pursuant to Section 9.06(c), and their respective successors.

"Base Rate" means, for any day, a rate per annum equal to the higher of
(i) the Prime Rate for such day and (ii) the sum of 1/2 of 1% plus the Federal Funds Rate for such day.

"Benefit Arrangement" means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

"Borrowing" has the meaning set forth in Section 1.03.

"Closing Date" means the date on or after the Effective Date on which the Agent shall have received the documents specified in or pursuant to Section 3.01.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank on the signature pages hereof, as such amount may be reduced from time to time pursuant to Sections 2.09 and 2.11.

"Committed Loan" means a loan to be made by a Bank pursuant to Section 2.01(a); provided that if any such loan or loans are combined or subdivided pursuant to a Notice of Interest Rate Election, the term "Committed Loan" shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

"Company" means U S WEST Communications, Inc., a Colorado corporation, and its successors.

"Company's 1998 Form 10-K/A" means U S WEST Communications, Inc.'s annual report on Form 10-K/A for 1998, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934.

"Consolidated EBITDA" means, for any period, the net income of the Company and its Consolidated Subsidiaries determined on a consolidated basis for such period (adjusted to exclude the effect of (x) equity gains or losses in unconsolidated Persons, (y) any preferred dividend income and any extraordinary or other non-recurring non-cash gain or loss or (z) any gain or loss on the disposition of investments), plus, to the extent deducted in determining such adjusted net income, the aggregate amount of (i) interest expense, (ii) income tax expense and (iii) depreciation, amortization and other similar non-cash charges and minus, to the extent included in determining such adjusted net income, the aggregate amount of (i) interest income and (ii) income tax benefit.

"Consolidated Net Worth" means at any date the consolidated shareowners' equity of the Company and its Consolidated Subsidiaries determined as of such date.

"Consolidated Subsidiary" means at any date any Subsidiary or other entity the accounts of which would be consolidated with those of the Company in its consolidated financial statements if such statements were prepared as of such date.

"Debt" of any Person means at any date, without duplication, (i) all obligations of such Person for borrowed money, (ii) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (iii) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (iv) all obligations of such Person as lessee which are capitalized in accordance with generally accepted accounting principles, (v) all Debt secured by a Lien on any asset of such Person, whether or not such Debt is otherwise an obligation of such Person, and (vi) all Debt of others Guaranteed by such Person.

Notwithstanding the foregoing, for purposes of Section 5.06 Debt shall in no event include the following:

(x) Debt of Persons which are not Consolidated Subsidiaries ("Joint Ventures") (i) which is secured by a Lien on the assets or capital stock of a Minor Subsidiary or the equity interests in such Joint Ventures or is Guaranteed by a Minor Subsidiary, which Lien or Guaranty is incurred in connection with the operations of the Company and its Subsidiaries, and (ii) for the payment of which no other recourse may be had to the Company or any of its Subsidiaries; and

(y) Debt of the Company issued in connection with the issuance of Trust Originated Preferred Securities or substantially similar securities, so long as such Debt is subordinated and junior in right of payment to substantially all liabilities of the Company including, without limitation, the Loans.

"Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

"Domestic Business Day" means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized by law to close.

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Company and the Agent.

"Domestic Loan" means (i) a Committed Loan which bears interest at the Base Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election or the provisions of Article 8 or (ii) an overdue amount which was a Domestic Loan immediately before it became overdue.

"Effective Date" means the date this Agreement becomes effective in accordance with Section 9.09.

"Environmental Laws" means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and other governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

"ERISA Group" means the Company, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Company or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Company and the Agent.

"Euro-Dollar Loan" means (i) a Committed Loan which bears interest at a Euro-Dollar Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election or (ii) an overdue amount which was a Euro-Dollar Loan before it became overdue.

"Euro-Dollar Margin" has the meaning set forth in Section 2.07.

"Euro-Dollar Rate" means a rate of interest determined pursuant to Section 2.07 on the basis of an Adjusted London Interbank Offered Rate.

"Euro-Dollar Reference Banks" means the principal London offices of Bank of America National Trust and Savings Association, Mellon Bank, N.A., and Morgan Guaranty Trust Company of New York, and "Euro-Dollar Reference Bank" means any one of the foregoing.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.07.

"Event of Default" has the meaning set forth in Section 6.01.

"Existing Credit Agreements" means the \$250,000,000 Line of Credit Agreement dated April 19, 1999 between the Company and Bank of America NT & SA; the \$75,000,000 Line of Credit Agreement dated July 24, 1998 between the Company and Bank of America NT & SA, d/b/a SeaFirst Bank; the \$100,000,000 Line of Credit Agreement dated April 19, 1999 between the Company and Citibank, N.A.; the \$75,000,000 Line of Credit Agreement dated July 24, 1998 between the Company and The First National Bank of Chicago; the \$35,000,000 Line of Credit Agreement dated October 30, 1998 between the Company and First Security Bank, N.A.; the \$125,000,000 Line of Credit Agreement dated July 24, 1998 between the Company and Norwest Bank Colorado, National Association; and the \$50,000,000 Line of Credit Agreement dated July 24, 1998 between the Company and U.S. Bank National Association.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day, provided that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Morgan Guaranty Trust Company of New York on such day on such transactions as determined by the Agent.

"Fixed Rate Loans" means Euro-Dollar Loans or Money Market Loans (excluding Money Market LIBOR Loans bearing interest at the Base Rate pursuant to Section 8.01(a)) or any combination of the foregoing.

"Group of Loans" means at any time a group of Loans consisting of (i) all Committed Loans which are Domestic Loans at such time or (ii) all Committed Loans which are Euro-Dollar Loans having the same Interest Period at such time; provided that, if a Committed Loan of any particular Bank is converted to or made as a Domestic Loan pursuant to Section 8.02 or 8.05, such Loan shall be included in the same Group or Groups of Loans from time to time as it would have been in if it had not been so converted or made.

"Guaranty" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), provided that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"Hazardous Substances" means any toxic, radioactive, caustic or otherwise hazardous substance, including petroleum, its derivatives, by-products and other hydrocarbons, or any substance having any constituent elements displaying any of the foregoing characteristics.

"Indemnitee" has the meaning set forth in Section 9.03(b).

"Interest Period" means: (1) with respect to each Euro-Dollar Loan, a period commencing on the date of borrowing specified in the applicable Notice of Borrowing or the date specified in the applicable Notice of Interest Rate Election and ending one, two, three or six months thereafter, as the Company may elect in the applicable notice; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period beginning prior to a Termination Date which would otherwise end after a Termination Date shall end on such Termination Date, and any Interest Period beginning on or after a Termination Date which would otherwise end after the first anniversary of such Termination Date shall end on the first anniversary of such Termination Date.

(2) with respect to each Money Market LIBOR Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing and ending such whole number of months thereafter as the Company may elect in accordance with Section 2.03; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period beginning prior to a Termination Date which would otherwise end after a Termination Date shall end on such Termination Date.

(3) with respect to each Money Market Absolute Rate Loan, the period commencing on the date of borrowing specified in the applicable Notice of Borrowing and ending such number of days thereafter (but not less than 7 days) as the Company may elect in accordance with Section 2.03; provided that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period beginning prior to a Termination Date which would otherwise end after a Termination Date shall end on such Termination Date.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"LIBOR Auction" means a solicitation of Money Market Quotes setting forth Money Market Margins based on the London Interbank Offered Rate pursuant to Section 2.03.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind, or any other type of preferential arrangement that has the practical effect of creating a security interest, in respect of such asset. For the purposes of this Agreement, the Company or any Subsidiary shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Loan" means a Domestic Loan or a Euro-Dollar Loan or a Money Market Loan and "Loans" means Domestic Loans or Euro-Dollar Loans or Money Market Loans or any combination of the foregoing.

"London Interbank Offered Rate" has the meaning set forth in Section 2.07.

"Margin Stock" means "margin stock" as such term is defined in Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Material Debt" means Debt (other than the Notes) of the Company and/or one or more of its Subsidiaries, arising in one or more related or unrelated transactions, in an aggregate principal amount exceeding \$100,000,000.

"Material Plan" means at any time a Plan or Plans having aggregate Unfunded Liabilities in excess of \$100,000,000.

"Minor Subsidiary" means, for purposes of the last sentence of the definition of Debt and of Section 5.07(f) (the "Relevant Provisions"), (i) U S WEST Wireless LLC and (ii) any other Subsidiary which, at the time of the issuance of a Guaranty or grant of a Lien referred to in the Relevant Provisions, had assets which, when taken together with all assets of Subsidiaries at any earlier time when such Subsidiaries were deemed to be Minor Subsidiaries pursuant to this clause (ii), did not exceed \$250,000,000.

"Money Market Absolute Rate" has the meaning set forth in Section 2.03 (d).

"Money Market Absolute Rate Loan" means a loan to be made by a Bank pursuant to an Absolute Rate Auction.

"Money Market Lending Office" means, as to each Bank, its Domestic Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Money Market Lending Office by notice to the Company and the Agent; provided that any Bank may from time to time by notice to the Company and the Agent designate separate Money Market Lending Offices for its Money Market LIBOR Loans, on the one hand, and its Money Market Absolute Rate Loans, on the other hand, in which case all references herein to the Money Market Lending Office of such Bank shall be deemed to refer to either or both of such offices, as the context may require.

"Money Market LIBOR Loan" means a loan to be made by a Bank pursuant to a LIBOR Auction (including such a loan bearing interest at the Base Rate pursuant to Section 8.01(a)).

"Money Market Loan" means a Money Market LIBOR Loan or a Money Market Absolute Rate Loan.

"Money Market Margin" has the meaning set forth in Section 2.03(d).

"Money Market Quote" means an offer by a Bank to make a Money Market Loan in accordance with Section 2.03.

"Multiemployer Plan" means at any time an employee pension benefit plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

"Notes" means promissory notes of the Company, substantially in the form of Exhibit A hereto, evidencing the obligation of the Company to repay the Loans made to it, and "Note" means any one of such promissory notes issued hereunder.

"Notice of Borrowing" means a Notice of Committed Borrowing (as defined in Section 2.02) or a Notice of Money Market Borrowing (as defined in Section 2.03(f)).

"Parent" means, with respect to any Bank, any Person controlling such Bank.

"Participant" has the meaning set forth in Section 9.06(b).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (i) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (ii) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

"Pricing Schedule" means the Schedule attached hereto and identified as such.

"Prime Rate" means the rate of interest publicly announced by Morgan Guaranty Trust Company of New York in New York City from time to time as its Prime Rate.

"Required Banks" means at any time Banks having more than 50% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing more than 50% of the aggregate unpaid principal amount of the Loans.

"Revolving Credit Period" means the period from and including the Effective Date to but excluding the Termination Date.

"Significant Subsidiary" means any Subsidiary which would meet the definition of "significant subsidiary" contained as of the date hereof in Regulation S-X of the Securities and Exchange Commission.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Company.

"Super-Majority Banks" means at any time Banks having at least 85% of the aggregate amount of the Commitments or, if the Commitments shall have been terminated, holding Notes evidencing at least 85% of the aggregate unpaid principal amount of the Loans.

"Termination Date" means, with respect to each Bank, May 17, 2000, or such later date to which the Termination Date for such Bank shall have been extended pursuant to Section 2.01(b), or, if such day is not a Euro-Dollar Business Day, the next preceding Euro-Dollar Business Day.

"Unfunded Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (ii) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

"United States" means the United States of America, including the States and the District of Columbia, but excluding its territories and possessions.

"Wholly-Owned Consolidated Subsidiary" means any Consolidated Subsidiary all of the shares of capital stock or other ownership interests of which (except directors' qualifying shares) are at the time directly or indirectly owned by the Company.

SECTION 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time in the United States, applied on a basis consistent (except for changes concurred in by the Company's independent public accountants) with the most recent audited consolidated financial statements of the Company and its Consolidated Subsidiaries delivered to the Banks; provided that, if the Company notifies the Agent that the Company wishes to amend any covenant in Article 5 to eliminate the effect of any change in such generally accepted accounting principles on the operation of such covenant (or if the Agent notifies the Company that the Required Banks wish to amend Article 5 for such purpose), then compliance with such covenant shall be determined on the basis of generally accepted accounting principles in effect in the United States immediately before the relevant change in generally accepted accounting principles became effective, until either such notice is withdrawn or such covenant is amended in a manner satisfactory to the Company and the Required Banks.

SECTION 1.3. Types of Borrowings. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Company pursuant to Article 2 on a single date, all of which Loans are of the same type (subject to Article 8) and, except in the case of Domestic Loans, have the same Interest Period or initial Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans) or by reference to the provisions of Article 2 under which participation therein is determined (i.e., a "Committed Borrowing" is a Borrowing under Section 2.01(a) in which all Banks participate in proportion to their Commitments, while a "Money Market Borrowing" is a Borrowing under Section 2.03 in which the Bank participants are determined on the basis of their bids in accordance therewith).

ARTICLE 2

THE CREDITS

SECTION 2.1. Commitments to Lend.

(a) The Commitments. During the Revolving Credit Period each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Company pursuant to this subsection (a) from time to time in amounts such that the aggregate principal amount of Committed Loans by such Bank at any one time outstanding to the Company shall not exceed the amount of its Commitment. Each Borrowing under this Section shall be in an aggregate principal amount of \$25,000,000 or any larger multiple of \$5,000,000 (except that any such Borrowing may be in the aggregate amount available in accordance with Section 3.02(c)) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Company may borrow under this subsection (a), repay, or to the extent permitted by Section 2.11, prepay Loans and reborrow at any time during the Revolving Credit Period under this subsection (a). The Commitments shall terminate at the close of business on the Termination Date.

(b) Extension of Commitments. The Commitments may be extended in the manner and amount set forth in this subsection (b), for a period of 364 days measured from the Termination Date then in effect. If the Company wishes to request an extension of each Bank's Commitment, it shall give notice to that effect to the Agent not less than 45 days and not more than 60 days prior to the Termination Date then in effect, whereupon the Agent shall promptly notify each of the Banks of such request. Each Bank will use its best efforts to respond to such request, whether affirmatively or negatively, as it may elect in its discretion, within 30 days of such notice to the Agent. If any Bank shall not have responded affirmatively within such 30-day period, such Bank shall be deemed to have rejected the Company's proposal to extend its Commitment, and only the Commitments of those Banks which have responded affirmatively shall be extended, subject to receipt by the Agent of counterparts of an Extension Agreement in substantially the form of Exhibit H hereto duly completed and signed by the Company, the Agent and all of the Banks which have responded affirmatively. The Agent shall provide to the Company, no later than 10 days prior to the Termination Date then in effect, a list of the Banks which have responded affirmatively. The Extension Agreement shall be executed and delivered no later than five days prior to the Termination Date then in effect, and no extension of the Commitments pursuant to this subsection (b) shall be legally binding on any party hereto unless and until such Extension Agreement is so executed and delivered. The Company may decline to execute and deliver such Extension Agreement if any Bank has rejected the Company's proposal to extend its Commitment or has failed to execute and deliver such Extension Agreement, and will promptly notify the Agent and the Banks if it so declines.

(c) Additional Commitments. At any time during the Revolving Credit Period, if no Default shall have occurred and be continuing at such time, the Company may, if it so elects, increase the aggregate amount of the Commitments, either by designating a Person not theretofore a Bank and acceptable to the Agent to become a Bank or by agreeing with an existing Bank that such Bank's Commitment shall be increased. Upon execution and delivery by the Company and such Bank or other Person of an instrument of assumption in form and amount satisfactory to the Administrative Agent, such existing Bank shall have a Commitment as therein set forth or such other Person shall become a Bank with a Commitment as therein set forth and all the rights and obligations of a Bank with such a Commitment hereunder; provided that (i) the Company shall provide prompt notice of such increase to the Agent, which shall promptly notify the other Banks, (ii) the aggregate amount of each such increase which is effective on any day shall be at least \$50,000,000 and (iii) the aggregate amount of the Commitments shall at no time exceed \$1,000,000,000. Upon any increase in the aggregate amount of the Commitments pursuant to this subsection (c), within five Domestic Business Days in the case of each Group of Domestic Loans outstanding, and at the end of the then current Interest Period with respect thereto in the case of each Group of Euro-Dollar Loans then outstanding, the Company shall prepay such Group in its entirety, and, to the extent the Company elects to do so and subject to the conditions specified in Article 3, the Company shall reborrow Committed Loans from the Banks in proportion to their respective Commitments after giving effect to such increase, until such time as all outstanding Committed Loans are held by the Banks in such proportion.

(d) Term Loans. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make a loan to the Company on the Termination Date in amounts such that the aggregate principal amount of such Bank's outstanding Loans to the Company at the close of business on the Termination Date shall not exceed its Commitment. Each Borrowing under this subsection (d) shall be made from the several Banks ratably in proportion to their respective Commitments. Amounts prepaid pursuant to Section 2.11 shall not be reborrowed. If less than all the Banks shall have agreed to extend the Termination Date pursuant to subsection (b) above, but the Termination Date for those Banks which have not so agreed has not yet occurred (the "Earlier Date"), and the Company has requested a Borrowing pursuant to this subsection (d), then such Borrowing shall be made on the Earlier Date.

SECTION 2.2. Notice of Committed Borrowing. The Company shall give the Agent notice (a "Notice of Committed Borrowing") not later than 10:30 A.M. (New York City time) on (x) the date of each Domestic Borrowing, and (y) the third Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

(i) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Domestic Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(ii) the aggregate amount of such Borrowing,

(iii) whether the Loans comprising such Borrowing bear interest initially at the Base Rate or at a Euro-Dollar Rate, and

(iv) in the case of a Euro-Dollar Borrowing, the duration of the initial Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

SECTION 2.3. Money Market Borrowings. (a) The Money Market Option. In addition to Committed Borrowings pursuant to Section 2.01(a), the Company may, as set forth in this Section, request the Banks during the Revolving Credit Period to make offers to make Money Market Loans to the Company. The Banks may, but shall have no obligation to, make such offers and the Company may, but shall have no obligation to, accept any such offers in the manner set forth in this Section.

(b) Money Market Quote Request. When the Company wishes to request offers to make Money Market Loans under this Section, it shall transmit to the Agent by telex or facsimile transmission a Money Market Quote Request substantially in the form of Exhibit B hereto so as to be received no later than 9:00 A.M. (New York City time) on (x) the fourth Euro-Dollar Business Day prior to the date of Borrowing proposed therein, in the case of a LIBOR Auction or (y) the Domestic Business Day prior to the date of Borrowing proposed therein, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective) specifying:

(i) the proposed date of Borrowing, which shall be a Euro-Dollar Business Day in the case of a LIBOR Auction or a Domestic Business Day in the case of an Absolute Rate Auction,

- (ii) the aggregate amount of such Borrowing, which shall be \$25,000,000 or a larger multiple of \$5,000,000,
- (iii) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and
- (iv) whether the Money Market Quotes requested are to set forth a Money Market Margin or a Money Market Absolute Rate.

The Company may request offers to make Money Market Loans for more than one Interest Period in a single Money Market Quote Request. No Money Market Quote Request shall be given within five Euro-Dollar Business Days (or such other number of days as the Company and the Agent may agree) of any other Money Market Quote Request.

(c) Invitation for Money Market Quotes. Promptly upon receipt of a Money Market Quote Request, the Agent shall send to the Banks by telex or facsimile transmission an Invitation for Money Market Quotes substantially in the form of Exhibit C hereto, which shall constitute an invitation by the Company to each Bank to submit Money Market Quotes offering to make the Money Market Loans to which such Money Market Quote Request relates in accordance with this Section.

(d) Submission and Contents of Money Market Quotes. (i) Each Bank may submit a Money Market Quote containing an offer or offers to make Money Market Loans in response to any Invitation for Money Market Quotes. Each Money Market Quote must comply with the requirements of this subsection (d) and must be submitted to the Agent by telex or facsimile transmission at its offices specified in or pursuant to Section 9.01 not later than (x) 10:30 A.M. (New York City time) on the third Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) 9:15 A.M. (New York City time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective); provided that Money Market Quotes submitted by the Agent (or any affiliate of the Agent) in the capacity of a Bank may be submitted, and may only be submitted, if the Agent or such affiliate notifies the Company of the terms of the offer or offers contained therein not later than (x) one hour prior to the deadline for the other Banks, in the case of a LIBOR Auction or (y) 15 minutes prior to the deadline for the other Banks, in the case of an Absolute Rate Auction. Subject to Articles 3 and 6, any Money Market Quote so made shall be irrevocable except with the written consent of the Agent given on the instructions of the Company.

(ii) Each Money Market Quote shall be in substantially the form of Exhibit D hereto and shall in any case specify:

(A) the proposed date of Borrowing,

(B) the principal amount of the Money Market Loan for which each such offer is being made, which principal amount (w) may be greater than or less than the Commitment of the quoting Bank, (x) must be \$5,000,000 or a larger multiple of \$1,000,000, (y) may not exceed the principal amount of Money Market Loans for which offers were requested, and (z) may be subject to an aggregate limitation as to the principal amount of Money Market Loans for which offers being made by such quoting Bank may be accepted,

(C) in the case of a LIBOR Auction, the margin above or below the applicable London Interbank Offered Rate (the "Money Market Margin") offered for each such Money Market Loan, expressed as a percentage (specified to the nearest 1/10,000th of 1%) to be added to or subtracted from such base rate,

(D) in the case of an Absolute Rate Auction, the rate of interest per annum (specified to the nearest 1/10,000th of 1%) (the "Money Market Absolute Rate") offered for each such Money Market Loan, and

(E) the identity of the quoting Bank.

A Money Market Quote may set forth up to five separate offers by the quoting Bank with respect to each Interest Period specified in the related Invitation for Money Market Quotes.

(iii) Any Money Market Quote shall be disregarded if it:

(A) is not substantially in conformity with Exhibit D hereto or does not specify all of the information required by subsection (d)(ii);

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Money Market Quotes; or

(D) arrives after the time set forth in subsection (d)(i).

(e) Notice to Company. The Agent shall promptly (and in any event no later than 11:00 A.M. (New York time) on (i) the third Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (ii) the proposed date of Borrowing, in the case of an Absolute Rate Auction) notify the Company of the terms (x) of any Money Market Quote submitted by a Bank that is in accordance with subsection (d) and (y) of any Money Market Quote that amends, modifies or is otherwise inconsistent with a previous Money Market Quote submitted by such Bank with respect to the same Money Market Quote Request. Any such subsequent Money Market Quote shall be disregarded by the Agent unless such subsequent Money Market Quote is submitted solely to correct a manifest error in such former Money Market Quote. The Agent's notice to the Company shall specify (A) the aggregate principal amount of Money Market Loans for which offers have been received for each Interest Period specified in the related Money Market Quote Request, (B) the respective principal amounts and Money Market Margins or Money Market Absolute Rates, as the case may be, so offered and (C) if applicable, limitations on the aggregate principal amount of Money Market Loans for which offers in any single Money Market Quote may be accepted.

(f) Acceptance and Notice by Company. Not later than 11:15 A.M. (New York City time) on (x) the third Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction or (y) the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in either case, such other time or date as the Company and the Agent shall have mutually agreed and shall have notified to the Banks not later than the date of the Money Market Quote Request for the first LIBOR Auction or Absolute Rate Auction for which such change is to be effective), the Company shall notify the Agent of its acceptance or non-acceptance of the offers so notified to it pursuant to subsection (e). In the case of acceptance, such notice (a "Notice of Money Market Borrowing") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. The Company may accept any Money Market Quote in whole or in part; provided that:

(i) the aggregate principal amount of each Money Market Borrowing may not exceed the applicable amount set forth in the related Money Market Quote Request,

(ii) the principal amount of each Money Market Borrowing must be \$25,000,000 or a larger multiple of \$5,000,000,

(iii) acceptance of offers may only be made on the basis of ascending Money Market Margins or Money Market Absolute Rates, as the case may be, and

(iv) the Company may not accept any offer that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(g) Allocation by Agent. If offers are made by two or more Banks with the same Money Market Margins or Money Market Absolute Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which such offers are accepted for the related Interest Period, the principal amount of Money Market Loans in respect of which such offers are accepted shall be allocated by the Agent among such Banks as nearly as possible (in multiples of \$1,000,000, as the Agent may deem appropriate) in proportion to the aggregate principal amounts of such offers. Determinations by the Agent of the amounts of Money Market Loans shall be conclusive in the absence of manifest error.

SECTION 2.4. Notice to Banks; Funding of Loans. (a) Upon receipt of a Notice of Borrowing, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's share (if any) of such Borrowing and such Notice of Borrowing shall not thereafter be revocable by the Company.

(b) Not later than 1:00 P.M. (New York City time) on the date of each Borrowing, each Bank participating therein shall (except as provided in subsection (c) of this Section) make available its share of such Borrowing, in Federal or other funds immediately available in New York City, to the Agent at its address referred to in Section 9.01. Unless any applicable condition specified in Article 3 has not been satisfied, as determined by the Agent in accordance with Article 3, the Agent will make the funds so received from the Banks immediately available to the Company at the Agent's aforesaid address.

(c) If any Bank makes a new Loan hereunder to the Company on a day on which the Company is to repay all or any part of an outstanding Loan from such Bank, such Bank shall apply the proceeds of its new Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed by the Company and the amount being repaid shall be made available by such Bank to the Agent as provided in subsection (b) of this Section, or remitted by the Company to the Agent as provided in Section 2.12, as the case may be.

(d) Unless the Agent shall have received notice from a Bank prior to the date of any Borrowing (or, in the case of a Base Rate Borrowing, prior to Noon (New York City time) on the date of such Borrowing) that such Bank will not make available to the Agent such Bank's share of such Borrowing, the Agent may assume that such Bank has made such share available to the Agent on the date of such Borrowing in accordance with subsections (b) and (c) of this Section 2.04 and the Agent may, in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent that such Bank shall not have so made such share available to the Agent, such Bank and the Company severally agree to repay to the Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the date such amount is made available to the Company until the date such amount is repaid to the Agent, at (i) in the case of the Company, a rate per annum equal to the higher of the Federal Funds Rate and the interest rate applicable thereto pursuant to Section 2.07 and (ii) in the case of such Bank, the Federal Funds Rate. If such Bank shall repay to the Agent such corresponding amount, such amount so repaid shall constitute such Bank's Loan included in such Borrowing for purposes of this Agreement. If the Company shall have repaid such corresponding amount of such Bank, such Bank shall reimburse the Company for any loss on account thereof incurred by the Company.

SECTION 2.5. Notes. (a) The Loans of each Bank to the Company shall be evidenced by a single Note of the Company payable to the order of such Bank for the account of its Applicable Lending Office, unless such Bank requests otherwise, in an amount equal to the aggregate unpaid principal amount of such Bank's Loans to the Company.

(b) Each Bank may, by notice to the Company and the Agent, request that its Loans of a particular type to the Company be evidenced by a separate Note of the Company in an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans of the relevant type. Each reference in this Agreement to a "Note" or the "Notes" of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c) Upon receipt of each Bank's Note pursuant to Section 3.01, the Agent shall forward such Note to such Bank. Each Bank shall record the date, amount and type of each Loan made by it to the Company and the date and amount of each payment of principal made with respect thereto, and may, if such Bank so elects in connection with any transfer or enforcement of its Note of the Company, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan to the Company then outstanding; provided that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Company hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Company so to endorse its Notes and to attach to and make a part of any Note a continuation of any such schedule as and when required.

SECTION 2.6. Maturity of Loans. Each Loan by a Bank included in any Borrowing made pursuant to Section 2.01(a) shall mature, and the principal amount thereof shall be due and payable, together with accrued interest thereon, on the Termination Date for such Bank. Each Loan included in any Borrowing made pursuant to Section 2.01(d) shall mature, and the principal amount thereof shall be due and payable, together with accrued interest thereon, on the first anniversary of the Termination Date on which such Borrowing is made. Each Loan included in any Borrowing made pursuant to Section 2.03 shall mature, and the principal amount thereof shall be due and payable, together with accrued interest thereon, on the last day of the Interest Period applicable thereto.

SECTION 2.7. Interest Rates. (a) Each Domestic Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate for such day. Such interest shall be payable quarterly in arrears on the last day of each calendar quarter and, with respect to the principal amount of any Domestic Loan converted to a Euro-Dollar Loan, on each date a Domestic Loan is so converted. Any overdue principal of or interest on any Domestic Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Domestic Loans for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin plus the applicable Adjusted London Interbank Offered Rate. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof.

The "Adjusted London Interbank Offered Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

"Euro-Dollar Margin" means a rate per annum determined in accordance with the Pricing Schedule.

The "London Interbank Offered Rate" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Euro-Dollar Reference Banks in the London interbank market at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Euro-Dollar Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in New York City with deposits exceeding five billion dollars in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(c Any overdue principal of or interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus the higher of (i) the Euro-Dollar Margin plus the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (x) the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which one day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than six months as the Agent may select) deposits in dollars in an amount approximately equal to such overdue payment due to each of the Euro-Dollar Reference Banks are offered to such Euro-Dollar Reference Bank in the London interbank market for the applicable period determined as provided above by (y) 1.00 minus the Euro-Dollar Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 8.01 shall exist, at a rate per annum equal to the sum of 2% plus the rate applicable to Domestic Loans for such day) and (ii) the sum of the Euro-Dollar Margin plus the Adjusted London Interbank Offered Rate applicable to such Loan at the date such payment was due.

(d) Subject to Section 8.01, each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.07 as if the related Money Market LIBOR Borrowing were a Committed Euro-Dollar Borrowing) plus (or minus) the Money Market Margin quoted by the Bank making such Loan in accordance with Section 2.03. Each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan in accordance with Section 2.03. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal or interest on any Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Base Rate for such day.

(e) The Agent shall determine each interest rate applicable to the Loans hereunder. The Agent shall give prompt notice to the Company and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(f) Each Euro-Dollar Reference Bank agrees to use its best efforts to furnish quotations to the Agent as contemplated hereby. If any Euro-Dollar Reference Bank does not furnish a timely quotation, the Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Euro-Dollar Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.01 shall apply.

SECTION 2.8. Facility Fees. The Company shall pay to the Agent for the account of the Banks ratably a facility fee at the Facility Fee Rate (determined daily in accordance with the Pricing Schedule). Such facility fee shall accrue

(i) from and including the Effective Date to but excluding the Termination Date (or earlier date of termination of the Commitments in their entirety), on the daily average aggregate amount of the Commitments (whether used or unused) and

(ii) from and including the Termination Date (or earlier date of termination of the Commitments in their entirety) to but excluding the date the Loans shall be repaid in their entirety, on the daily average aggregate outstanding principal amount of the Loans. Accrued facility fees shall be payable quarterly in arrears on the last day of each calendar quarter and upon the date of termination of the Commitments in their entirety (and, if later, the date the Loans shall be repaid in their entirety).

"Facility Fee Rate" means a rate per annum determined in accordance with the Pricing Schedule.

SECTION 2.9. Termination or Reduction of Commitments. During the Revolving Credit Period, the Company may, upon at least three Domestic Business Days' notice to the Agent, (i) terminate the Commitments at any time, if no Loans are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of \$25,000,000 or any larger multiple of \$5,000,000, the aggregate amount of the Commitments in excess of the aggregate outstanding principal amount of the Loans.

SECTION 2.10. Method of Electing Interest Rates. (a) The Loans included in each Committed Borrowing shall bear interest initially at the type of rate specified by the Company in the applicable Notice of Committed Borrowing. Thereafter, the Company may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject in each case to the provisions of Article 8), as follows:

(i if such Loans are Domestic Loans, the Company may elect to convert such Loans to Euro-Dollar Loans as of any Euro-Dollar Business Day;

(ii if such Loans are Euro-Dollar Loans, the Company may elect to convert such Loans to Domestic Loans or elect to continue such Loans as Euro-Dollar Loans for an additional Interest Period, in each case effective on the last day of the then current Interest Period applicable to such Loans.

Each such election shall be made by delivering a notice (a "Notice of Interest Rate Election") to the Agent at least three Euro-Dollar Business Days before the conversion or continuation selected in such notice is to be effective. A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; provided that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) the portion to which such Notice applies, and the remaining portion to which it does not apply, are each \$25,000,000 or any larger multiple of \$5,000,000.

(b Each Notice of Interest Rate Election shall specify:

(i the Group of Loans (or portion thereof) to which such notice applies;

(ii) the date on which the conversion or continuation selected in such notice is to be effective, which shall comply with the applicable clause of subsection (a) above;

(iii) if the Loans comprising such Group are to be converted, the new type of Loans and, if such new Loans are Euro-Dollar Loans, the duration of the initial Interest Period applicable thereto; and

(iv) if such Loans are to be continued as Euro-Dollar Loans for an additional Interest Period, the duration of such additional Interest Period.

Each Interest Period specified in a Notice of Interest Rate Election shall comply with the provisions of the definition of Interest Period.

(c) Upon receipt of a Notice of Interest Rate Election from the Company pursuant to subsection (a) above, the Agent shall promptly notify each Bank of the contents thereof and such notice shall not thereafter be revocable by such Company. If the Company fails to deliver a timely Notice of Interest Rate Election to the Agent for any Group of Euro-Dollar Loans, such Loans shall be converted into Domestic Loans on the last day of the then current Interest Period applicable thereto.

SECTION 2.11. Prepayments.

(a) Subject in the case of any Euro-Dollar Loans to Section 2.13, the Company may, upon at least one Domestic Business Day's notice to the Agent, prepay the Group of Domestic Loans (or any Money Market Borrowing bearing interest at the Base Rate pursuant to Section 8.01(a)), or, upon three Euro-Dollar Business Days' notice to the Agent, prepay any Group of Euro-Dollar Loans, in each case in whole at any time, or from time to time in part in amounts aggregating \$25,000,000 or any larger multiple of \$5,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment.

(b) Except as provided in subsection (a) above, the Company may not prepay all or any portion of the principal amount of any Money Market Loan prior to the maturity thereof.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Company. Each such prepayment shall be applied to prepay ratably the Loans of the several Banks included in the relevant Group or Borrowing.

SECTION 2.12. General Provisions as to Payments. (a) The Company shall make each payment of principal of, and interest on, the Loans and of fees and other amounts payable hereunder, not later than 12:00 Noon (New York City time) on the date when due, in Federal or other funds immediately available in New York City, without off set or counterclaim, to the Agent at its address referred to in Section 9.01. The Agent will promptly distribute to each Bank its ratable share of each such payment received by the Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Domestic Loans or of fees or other amounts payable hereunder shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Whenever any payment of principal of, or interest on, the Money Market Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

(b) Unless the Agent shall have received notice from the Company prior to the date on which any payment is due from the Company to the Banks hereunder that the Company will not make such payment in full, the Agent may assume that the Company has made such payment in full to the Agent on such date and the Agent may, in reliance upon such assumption, cause to be distributed to each Bank on such due date an amount equal to the amount then due such Bank. If and to the extent that the Company shall not have so made such payment, each Bank shall repay to the Agent forthwith on demand such amount distributed to such Bank together with interest thereon, for each day from the date such amount is distributed to such Bank until the date such Bank repays such amount to the Agent, at the Federal Funds Rate.

SECTION 2.13. Funding Losses. If the Company makes any payment of principal with respect to any Fixed Rate Loan or any Fixed Rate Loan is converted to a Domestic Loan (pursuant to Article 2, 6 or 8 or otherwise) on any day other than the last day of an Interest Period applicable thereto, or the last day of an applicable period fixed pursuant to Section 2.07(c), or if the Company fails to borrow, convert, continue or prepay any Fixed Rate Loans after notice has been given to any Bank in accordance with Section 2.04(a), 2.10(c) or 2.11(c), the Company shall reimburse each Bank within 15 days after demand for any resulting loss or expense incurred by it (or by an existing or prospective Participant in the related Loan), including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, but excluding loss of margin for the period after any such payment or conversion or failure to borrow or prepay, provided that such Bank shall have delivered to the Company a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

SECTION 2.14. Computation of Interest and Fees. Interest based on the Prime Rate hereunder shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and paid for the actual number of days elapsed (including the first day but excluding the last day). All other interest and fees hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.15. Change of Control. If a Change of Control shall occur, the Company will, within ten days after the occurrence thereof, give each Bank notice thereof, which notice shall describe in reasonable details the facts and circumstances giving rise thereto and shall specify an Optional Termination Date for purposes of this Section (the "Optional Termination Date") which date shall not be less than 30 nor more than 60 days after the date of such notice. Each Bank may, by notice to the Company and the Agent given not less than three Domestic Business Days prior to the Optional Termination Date, terminate its Commitment (if any), which shall thereupon be terminated, and declare the Note held by it (together with accrued interest thereon) and any other amounts payable hereunder for its account to be, and such Note and such other amounts shall thereupon become, due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company and the Company, in each case effective on the Optional Termination Date.

A "Change of Control" shall occur if (i) U S WEST, Inc. shall cease to own at least 80% of each class of outstanding shares of stock of the Company;

(ii) any person or group of persons (within the meaning of Section 13 or 14 of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under said Act) of 30% or more of the outstanding shares of common stock of U S WEST, Inc.; or (iii) during any period of twelve consecutive calendar months, individuals who were directors of U S WEST, Inc. on the first day of such period shall cease to constitute a majority of the board of directors of U S WEST, Inc.

ARTICLE 3

CONDITIONS

SECTION 3.1. Closing. The closing hereunder shall occur upon receipt by the Agent of the following (in the case of any document, dated the Closing Date unless otherwise indicated):

(a a duly executed Note of the Company for the account of each Bank dated on or before the Closing Date complying with the provisions of Section 2.05;

(b an opinion of Thomas O. McGimpsey, Esq., counsel for the Company, substantially in the form of Exhibit E hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(c an opinion of Davis Polk & Wardwell, special counsel for the Agent, substantially in the form of Exhibit F hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(d evidence satisfactory to the Agent that the commitments under the Existing Credit Agreements have been terminated and that the principal and interest on all loans and accrued fees outstanding thereunder have been paid in full;

(e evidence satisfactory to the Agent of the payment of all fees and other amounts payable to the Agent for the account of the Banks or the Agent on or prior to the Closing Date, including, to the extent invoiced, reimbursement of all out-of-pocket expenses (including, without limitation, legal fees and expenses) required to be reimbursed or paid by the Company hereunder; and

(f all documents the Agent may reasonably request relating to the existence of the Company, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Agent.

The Agent shall promptly notify the Company and the Banks of the Closing Date, and such notice shall be conclusive and binding on all parties hereto.

SECTION 3.2. All Borrowings. The obligation of any Bank to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a the fact that the Closing Date shall have occurred on or prior to May 28, 1999;

(b receipt by the Agent of a Notice of Borrowing as required by Section 2.02 or 2.03, as the case may be;

(c the fact that, immediately before and after such Borrowing, the aggregate outstanding principal amount of the Loans will not exceed the aggregate amount of the Commitments;

(d the fact that, immediately before and after such Borrowing, no Default shall have occurred and be continuing; and

(e the fact that the representations and warranties contained in this Agreement shall be true on and as of the date of such Borrowing (except, in the case of the representations and warranties contained in Section 4.04(b), as disclosed by the Company to the Banks in writing in the Notice of Borrowing relating to such Borrowing).

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Company on the date of such Borrowing as to the facts specified in clauses (c), (d) and (e) of this Section.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

The Company represents and warrants that:

SECTION 4.1. Corporate Existence and Power. The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation, and has all corporate powers and all material governmental licenses, authorizations, qualifications, consents and approvals required to carry on its business as now conducted.

SECTION 4.2. Corporate and Governmental Authorization; No Contravention. The execution, delivery and performance by the Company of this Agreement and the Notes are within the Company's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official and do not contravene, or constitute a default under, any provision of applicable law or regulation or of the certificate of incorporation or by-laws of the Company or of any agreement, judgment, injunction, order, decree or other instrument binding upon the Company or any Significant Subsidiary or result in the creation or imposition of any Lien on any material asset of the Company or any Significant Subsidiary. There are no other credit agreements supporting commercial paper indebtedness of the Company.

SECTION 4.3. Binding Effect. This Agreement constitutes a valid and binding agreement of the Company, and the Notes, when executed and delivered in accordance with this Agreement, will constitute valid and binding obligations of the Company, in each case enforceable in accordance with its terms except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

SECTION 4.4. Financial Information.

(a) The consolidated balance sheet of the Company and its Consolidated Subsidiaries as of December 31, 1998 and the related consolidated statements of income and cash flows for the fiscal year then ended, reported on by Arthur Andersen L.L.P. and set forth in the Company's 1998 Form 10-K/A, a copy of which has been delivered to each of the Banks, fairly present, in conformity with generally accepted accounting principles, the consolidated financial position of the Company and its Consolidated Subsidiaries as of such date and their consolidated results of operations and cash flows for such fiscal year.

(b) Since December 31, 1998 there has been no material adverse change in the financial position or results of operations of the Company and its Consolidated Subsidiaries, considered as a whole.

SECTION 4.5. Litigation. Except as disclosed in the Company's 1998 Form 10-K/A and Form 10-Q for the quarter ended March 31, 1999, there is no action, suit or proceeding pending against, or to the knowledge of the Company threatened against or affecting, the Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which would materially adversely affect the consolidated financial position or consolidated results of operations of the Company and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity of this Agreement or the Notes.

SECTION 4.6. Compliance with ERISA. Each member of the ERISA Group has fulfilled its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance in all respects with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan, except where failure to comply would not have a material adverse effect on the consolidated financial position or consolidated results of operations of the Company and its Consolidated Subsidiaries, considered as a whole. No member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

SECTION 4.7. Environmental Matters. (a) The operations of the Company and each of its Subsidiaries comply in all respects with all Environmental Laws except such non-compliance which would not (if enforced in accordance with applicable law) reasonably be expected to result, individually or in the aggregate, in a material adverse effect on the financial position or results of operations of the Company and its Consolidated Subsidiaries, considered as a whole.

(b) Except as specifically identified in Schedule 4.07, the Company and each of its Subsidiaries have obtained all material licenses, permits, authorizations and registrations required under any Environmental Laws ("Environmental Permits") necessary for their respective operations, and all such Environmental Permits are in good standing, and the Company and each of its Subsidiaries is in compliance with all material terms and conditions of such Environmental Permits.

(c) Except as specifically identified in Schedule 4.07, (i) none of the Company, any of its Subsidiaries or any of their present property or operations are subject to any outstanding written order from or settlement or consent agreement with any governmental authority or other Person, nor is any of the foregoing subject to any judicial or docketed administrative proceedings, respecting any Environmental Laws or Hazardous Substances with a potential liability in excess of \$1,000,000 and (ii) there are no other conditions or circumstances known to the Company which may give rise to any claims respecting any Environmental Laws arising from the operations of the Company or its Subsidiaries (including, without limitation, off-site liabilities), or any additional costs of compliance with Environmental Laws, that would reasonably be expected to have a material adverse effect on the financial position or results of operations of the Company and its Subsidiaries, considered as a whole.

SECTION 4.8. Taxes. United States Federal income tax returns of the Company and its Subsidiaries have been examined and closed through the fiscal year ended December 31, 1987. The Company and its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes due pursuant to such returns or pursuant to any assessment received by the Company or any Subsidiary, except for taxes the amount, applicability or validity of which is being contested in good faith by appropriate proceedings. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of taxes or other governmental charges are, in the opinion of the Company, adequate.

SECTION 4.9. Subsidiaries. Each of the Company's corporate Significant Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, qualifications, consents and approvals required to carry on its business as now conducted.

SECTION 4.10. Not an Investment Company. The Company is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

SECTION 4.11. Full Disclosure. All written information heretofore furnished by the Company to the Agent or any Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by the Company to the Agent or any Bank will be, true and accurate in all material respects on the date as of which such information is stated or certified.

ARTICLE 5

COVENANTS

The Company agrees that, so long as any Bank has any Commitment hereunder or any amount payable under any Note remains unpaid:

SECTION 5.1. Information. The Company will deliver to each of the Banks:

(a as soon as available and in any event within 95 days after the end of each fiscal year of the Company, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such fiscal year and the related consolidated statements of income and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on in a manner acceptable to the Securities and Exchange Commission by Arthur Andersen L.L.P. or other independent public accountants of nationally recognized standing;

(b as soon as available and in any event within 50 days after the end of each of the first three quarters of each fiscal year of the Company, a consolidated balance sheet of the Company and its Consolidated Subsidiaries as of the end of such quarter and the related consolidated statements of income and cash flows for such quarter and for the portion of the Company's fiscal year ended at the end of such quarter, setting forth in the case of such statements of income and cash flows in comparative form the figures for the corresponding quarter and the corresponding portion of the Company's previous fiscal year, all certified (subject to normal year-end adjustments) as to fairness of presentation, generally accepted accounting principles and consistency by the chief financial officer or the chief accounting officer of the Company;

(c simultaneously with the delivery of each set of financial statements referred to in clauses (a) and (b) above, a certificate of the chief financial officer (or such officer's designee, designated in writing by such officer) or the chief accounting officer of the Company (i) setting forth in reasonable detail the calculations required to establish whether the Company was in compliance with the requirements of Sections 5.06 to 5.07, inclusive, on the date of such financial statements and (ii) stating whether any Default exists on the date of such certificate and, if any Default then exists, setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(d within five Domestic Business Days after any officer of the Company obtains knowledge of any Default, if such Default is then continuing, a certificate of the chief financial officer or the chief accounting officer of the Company setting forth the details thereof and the action which the Company is taking or proposes to take with respect thereto;

(e promptly upon the mailing thereof to the shareholders of the Company generally, copies of all financial statements, reports and proxy statements so mailed;

(f promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and any registration statements on Form S-8 or its equivalent) and reports on Forms 10-K, 10-Q and 8-K (or their equivalents) (other than any amendment on Form 8-K the sole purpose of which is to file exhibits relating to existing Debt meeting the requirements of clause (ii) of the definition of Debt) which the Company shall have filed with the Securities and Exchange Commission;

(g if and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under

Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer or the chief accounting officer of the Company setting forth details as to such occurrence and action, if any, which the Company or applicable member of the ERISA Group is required or proposes to take; and

(h) from time to time such additional information regarding the financial position or business of the Company and its Subsidiaries as the Agent, at the request of any Bank, may reasonably request.

SECTION 5.2. Maintenance of Property; Insurance. (a) The Company will keep, and will cause each Significant Subsidiary to keep, all property useful and necessary in its business in good working order and condition, ordinary wear and tear excepted.

(b) The Company will maintain, and will cause each Significant Subsidiary to maintain (either in the name of the Company or in such Significant Subsidiary's own name), with financially sound and responsible insurance companies, insurance on all their respective properties in at least such amounts and against at least such risks (and with such risk retention) as are usually insured against in the same general area by companies of established repute engaged in the same or a similar business; and will furnish to the Banks, upon request from the Agent, information presented in reasonable detail as to the insurance so carried; provided that, in lieu of any such insurance, the Company and any Significant Subsidiary may maintain a system or systems of self-insurance and reinsurance which will accord with sound practices of similarly situated corporations maintaining such systems and with respect to which the Company or such Significant Subsidiary will maintain adequate insurance reserves, all in accordance with generally accepted accounting principles and in accordance with sound insurance principles and practice.

SECTION 5.3. Maintenance of Existence. The Company will, and will cause each Significant Subsidiary to, preserve, renew and keep in full force and effect their respective corporate existence and their respective rights, privileges and franchises necessary or desirable in the normal conduct of business.

SECTION 5.4. Compliance with Laws. The Company will comply, and will cause each Significant Subsidiary to comply, in all material respects with all applicable laws, ordinances, rules, regulations, and requirements of governmental authorities (including, without limitation, Environmental Laws and ERISA and the rules and regulations thereunder), except where the necessity of compliance therewith is contested in good faith by appropriate proceedings and for which adequate reserves in conformity with generally accepted accounting principles have been established.

SECTION 5.5. Inspection of Property, Books and Records. The Company will keep, and will cause each Significant Subsidiary to keep, proper books of record and account in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities; and will permit, and will cause each Significant Subsidiary to permit, representatives of any Bank at such Bank's expense to visit and inspect any of their respective properties, to examine and make abstracts from any of their respective books and records and to discuss their respective affairs, finances and accounts with their respective officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

SECTION 5.6. Debt Coverage. Consolidated Debt of the Company and its Consolidated Subsidiaries as of the last day of any fiscal quarter of the Company will not exceed 400% of Consolidated EBITDA for the four consecutive fiscal quarters of the Company ending on such date.

SECTION 5.7. Negative Pledge. The Company will not, and will not permit any Subsidiary to, create, assume or suffer to exist any Lien on any asset now owned or hereafter acquired by it, except:

- (a) Liens existing on the date of this Agreement securing Debt outstanding on the date of this Agreement in an aggregate principal amount not exceeding \$50,000,000;
- (b) any Lien existing on any asset of any corporation at the time such corporation becomes a Subsidiary and not created in contemplation of such event;
- (c) any Lien on any asset securing Debt incurred or assumed for the purpose of financing all or any part of the cost of acquiring such asset, provided that such Lien attaches to such asset concurrently with or within 180 days after the acquisition thereof.
- (d) any Lien on any asset of any corporation existing at the time such corporation is merged or consolidated with or into the Company or a Subsidiary and not created in contemplation of such event;
- (e) any Lien existing on any asset prior to the acquisition thereof by the Company or a Subsidiary and not created in contemplation of such acquisition;
- (f) any Lien on assets or capital stock of Minor Subsidiaries which secures Debt of Persons which are not Consolidated Subsidiaries in which the Company or any of its Subsidiaries has made investments ("Joint Ventures"), but for the payment of which Debt no other recourse may be had to the Company or any Subsidiaries ("Limited Recourse Debt"), or any Lien on equity interests in a Joint Venture securing Limited Recourse Debt of such Joint Venture;
- (g) any Lien arising out of the refinancing, replacement, extension, renewal or refunding of any Debt secured by any Lien permitted by any of the foregoing clauses of this Section, provided that such Debt is not increased and is not secured by any additional assets;
- (h) Liens arising in the ordinary course of business which (i) do not secure Debt, (ii) do not secure any obligation in an amount exceeding \$50,000,000 and (iii) do not in the aggregate materially detract from the value of its assets or materially impair the use thereof in the operation of its business; and
- (i) Liens not otherwise permitted by and in addition to the foregoing clauses of this Section securing Debt in an aggregate principal amount at any time outstanding not to exceed \$750,000,000.

SECTION 5.8. Consolidations, Mergers and Sales of Assets. The Company will not consolidate with or merge with or into any other Person ; provided that the Company may merge with another Person if (i) the Company is the corporation surviving such merger and (ii) after giving effect to such merger, no Default shall have occurred and be continuing. The Company and its Subsidiaries will not sell, lease or otherwise transfer, directly or indirectly, all or substantially all of the assets of the Company and its Subsidiaries, taken as a whole, to any other Person.

SECTION 5.9. Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Company for general corporate purposes. None of such proceeds will be used, directly or indirectly, in violation of any applicable law or regulation, and no use of such proceeds will include any use for the purpose, whether immediate, incidental or ultimate, of buying or carrying any Margin Stock.

SECTION 5.10. Year 2000 Compatibility. The Company shall take all reasonable action necessary to ensure that the computer based systems of the Company and its Subsidiaries are able to operate and effectively process data including dates on or after January 1, 2000, except that such action shall not be required to the extent that the failure to take such action would not have a material adverse effect on the consolidated financial position or consolidated results of operations of the Company and its Consolidated Subsidiaries, considered as a whole. At the request of the Agent, the Company shall provide assurance reasonably acceptable to the Agent of the year 2000 compatibility of the Company and its Subsidiaries.

ARTICLE 6

DEFAULTS

SECTION 6.1. Events of Default. If one or more of the following events shall have occurred and be continuing:

- (a) any principal of any Loan shall not be paid when due, or any interest, any fees or any other amount payable hereunder shall not be paid within five days of the due date thereof;
- (b) the Company shall fail to observe or perform any covenant contained in Sections 5.06 to 5.09, inclusive;

(c) the Company shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) or (b) above) for 10 days (or, in the case of Section 5.10, 30 days) after written notice thereof has been given to the Company by the Agent at the request of any Bank;

(d) any representation, warranty, certification or statement made by the Company in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

(e) the Company or any Subsidiary shall fail to make any payment or payments, in the aggregate in excess of \$100,000,000, in respect of any Material Debt when due or within any applicable grace period;

(f) any event or condition shall occur which results in the acceleration of the maturity of any Material Debt;

(g) the Company or any Significant Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize or otherwise acquiesce in any of the foregoing;

(h) an involuntary case or other proceeding shall be commenced against the Company or any Significant Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 60 days; or an order for relief shall be entered against the Company or any Significant Subsidiary under the federal bankruptcy laws as now or hereafter in effect;

(i) any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$100,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Material Plan shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer any Material Plan; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$100,000,000; or

(j) a judgment or order for the payment of money in excess of \$100,000,000 shall be rendered against the Company or any Subsidiary and such judgment or order shall continue unsatisfied and unstayed for a period of 10 days (it being understood that in any event an administrative order of a public utility commission shall not constitute an "order" for purposes of this clause (j) so long as (x) no one is seeking to enforce such order in an action, suit or proceeding before a court and (y) reserves in the full amount of the cost of such order are maintained on the books of the Company and its Subsidiaries);

then, and in every such event, the Agent shall (i) if requested by Banks having more than 50% in aggregate amount of the Commitments, by notice to the Company terminate the Commitments and they shall thereupon terminate, and/or (ii) if requested by Banks holding Notes evidencing more than 50% in aggregate principal amount of the Loans, by notice to the Company declare the Notes (together with accrued interest thereon) to be, and the Notes shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company; provided that in the case of any of the Events of Default specified in clause (g) or (h) above with respect to the Company, without any notice to the Company or any other act by the Agent or the Banks, the Commitments shall thereupon automatically terminate and the Notes (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Company.

SECTION 6.2. Notice of Default. The Agent shall give notice to the Company under Section 6.01(c) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

ARTICLE 7

THE AGENT

SECTION 7.1. Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.2. Agent and Affiliates. Morgan Guaranty Trust Company of New York shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the Agent, and Morgan Guaranty Trust Company of New York and its affiliates may accept deposits from, lend money to, and generally engage in any kind of business with the Company or any Subsidiary or affiliate of the Company as if it were not the Agent hereunder.

SECTION 7.3. Action by Agent. The obligations of the Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 6.

SECTION 7.4. Consultation with Experts. The Agent may consult with legal counsel (who may be counsel for the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.5. Liability of Agent. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be liable for any action taken or not taken by it in connection herewith

(i) with the consent or at the request of the Required Banks or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its affiliates nor any of their respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Company; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

SECTION 7.6. Indemnification. Each Bank shall, ratably in accordance with its Commitment, indemnify the Agent, its affiliates and their respective directors, officers, agents and employees (to the extent not reimbursed by the Company) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from such indemnitees' gross negligence or willful misconduct) that such indemnitees may suffer or incur in connection with this Agreement or any action taken or omitted by such indemnitees hereunder.

SECTION 7.7. Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

SECTION 7.8. Successor Agent. The Agent may resign at any time by giving notice thereof to the Banks and the Company. Upon any such resignation, the Required Banks shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within 30 days after the retiring Agent gives notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent (with the consent of the Company, such consent not to be unreasonably withheld), which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$400,000,000. Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

SECTION 7.9. Agent's Fee. The Company shall pay to the Agent for its own account fees in the amounts and at the times previously agreed upon between the Company and the Agent.

ARTICLE 8

CHANGES IN CIRCUMSTANCES

SECTION 8.1. Basis for Determining Interest Rate Inadequate or Unfair . If on or prior to the first day of any Interest Period for any Euro-Dollar Loan or Money Market LIBOR Loan:

(a) the Agent is advised by the Euro-Dollar Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Euro-Dollar Reference Banks in the market for such Interest Period, or

(b) in the case of Euro-Dollar Loans, Banks having 50% or more of the aggregate amount of the Euro-Dollar Loans advise the Agent that the Adjusted London Interbank Offered Rate as determined by the Agent will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period,

the Agent shall forthwith give notice thereof to the Company and the Banks, whereupon until the Agent notifies the Company that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make Euro-Dollar Loans or to convert outstanding Loans into Euro-Dollar Loans shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be converted into a Domestic Loan on the last day of the then current Interest Period applicable thereto. Unless the Company notifies the Agent at least two Domestic Business Days before the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date,

(i) if such Fixed Rate Borrowing is a Committed Borrowing, such Borrowing shall instead be made as a Domestic Borrowing and (ii) if such Fixed Rate Borrowing is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

SECTION 8.2. Illegality. If, on or after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Euro-Dollar Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans to the Company and such Bank shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Banks and the Company, whereupon until such Bank notifies the Company and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans to the Company, or to convert outstanding Loans into Euro-Dollar Loans, shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such notice is given, each Euro-Dollar Loan of such Bank then outstanding shall be converted to a Domestic Loan either (a) on the last day of the then current Interest Period applicable to such Euro-Dollar Loan if such Bank may lawfully continue to maintain and fund such Loan to such day or (b) immediately if such Bank shall determine that it may not lawfully continue to maintain and fund such Loan to such day.

SECTION 8.3. Increased Cost and Reduced Return. (a) If on or after (x) the date hereof, in the case of any Committed Loan or any obligation to make Committed Loans or (y) the date of the related Money Market Quote, in the case of any Money Market Loan, the adoption of any applicable law, rule or regulation, or any change in any applicable law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System with respect to any Euro-Dollar Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage), special deposit, insurance assessment or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on any Bank (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting its Fixed Rate Loans, its Note or its obligation to make Fixed Rate Loans and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Note with respect thereto, by an amount deemed by such Bank to be material, then, within 15 days after demand by such Bank (with a copy to the Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If any Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change in any such law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of such Bank (or its Parent) as a consequence of such Bank's obligations hereunder to a level below that which such Bank (or its Parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within 15 days after demand by such Bank (with a copy to the Agent), the Company shall pay to such Bank such additional amount or amounts as will compensate such Bank (or its Parent) for such reduction.

(c) Each Bank will promptly notify the Company and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank claiming compensation under this Section and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

SECTION 8.4. Taxes. (a) Any and all payments by the Company to or for the account of any Bank or the Agent hereunder or under any Note shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Bank and the Agent, taxes imposed on its income, and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, taxes imposed on its income, and franchise or similar taxes imposed on it, by the jurisdiction of such Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, duties, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Company shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 8.04) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Person shall make such deductions, (iii) such Person shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law and (iv) such Person shall furnish to the Agent, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, the Company agrees to pay any present or future stamp or documentary taxes and any other excise or property taxes, or charges or similar levies which arise from any payment made hereunder or under any Note or from the execution or delivery of, or otherwise with respect to, this Agreement or any Note (hereinafter referred to as "Other Taxes").

(c) The Company agrees to indemnify each Bank and the Agent for the full amount of Taxes or Other Taxes (including, without limitation, any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section 8.04) paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 15 days from the date such Bank or the Agent (as the case may be) makes demand therefor.

(d) Each Bank organized under the laws of a jurisdiction outside the United States, on or prior to the date of its execution and delivery of this Agreement in the case of each Bank listed on the signature pages hereof and on or prior to the date on which it becomes a Bank in the case of each other Bank, and from time to time thereafter if requested in writing by the Company (but only so long as such Bank remains lawfully able to do so), shall provide the Company with Internal Revenue Service form 1001 or 4224, as appropriate, or any successor form prescribed by the Internal Revenue Service, certifying that such Bank is entitled to benefits under an income tax treaty to which the United States is a party which reduces the rate of withholding tax on payments of interest or certifying that the income receivable pursuant to this Agreement is effectively connected with the conduct of a trade or business in the United States. If the form provided by a Bank at the time such Bank first becomes a party to this Agreement indicates a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from "Taxes" as defined in Section 8.04(a) imposed by the United States.

(e) For any period with respect to which a Bank has failed to provide the Company with the appropriate form pursuant to Section 8.04(d) (unless such failure is due to a change in treaty, law or regulation occurring subsequent to the date on which a form originally was required to be provided), such Bank shall not be entitled to indemnification under Section 8.04(a) with respect to Taxes imposed by the United States; provided, however, that should a Bank, which is otherwise exempt from or subject to a reduced rate of withholding tax, become subject to Taxes because of its failure to deliver a form required hereunder, the Company shall take such steps as such Bank shall reasonably request to assist such Bank to recover such Taxes.

(f) If the Company is required to pay additional amounts to or for the account of any Bank pursuant to this Section 8.04, then such Bank will change the jurisdiction of its Applicable Lending Office so as to eliminate or reduce any such additional payment which may thereafter accrue if such change, in the judgment of such Bank, is not otherwise disadvantageous to such Bank.

SECTION 8.5. Domestic Loans Substituted for Affected Euro-Dollar Loans. If (i) the obligation of any Bank to make Euro-Dollar Loans to the Company has been suspended pursuant to Section 8.02 or (ii) any Bank has demanded compensation under Section 8.03 or 8.04 with respect to its Euro-Dollar Loans and the Company shall, by at least five Euro-Dollar Business Days' prior notice to such Bank through the Agent, have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Company that the circumstances giving rise to such suspension or demand for compensation no longer exist:

(a) all Loans to the Company which would otherwise be made by such Bank as (or continued as or converted into) Euro-Dollar Loans shall instead be Domestic Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and

(b) after each of its Euro-Dollar Loans to the Company has been repaid (or converted to a Domestic Loan), all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Domestic Loans instead.

If such Bank notifies the Company that the circumstances giving rise to such notice no longer apply, the principal amount of each such Domestic Loan shall be converted into a Euro-Dollar Loan on the first day of the next succeeding Interest Period applicable to the related Euro-Dollar Loans of the other Banks.

SECTION 8.6. Substitution of Bank. If (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.02, (ii) any Bank has demanded compensation under Section 8.03 or (iii) any Bank has not signed an amendment or waiver which must be signed by all the Banks to become effective, and such amendment or waiver has been signed by the Super-Majority Banks, the Company shall have the right, with the assistance of the Agent, to seek a mutually satisfactory substitute bank or banks (which may be one or more of the Banks) to purchase the Notes and assume the Commitment of such Bank.

ARTICLE 9

MISCELLANEOUS

SECTION 9.1. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, facsimile transmission or similar writing) and shall be given to such party: (x) in the case of the Company, or the Agent, at its address or facsimile number set forth on the signature pages hereof, (y) in the case of any Bank, at its address or facsimile number set forth in its Administrative Questionnaire or (z) in the case of any party, such other address or facsimile number as such party may hereafter specify for the purpose by notice to the Agent and the Company. Each such notice, request or other communication shall be effective (i) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, (ii) if given by facsimile transmission, when such facsimile is transmitted to the facsimile number specified pursuant to this Section 9.01 and telephonic confirmation of receipt thereof is received, or (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article 2 or Article 8 shall not be effective until received.

SECTION 9.2. No Waivers. No failure or delay by the Agent or any Bank in exercising any right, power or privilege hereunder or under any Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 9.3. Expenses; Indemnification. (a) The Company shall pay (i) all out-of-pocket expenses of the Agent, including fees and disbursements of special counsel for the Agent, in connection with the preparation and administration of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default hereunder and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Agent and each Bank, including fees and disbursements of counsel, in connection with such Event of Default and collection, bankruptcy, insolvency and other enforcement proceedings resulting therefrom.

(b) The Company agrees to indemnify the Agent and each Bank, their respective affiliates and the respective directors, officers, agents and employees of the foregoing (each an "Indemnatee") and hold each Indemnatee harmless from and against any and all liabilities, losses, damages, costs and expenses of any kind, including, without limitation, the reasonable fees and disbursements of counsel, which may be incurred by such Indemnatee in connection with any investigative, administrative or judicial proceeding (whether or not such Indemnatee shall be designated a party thereto) brought or threatened relating to or arising out of this Agreement or any actual or proposed use of proceeds of Loans hereunder; provided that (i) no Indemnatee shall have the right to be indemnified hereunder for such Indemnatee's own gross negligence or willful misconduct as determined by a court of competent jurisdiction and (ii) the Company shall not be liable for any settlement entered into by an Indemnatee without its consent (which shall not be unreasonably withheld).

(c) Each Indemnatee agrees to give the Company prompt written notice after it receives any notice of the commencement of any action, suit or proceeding for which such Indemnatee may wish to claim indemnification pursuant to subsection (b). The Company shall have the right, exercisable by giving written notice within fifteen Domestic Business Days after the receipt of notice from such Indemnatee of such commencement, to assume, at the Company's expense, the defense of any such action, suit or proceeding; provided, that such Indemnatee shall have the right to employ separate counsel in any such action, suit or proceeding and to participate in the defense thereof, but the fees and expenses of such separate counsel shall be at such Indemnatee's expense unless

(1) the Company shall have agreed to pay such fees and expenses; (2) the Company shall have failed to assume the defense of such action, suit or proceeding or shall have failed to employ counsel reasonably satisfactory to such Indemnatee in any such action, suit or proceeding; or (3) such Indemnatee shall have been advised by independent counsel in writing (with a copy to the Company) that there may be one or more defenses available to such Indemnatee which are in conflict with those available to the Company (in which case, if such Indemnatee notifies the Company in writing that it elects to employ separate counsel at the Company's expense, the Company shall be obligated to assume the expense, it being understood, however, that the Company shall not be liable for the fees or expenses of more than one separate firm of attorneys, which firm shall be designated in writing by such Indemnatee).

SECTION 9.4. Sharing of Set-offs. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other Banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks pro rata; provided that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Company other than its indebtedness hereunder. The Company agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note, whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully as if such holder of a participation were a direct creditor of the Company in the amount of such participation.

SECTION 9.5. Amendments and Waivers. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Company and the Required Banks (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that no such amendment or waiver shall, unless signed by all the Banks, (i) increase or decrease the Commitment of any Bank (except for a ratable decrease in the Commitments of all Banks) or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder or for any reduction or termination of any Commitment or (iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section or any other provision of this Agreement.

SECTION 9.6. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or otherwise transfer any of its rights under this Agreement without the prior written consent of all Banks.

(b) Any Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in its Commitment or any or all of its Loans, with (and subject to) the written consent of the Company and the Agent, which consents shall not be unreasonably withheld; provided that if a Participant is an affiliate of such grantor Bank or is another Bank, no such consent shall be required. In the event of any such grant by a Bank of a participating interest to a Participant, such Bank shall remain responsible for the performance of its obligations hereunder, and the Company and the Agent shall continue to deal solely and directly with such Bank in connection with such Bank's rights and obligations under this Agreement. Any agreement pursuant to which any Bank may grant such a participating interest shall provide that such Bank shall retain the sole right and responsibility to enforce the obligations of the Company hereunder including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement; provided that such participation agreement may provide that such Bank will not agree to any modification, amendment or waiver of this Agreement described in clause (i), (ii) or (iii) of Section 9.05 without the consent of the Participant. The Company agrees that each Participant shall, to the extent provided in its participation agreement, be entitled to the benefits of Article 8 with respect to its participating interest. An assignment or other transfer which is not permitted by subsection (c) or (d) below but which is consented to in accordance with this subsection (b) shall be given effect for purposes of this Agreement only to the extent of a participating interest granted in accordance with this subsection (b).

(c) Any Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part of all, of its rights and obligations under this Agreement and the Notes, and such Assignee shall assume such rights and obligations, pursuant to an Assignment and Assumption Agreement in substantially the form of Exhibit G hereto executed by such Assignee and such transferor Bank, with (and subject to) the subscribed consent of the Company and the Agent, which consents shall not be unreasonably withheld; provided that (i) if an Assignee is an affiliate of such transferor Bank or is another Bank, no such consent shall be required; (ii) such assignment may, but need not, include rights of the transferor Bank in respect of outstanding Money Market Loans; and (iii) any assignment shall not be less than \$15,000,000, or if less, shall constitute an assignment of all of such Bank's rights and obligations under this Agreement and the Notes except for any rights retained in accordance with clause (ii) of this proviso. Upon execution and delivery of such instrument and payment by such Assignee to such transferor Bank of an amount equal to the purchase price agreed between such transferor Bank and such Assignee, such Assignee shall be a Bank party to this Agreement and shall have all the rights and obligations of a Bank with a Commitment as set forth in such instrument of assumption, and the transferor Bank shall be released from its obligations hereunder to a corresponding extent, and no further consent or action by any party shall be required. Upon the consummation of any assignment pursuant to this subsection (c), the transferor Bank, the Agent and the Company shall make appropriate arrangements so that, if required, new Notes are issued to the Assignee. In connection with any such assignment, the transferor Bank shall pay to the Agent an administrative fee for processing such assignment in the amount of \$2,500. If the Assignee is not incorporated under the laws of the United States of America or a state thereof, it shall deliver to the Company and the Agent certification as to exemption from deduction or withholding of any United States federal income taxes in accordance with Section 8.04.

(d) Any Bank may at any time assign all or any portion of its rights under this Agreement and its Notes to a Federal Reserve Bank. No such assignment shall release the transferor Bank from its obligations hereunder.

(e) No Assignee, Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment under Section 8.03 or 8.04 than such Bank would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent or by reason of the provisions of Section 8.02, 8.03 or 8.04 requiring such Bank to designate a different Applicable Lending Office under certain circumstances or at a time when the circumstances giving rise to such greater payment did not exist.

SECTION 9.7. Termination of Existing Credit Agreements. The Company and each of the Banks that is also a "Bank" or "Lender" party to an Existing Credit Agreement agrees that the "Commitment" as defined in such Existing Credit Agreement shall be terminated in its entirety on the Effective Date. Each of such Banks waives (a) any requirement of notice of such termination pursuant to the Existing Credit Agreements and (b) any claim to any commitment fees or other fees under the Existing Credit Agreements for any day on or after the Effective Date. The Company (i) represents and warrants that (x) after giving effect to the preceding sentences of this Section 9.07, the commitments under the Existing Credit Agreements will be terminated effective not later than the Effective Date and (y) no loans are, as of the date hereof, or will be, as of the Effective Date, outstanding under the Existing Credit Agreements, and (ii) covenants that all accrued and unpaid commitment fees and any other amounts due and payable under the Existing Credit Agreements shall have been paid on or prior to the Effective Date.

SECTION 9.8. Governing Law; Submission to Jurisdiction. This Agreement and each Note shall be governed by and construed in accordance with the laws of the State of New York. The Company hereby submits to the nonexclusive jurisdiction of the United States District Court for the Southern District of New York and of any New York State court sitting in New York City for purposes of all legal proceedings arising out of or relating to this Agreement or the transactions contemplated hereby, and irrevocably waives, to the fullest extent permitted by law, any objection which it may now or hereafter have to the laying of the venue of any such proceeding brought in such a court and any claim that any such proceeding brought in such a court has been brought in an inconvenient forum.

SECTION 9.9. Counterparts; Integration; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. This Agreement shall become effective upon receipt by the Agent of counterparts hereof signed by each of the Company, the Banks and the Agent (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Agent in form satisfactory to it of telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party).

SECTION 9.10. WAIVER OF JURY TRIAL. EACH OF THE COMPANY, THE AGENT AND THE BANKS HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 9.11. Confidentiality. Each of the Agent and the Banks agrees to use its reasonable best efforts to keep confidential any information delivered or made available by the Company to it which is clearly stated by the Company to be confidential; provided that nothing herein shall prevent the Agent or any Bank from disclosing such information (i) to the Agent or any other Bank in connection with the transactions contemplated hereby, (ii) to its officers, directors, employees, agents, attorneys and accountants who have a need to know such information in accordance with customary banking practices and who receive such information having been made aware of the restrictions set forth in this Section, (iii) upon the order of any court or administrative agency, (iv) upon the request or demand of any regulatory agency or authority having jurisdiction over such party, (v) which has been publicly disclosed, (vi) which has been obtained from any Person other than the Company and its Subsidiaries, provided that such Person is not (x) known to it to be bound by a confidentiality agreement with the Company or its Subsidiaries or (y) known to it to be otherwise prohibited from transmitting the information to it by a contractual, legal or fiduciary obligation, (vii) in connection with the exercise of any remedy hereunder or under the Notes or (viii) to any actual or proposed participant or assignee of all or any of its rights hereunder which has agreed in writing to be bound by the provisions of this Section.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

U S WEST COMMUNICATIONS, INC.

*By /s/ Sean Foley
Title: Assistant Treasurer
1801 California
Denver, Colorado 80202
Facsimile number: 303-896-6468
Telephone number: 303-896-4197
Attention: Sean Foley*

Commitments

\$ 54,000,000

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK

By /s/ SoVonna Day
Title: Vice President

\$ 54,000,000

THE CHASE MANHATTAN BANK

By /s/ Edmond DeForest
Title: Vice President

\$ 54,000,000 THE FIRST NATIONAL BANK

OF CHICAGO

By /s/ David L. Ericson
Title: Vice President

\$ 54,000,000

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By /s/ Douglas T. Meckelnburg
Title: Vice President

\$ 54,000,000

CITIBANK, N.A.

By /s/ Harriette A. Brown
Title: Managing Director

\$ 50,000,000

ABN AMRO BANK N.V.

By /s/ Thomas M. Toerpe
Title: Vice President

By /s/ Sang W. Lee
Title: Assistant Vice President

\$ 50,000,000

ISTITUTO BANCARIO SAN PAOLO DI TORINO
ISTITUTO MOBILIARE ITALIANO SpA

By /s/ Carlo Persico
Title: Deputy Manager

By /s/ Robert Wurster
Title: First Vice President

\$ 50,000,000

MELLON BANK, N.A.

By /s/ Alexander Gordon
Title: Officer

\$ 50,000,000

WELLS FARGO BANK, N.A.

By /s/ Catherine M. Wallace
Title: Vice President

By /s/ Donald A. Hartmann
Title: Senior Vice President

\$ 40,000,000

THE BANK OF NEW YORK

By /s/ James W. Whitaker
Title: Vice President

\$ 40,000,000

U.S. BANK NATIONAL ASSOCIATION

By /s/ Scott E. Page
Title: Vice President

\$ 35,000,000

FIRST SECURITY BANK, N.A.

By /s/ Troy S. Akagi
Title: Vice President

\$ 30,000,000

COMMERZBANK AG LOS ANGELES BRANCH

By /s/ Christian Jagenberg
Title: Senior Vice President and Manager

By /s/ Steven F. Larsen
Title: Vice President

\$ 30,000,000

FLEET NATIONAL BANK

By /s/ R.E. Anderson
Title: Senior Vice President

\$ 30,000,000

KEYBANK NATIONAL ASSOCIATION

By /s/ Mary K. Young
Title: Assistant Vice President

\$ 25,000,000

BAYERISCHE LANDESBANK GIROZENTRALE
CAYMAN ISLANDS BRANCH

By /s/ James H. Boyle
Title: Second Vice President

By /s/ Peter Obermann
Title: Senior Vice President

\$ 25,000,000

NORTHERN TRUST COMPANY

By /s/ Karen T. Arenz
Title: Second Vice President

\$ 25,000,000

THE ROYAL BANK OF SCOTLAND PLC

By /s/ Kenneth C. Barclay
Title: Head of Media and
Telecommunications

\$ 20,000,000

BANKERS TRUST COMPANY

By /s/ Gregory Shefrin
Title: Principal

\$ 15,000,000

BANQUE NATIONALE DE PARIS

By /s/ Mitchell M. Ozawa
Title: Vice President

By /s/ Marc T. Schaefer
Title: Assistant Vice President

\$ 15,000,000

UBS AG, STAMFORD BRANCH

By /s/ Robert H. Riley III
Title: Executive Director

By /s/ Leo L. Baltz
Title: Director

Total Commitments:

\$800,000,000



**MORGAN GUARANTY TRUST
COMPANY OF NEW YORK, as
Administrative Agent**

*By /s/ SoVonna Day
Title: Vice President
500 Stanton Christiana Road
Newark, Delaware 19713
Attention: Mark Connor
Facsimile number: 302-634-1092
Telephone number: 302-634-4218*

PRICING SCHEDULE

The "Euro-Dollar Margin" and "Facility Fee Rate" for any day are the respective percentages set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Level I	Level II	Level III	Level IV	Level V
Euro-Dollar Margin:					
Usage less than 25%	.245%	.265%	.305%	.420%	.525%
Usage -> 25%	.345%	.365%	.430%	.545%	.650%
Facility Fee Rate	.055%	.060%	.070%	.080%	.100%

For purposes of this Schedule, the following terms have the following meanings:

"Level I Status" exists at any date if, at such date, the Company's outstanding senior unsecured long-term debt securities are rated A+ or higher by S&P and A1 or higher by Moody's.

"Level II Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated A+ or higher by S&P or A1 or higher by Moody's and (ii) Level I Status does not exist.

"Level III Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated A or higher by S&P or A2 or higher by Moody's and (ii) neither Level I Status nor Level II Status exists.

"Level IV Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated A- or higher by S&P or A3 or higher by Moody's and (ii) none of Level I Status, Level II Status or Level III Status exists.

"Level V Status" exists if, at such date, none of Level I Status, Level II Status, Level III Status, or Level IV Status exists.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Required Banks, with the approval of the Company, by notice to the Agent and the Company.

"S&P" means Standard & Poor's Ratings Group, a New York corporation, and its successors or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Required Banks, with the approval of the Company, by notice to the Agent and the Company.

"Status" refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status, or Level V Status exists at any date.

"Usage" means at any date the percentage equivalent of a fraction (i) the numerator of which is the sum of the aggregate outstanding principal amount of the Loans at such date, after giving effect to any borrowing or payment on such date, and (ii) the denominator of which is the aggregate amount of the Commitments at such date, after giving effect to any reduction of the Commitments on such date. For purposes of this Schedule, if for any reason any Loans remain outstanding after termination of the Commitments, the Usage for each date on or after the date of such termination shall be deemed to be greater than 25%.

The credit ratings to be utilized for purposes of this Schedule are those assigned to the senior unsecured long-term debt securities of the Company, and any rating assigned to any other debt security of the Company shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

SCHEDULE 4.07

Environmental Matters

NONE.

EXHIBIT A

NOTE

New York, New York
[May 19, 1999]

For value received, U S WEST COMMUNICATIONS, INC., a Colorado corporation (the "Company"), promises to pay to the order of (the "Bank"), for the account of its Applicable Lending Office, the unpaid principal amount of each Loan made by the Bank to the Company pursuant to the Credit Agreement referred to below on the maturity date therefor specified in the Credit Agreement. The Company promises to pay interest on the unpaid principal amount of each such Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Morgan Guaranty Trust Company of New York, 60 Wall Street, New York, New York.

All Loans made by the Bank, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, if the Bank so elects in connection with any transfer or enforcement hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the inaccuracy of, or the failure of the Bank to make, any such recordation or endorsement shall not affect the obligations of the Company hereunder or under the Credit Agreement.

This note is one of the Notes referred to in the 364-Day Credit Agreement dated as of May 19, 1999 among U S WEST Communications, Inc., the banks listed on the signature pages thereof, the other agents named therein and Morgan Guaranty Trust Company of New York, as Administrative Agent (as the same may be amended from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings.

Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof.

U S WEST COMMUNICATIONS, INC.

By
Title:

[illegible]

EXHIBIT B

Form of Money Market Quote Request

[Date]

To: Morgan Guaranty Trust Company of New York
(the "Agent")

From: U S WEST Communications, Inc.

Re: 364-Day Credit Agreement (the "Credit Agreement") dated as of May 19,
1999 among U S WEST Communications, Inc., the Banks listed on the
signature pages thereof, the other agents named therein and the Agent

We hereby give notice pursuant to Section 2.03 of the Credit Agreement

that we request Money Market Quotes for the following proposed Money Market Borrowing(s):

Date of Borrowing: _____

Principal Amount¹ Interest Period²

\$ Such Money Market Quotes should offer a Money Market [Margin]
[Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Terms used herein have the meanings assigned to them in the Credit Agreement.

U S WEST COMMUNICATIONS, INC.

By _____
Title:

EXHIBIT C

Form of Invitation for Money Market Quotes

To: [Name of Bank]

Re: Invitation for Money Market Quotes to U S WEST Communications, Inc.

(the "Company")

Pursuant to Section 2.03 of the 364-Day Credit Agreement dated as of May 19, 1999 among U S WEST Communications, Inc., the Banks parties thereto, the other agents named therein and the undersigned, as Administrative Agent, we are pleased on behalf of the Company to invite you to submit Money Market Quotes to the Company for the following proposed Money Market Borrowing(s):

Date of Borrowing: _____

Principal Amount Interest Period

\$ Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.] Please respond to this invitation by no later than [10:30 A.M.] [9:15 A.M.] (New York City time) on [date].

**MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Administrative Agent**

By _____
Authorized Officer

EXHIBIT D

Form of Money Market Quote

To: Morgan Guaranty Trust Company of New York, as Administrative Agent (the "Agent")

Re: Money Market Quote to
U S WEST Communications, Inc. (the "Company")

In response to your invitation on behalf of the Company dated _____, __, ____, we hereby make the following Money Market Quote on the following terms:

1. Quoting Bank: _____
2. Person to contact at Quoting Bank: _____
3. Date of Borrowing: _____*

4. We hereby offer to make Money Market Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal Amount**	Interest Period***	Money Market [Margin****]	[Absolute Rate*****]
\$			
\$			

[Provided, that the aggregate principal amount of Money Market Loans
for which the above offers may be accepted shall not exceed
\$_____.]**

* As specified in the related Invitation.

(notes continued on following page)

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the 364-Day Credit Agreement dated as of May 19, 1999 among U S WEST Communications, Inc., the Banks listed on the signature pages thereof, the other agents named therein and yourselves, as Agent, irrevocably obligates us to make the Money Market Loan(s) for which any offer(s) are accepted, in whole or in part.

Very truly yours,
[NAME OF BANK]

Dated:_____ By:_____ Authorized Officer

** Principal amount bid for each Interest Period may not exceed principal amount requested. Specify aggregate limitation if the sum of the individual offers exceeds the amount the Bank is willing to lend. Bids must be made for \$5,000,000 or a larger multiple of \$1,000,000. *** Not less than one month or not less than 7 days, as specified in the related Invitation. No more than five bids are permitted for each Interest Period. **** Margin over or under the London Interbank Offered Rate determined for the applicable Interest Period. Specify percentage (to the nearest 1/10,000 of 1%) and specify whether "PLUS" or "MINUS". ***** Specify rate of interest per annum (to the nearest 1/10,000th of 1%).

EXHIBIT E

OPINION OF COUNSEL FOR THE COMPANY

To the Banks and the Administrative
Agent Referred to Below
c/o Morgan Guaranty Trust Company
of New York, as Administrative Agent
60 Wall Street
New York, New York 10260

Gentlemen and Ladies:

I have acted as counsel for U S WEST Communications, Inc., in connection with the 364-Day Credit Agreement (the "Credit Agreement") dated as of May 19, 1999, among the Company, the banks listed on the signature pages thereof, the other agents named therein and Morgan Guaranty Trust Company of New York, as Administrative Agent. Terms defined in the Credit Agreement are used herein as therein defined. This opinion is being rendered to you at the instruction of the client pursuant to Section 3.01(b) of the Credit Agreement.

I am familiar with the proceedings taken by the Company, in connection with the authorization, execution and delivery of the Credit Agreement and the Notes, and I have examined such documents, certificates, and such other matters of fact and questions of law as I have deemed relevant under the circumstances to express an informed opinion. Upon the basis of the foregoing, I am of the opinion that:

1. The Company is a corporation validly existing and in good standing under the laws of the State of Colorado, and has all corporate powers and all governmental licenses, authorizations, qualifications, consents and approvals required to carry on its business as now conducted, except where the absence of any such license, authorization, qualification, consent or approval would not have a material adverse effect on the consolidated financial position or consolidated results of operations of the Company and its Consolidated Subsidiaries considered as one enterprise.

2. The execution, delivery and performance by the Company of the Credit Agreement and the Notes are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and require no action by or in respect of, or filing with, any governmental body, agency or official.

3. The execution, delivery and performance by the Company of the Credit Agreement and the Notes will not (i) result in a breach or violation of, conflict with, or constitute a default under, the articles of incorporation or bylaws of the Company or any material law or regulation or any material order, judgment, agreement or instrument to which the Company is a party or by which the Company is bound, or (ii) result in the creation or imposition of any Lien on any asset of the Company.

4. The Credit Agreement constitutes a valid and binding agreement of the Company and the Notes constitute valid and binding obligations of the Company, in each case enforceable in accordance with its terms except as the same may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally and by general principles of equity.

5. To my knowledge, and except as disclosed in the Company's 1998 Form 10-K/A and the Company's Form 10-Q for the quarter ended March 31, 1999, as filed with the Securities and Exchange Commission, there is no action, suit or proceeding pending against, or to the best of my knowledge threatened against or affecting the Company or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official, in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, consolidated financial position or consolidated results of operations of the Company and its Consolidated Subsidiaries, considered as a whole, or which in any manner draws into question the validity of the Credit Agreement or the Notes.

6. The Company's corporate Significant Subsidiaries are corporations validly existing and in good standing under the laws of their jurisdictions of incorporation, and have all corporate powers and all governmental licenses, authorizations, qualifications, consents and approvals required to carry on its business as now conducted, except where the absence of any such license, authorization, qualification, consent or approval would not have a material adverse effect on the consolidated financial position or consolidated results of operations of the Company and its Consolidated Subsidiaries considered as one enterprise.

For purposes of my opinion set forth in numbered paragraph 4 above, I have assumed that the laws of the State of New York, which are stated to govern the Credit Agreement and the Notes, are the same as the laws of the State of Colorado.

In rendering the opinions set forth herein, I have assumed that the Credit Agreement and the Notes will conform to the specimens thereof examined by me, that the signatures on all documents examined by me were genuine, and the authenticity of all documents submitted to me as originals or as copies of originals, assumptions which I have not independently verified.

This opinion is furnished by me as counsel for the Company and is solely for your benefit and the benefit of any Assignee under the Credit Agreement. Without my prior written consent, this opinion may not be relied upon by you or any Assignee in any other context or by any other person. This opinion may not be quoted, in whole or in part, or copies thereof furnished, to any other person without my prior written consent, except that you may furnish copies hereof (a) to your auditors and attorneys, (b) to any state or federal authority having regulatory jurisdiction over you or the Company, (c) pursuant to order or legal process of any court or governmental agency, (d) in connection with any legal action to which you are a party arising out of the transactions contemplated by the Credit Agreement, and (e) to any Participant or proposed Participant in the Commitment of any Bank.

This opinion is limited to the present laws of the State of Colorado and the General Corporation Law of the State of Delaware, to present judicial interpretations thereof, and to the facts as they presently exist, and I assume no responsibility as to the applicability or effect of the laws of any other jurisdiction. In rendering this opinion, I assume no obligation to revise or supplement this opinion should the present laws of the State of Colorado or the General Corporation Law of the State of Delaware be changed by legislative action, judicial decision, or otherwise.

Very truly yours,

Thomas O. McGimpsey

EXHIBIT F

**OPINION OF
DAVIS POLK & WARDWELL, SPECIAL COUNSEL
FOR THE ADMINISTRATIVE AGENT**

To the Banks and the Administrative Agent Referred to Below
c/o Morgan Guaranty Trust Company
of New York, as Administrative Agent
60 Wall Street
New York, New York 10260

Dear Sirs:

We have participated in the preparation of the 364-Day Credit Agreement (the "Credit Agreement") dated as of May 19, 1999 among U S WEST Communications, Inc., the banks listed on the signature pages thereof (the "Banks"), the other agents named therein and Morgan Guaranty Trust Company of New York, as Administrative Agent (the "Agent"), and have acted as special counsel for the Agent for the purpose of rendering this opinion pursuant to Section 3.01(c) of the Credit Agreement. Terms defined in the Credit Agreement are used herein as therein defined.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as we have deemed necessary or advisable for purposes of this opinion.

Upon the basis of the foregoing, we are of the opinion that, assuming that the execution, delivery and performance by the Company of the Credit Agreement and the Notes are within the Company's corporate powers and have been duly authorized by all necessary corporate action, the Credit Agreement constitutes a valid and binding agreement of the Company and the Notes constitute valid and binding obligations of the Company.

We are members of the Bar of the State of New York and the foregoing opinion is limited to the laws of the State of New York. In giving the foregoing opinion, we express no opinion as to the effect (if any) of any law of any jurisdiction (except the State of New York) in which any Bank is located which limits the rate of interest that such Bank may charge or collect.

This opinion is rendered solely to you in connection with the above matter. This opinion may not be relied upon by you for any other purpose or relied upon by or furnished to any other person without our prior written consent.

Very truly yours,

EXHIBIT G

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of _____, __ 199__ among [ASSIGNOR] (the "Assignor"), [ASSIGNEE] (the "Assignee"), U S WEST Communications, Inc. (the "Company") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent (the "Agent").

W I T N E S S E T H

WHEREAS, this Assignment and Assumption Agreement (the "Agreement") relates to the 364-Day Credit Agreement dated as of May 19, 1999 among the Company, the Assignor and the other Banks party thereto, as Banks, the other agents named therein and the Agent (the "Credit Agreement");

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Loans in an aggregate principal amount at any time outstanding not to exceed \$_____;

WHEREAS, Committed Loans made by the Assignor under the Credit Agreement in the aggregate principal amount of \$_____ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its Commitment thereunder in an amount equal to \$_____ (the "Assigned Amount"), together with a corresponding portion of its outstanding Committed Loans, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. Definitions. All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement.

SECTION 2. Assignment. The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment from the Assignor and assumes all of the obligations of the Assignor under the Credit Agreement to the extent of the Assigned Amount, including the purchase from the Assignor of the corresponding portion of the principal amount of the Committed Loans made by the Assignor outstanding at the date hereof. Upon the execution and delivery hereof by the Assignor, the Assignee, the Company and the Agent and the payment of the amounts specified in Section 3 required to be paid on the date hereof (i) the Assignee shall, as of the date hereof, succeed to the rights and be obligated to perform the obligations of a Bank under the Credit Agreement with a Commitment in an amount equal to the Assigned Amount, and (ii) the Commitment of the Assignor shall, as of the date hereof, be reduced by a like amount and the Assignor released from its obligations under the Credit Agreement to the extent such obligations have been assumed by the Assignee. The assignment provided for herein shall be without recourse to the Assignor.

SECTION 3. Payments. As consideration for the assignment and sale contemplated in Section 2 hereof, the Assignee shall pay to the Assignor on the date hereof in Federal funds the amount heretofore agreed between them.³ It is understood that commitment and/or facility fees accrued to the date hereof are for the account of the Assignor and such fees accruing from and including the date hereof are for the account of the Assignee. Each of the Assignor and the Assignee hereby agrees to that if it receives any amount under the Credit Agreement which is for the account of the other party hereto, it shall receive the same for the account of such other party to the extent of such other party's interest therein and shall promptly pay the same to such other party.

[SECTION 4. Consent of the Company and the Agent. This Agreement is conditioned upon the consent of the Company and the Agent pursuant to Section 9.06(c) of the Credit Agreement. The execution of this Agreement by the Company and the Agent is evidence of this consent. Pursuant to Section 9.06(c) the Company agrees to execute and deliver a Note payable to the order of the Assignee to evidence the assignment and assumption provided for herein.]

SECTION 5. Non-Reliance on Assignor. The Assignor makes no representation or warranty in connection with, and shall have no responsibility with respect to, the solvency, financial condition, or statements of the Company or the validity and enforceability of the obligations of the Company in respect of the Credit Agreement or any Note. The Assignee acknowledges that it has, independently and without reliance on the Assignor, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement and will continue to be responsible for making its own independent appraisal of the business, affairs and financial condition of the Company.

SECTION 6. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 7. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By
Title:

[ASSIGNEE]

By
Title:

U S WEST COMMUNICATIONS, INC.

By
Title:

**MORGAN GUARANTY TRUST
COMPANY OF NEW YORK, as
Administrative Agent**

By
Title:]

EXHIBIT H

EXTENSION AGREEMENT

US WEST Communications, Inc.
7800 East Orchard Road
Englewood, Colorado 80111

Morgan Guaranty Trust Company of
New York, as Administrative Agent
under the Credit Agreement referred
to below
60 Wall Street
New York, NY 10260

Gentlemen:

The undersigned hereby agree to extend the Revolving Credit Period under the 364-Day Credit Agreement dated as of May 19, 1999 among US WEST Communications, Inc., the Banks listed therein, the other agents named therein and Morgan Guaranty Trust Company of New York, as Administrative Agent (the "Credit Agreement") for 364 days to _____, _____. Terms defined in the Credit Agreement are used herein as therein defined.

This Extension Agreement shall be construed in accordance with and governed by the law of the State of New York. It may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

[NAME OF BANK]1

By
Title:

[NAME OF BANK]1

By
Title:

[NAME OF BANK]1

By
Title:

[NAME OF BANK]1

By
Title:

[NAME OF BANK]1

By
Title:

[NAME OF BANK]1

By
Title:

1 Insert names of Banks which have responded affirmatively in accordance with Section 2.01(b) of the Credit Agreement.

Agreed and accepted:

US WEST COMMUNICATIONS, INC.

By
Title

**MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Administrative Agent**

By
Title

AMENDMENT NO. 1 TO CREDIT AGREEMENT

AMENDMENT dated as of June 11, 1999 to the 364-Day Credit Agreement dated as of May 19, 1999 (the "Credit Agreement") among U S WEST COMMUNICATIONS, INC. (the "Company"), the BANKS listed on the signature pages thereto (the "Banks") and MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Administrative Agent (the "Agent").

W I T N E S S E T H :

WHEREAS, the parties hereto desire to amend the Credit Agreement to increase pricing;

NOW, THEREFORE, the parties hereto agree as follows:

SECTION 1. Defined Terms; References. Unless otherwise specifically defined herein, each term used herein which is defined in the Credit Agreement has the meaning assigned to such term in the Credit Agreement. Each reference to "hereof", "hereunder", "herein" and "hereby" and each other similar reference and each reference to "this Agreement" and each other similar reference contained in the Credit Agreement shall, after this Amendment becomes effective, refer to the Credit Agreement as amended hereby.

SECTION 2. Amendment of Section 1.01.

(a) The definition of "Termination Date" in Section 1.01 of the Credit Agreement is amended to insert:

(1) before the date contained therein, the phrase "the earlier of (i)", and

(2) after the expression "Section 2.01(b)", the clause "or

(ii) the date which is the thirtieth day after the date on which the Merger is consummated,".

(b) Section 1.01 the Credit Agreement is amended by adding the following definitions in the appropriate alphabetical order:

"Merger" means any of the transactions constituting one of the "Mergers" (as defined in the Merger Agreement as in effect on June 11, 1999) or any similar transaction pursuant to which U S WEST, Inc. merges with or into, or controls is controlled by or is under common control with, Global Crossing Ltd.

"Merger Agreement" means the Agreement and Plan of Merger dated as of May 16, 1999 between U S WEST, Inc. and Global Crossing Ltd., as amended prior to June 11, 1999.

SECTION 3. Amendment of Section 2.02. Section 2.02 of the Credit Agreement is amended to add the following proviso before the word "and" at the end of clause (iii) thereof:

provided that if the date of such Borrowing occurs during the period from and including December 15, 1999 to and including January 17, 2000, such Loans shall bear interest at the Base Rate unless and until they are converted to Euro-Dollar Loans on or after January 18, 2000,

SECTION 4. Amendment of Section 2.10. Section 2.10(a) of the Credit Agreement is amended to replace the period at the end of clause (ii) thereof with a semi-colon and to add after clauses (i) and (ii) the following proviso, which applies to both clauses:

provided that if such conversion or continuation occurs during the period from and including December 15, 1999 to and including January 17, 2000, such Loans shall be converted into or continued as Domestic Loans unless and until they are converted to Euro-Dollar Loans on or after January 18, 2000.

SECTION 5. Amendment of Section 4.07. Section 4.07(c) of the Credit Agreement is amended and restated in its entirety to read as follows:

(c) Except as specifically identified in Schedule 4.07, there are neither any conditions or circumstances known to the Company which may give rise to any claims or liabilities respecting any Environmental Laws or Hazardous Substances arising from the operations of the Company or its Subsidiaries (including, without limitation, off-site liabilities), nor any additional costs of compliance with Environmental Laws, which collectively have an aggregate potential liability in excess of \$50,000,000.

SECTION 6. Amendment of Section 9.03. Clause (i) of Section 9.03(a) of Credit Agreement is amended by adding the word "reasonable" before the word "out-of-pocket" and before the word "fees".

SECTION 7. Amendment of Pricing Schedule. The Pricing Schedule is amended and restated in its entirety to read as set forth in the attached Pricing Schedule.

SECTION 8. Representations of Company. The Company represents and warrants that (i) the representations and warranties of the Company set forth in Article 4 of the Credit Agreement will be true on and as of the Amendment Effective Date (as defined below) and (ii) no Default will have occurred and be continuing on such date.

SECTION 9. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York.

SECTION 10. Counterparts. This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

SECTION 11. Effectiveness. This Amendment shall become effective as of the date hereof on the date (the "Amendment Effective Date") when the Agent shall have received from each of the Company and the Required Banks a counterpart hereof signed by such party or facsimile or other written confirmation (in form satisfactory to the Agent) that such party has signed a counterpart hereof.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

U S WEST COMMUNICATIONS, INC.

By /s/ Sean P. Foley
Title: Treasurer

MORGAN GUARANTY TRUST COMPANY OF NEW

YORK

*By /s/ Robert Bottamedi
Title: Vice President*

THE CHASE MANHATTAN BANK

*By /s/ Edmond DeForest
Title: Vice President*

**THE FIRST NATIONAL BANK
OF CHICAGO**

*By /s/ Lori J. Thomas
Title: Vice President*

**BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION**

*By /s/ Douglas T. Meckelnburg
Title: Vice President*

CITIBANK, N.A.

*By /s/ Maureen Maroney
Title: Vice President*

ABN AMRO BANK N.V.

*By /s/ Joanna Riopelle
Title: Senior Vice President*

*By /s/ Sang W. Lee
Title: Assistant Vice President*

**ISTITUTO BANCARIO SAN PAOLO
DI TORINO ISTITUTO MOBILIARE
ITALIANO SPA**

By
Title:

By
Title:

MELLON BANK, N.A.

*By /s/ Henry S. Beukema
Title: Assistant Vice President*

WELLS FARGO BANK, N.A.

*By /s/ Donald A. Hartmann
Title: Senior Vice President*

*By /s/ Catherine M. Wallace
Title: Vice President*

THE BANK OF NEW YORK

*By /s/ James Whitaker
Title: Vice President*

U.S. BANK NATIONAL ASSOCIATION

*By /s/ Scott E. Page
Title: Vice President*

FIRST SECURITY BANK, N.A.

*By /s/ Troy S. Akagi
Title: Vice President*

**COMMERZBANK AG LOS ANGELES
AND GRAND CAYMAN BRANCHES**

*By /s/ Christian Jagenberg
Title: Senior Vice President and Manager*

*By /s/ Steven F. Larsen
Title: Vice President*

FLEET NATIONAL BANK

*By /s/ Sue Anderson
Title: Vice President*

KEYBANK NATIONAL ASSOCIATION

*By /s/ Mary K. Young
Title: Assistant Vice President*

**BAYERISCHE LANDESBANK
GIROZENTRALE CAYMAN
ISLANDS BRANCH**

*By /s/ Peter Obermann
Title: Senior Vice President*

*By /s/ James H. Boyle
Title: Vice President*

NORTHERN TRUST COMPANY

*By /s/ David J. Mitchell
Title: Vice President*

THE ROYAL BANK OF SCOTLAND PLC

*By /s/ K. C. Barclay
Title: Head of Media and
Telecommunications*

BANKERS TRUST COMPANY

*By /s/ Gregory Shefrin
Title: Principal*

BANQUE NATIONALE DE PARIS

*By /s/ Clive Bettles
Title: Senior Vice President & Manager*

*By /s/ Mitchell M. Ozawa
Title: Vice President*

UBS AG, STAMFORD BRANCH

By /s/ Robert H. Riley III
Title: Executive Director

By /s/ Paul R. Morrison
Title: Executive Director

PRICING SCHEDULE

The "Euro-Dollar Margin" and "Facility Fee Rate" for any day are the respective percentages set forth below in the applicable row under the column corresponding to the Status that exists on such day:

Status	Level I	Level II	Level III	Level IV	Level V	Level VI	Level VII	Level VIII
Euro-Dollar Margin: Usage less than 25%	.245%	.265%	.305%	.420%	.525%	.625%	.725%	1.175%
Usage => 25%	.345%	.365%	.430%	.545%	.650%	.750%	1.100%	1.550%
Facility Fee Rate	.055%	.060%	.070%	.080%	.100%	.125%	.150%	.200%

For purposes of this Schedule, the following terms have the following meanings:

"Level I Status" exists at any date if, at such date, the Company's outstanding senior unsecured long-term debt securities are rated A+ or higher by S&P and A1 or higher by Moody's.

"Level II Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated A+ or higher by S&P or A1 or higher by Moody's and (ii) Level I Status does not exist.

"Level III Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated A or higher by S&P or A2 or higher by Moody's and (ii) neither Level I Status nor Level II Status exists.

"Level IV Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated A- or higher by S&P or A3 or higher by Moody's and (ii) none of Level I Status, Level II Status or Level III Status exists.

"Level V Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated BBB+ or higher by S&P or Baa1 or higher by Moody's and (ii) none of Level I Status, Level II Status, Level III Status or Level IV Status exists.

"Level VI Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated BBB or higher by S&P and Baa2 or higher by Moody's and (ii) none of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status exists.

"Level VII Status" exists at any date if, at such date, (i) the Company's outstanding senior unsecured long-term debt securities are rated BBB- or higher by S&P and Baa3 or higher by Moody's and (ii) none of Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status or Level VI Status exists.

"Level VIII Status" exists if, at such date, none of Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status, Level VI Status or Level VII Status exists.

"Moody's" means Moody's Investors Service, Inc., a Delaware corporation, and its successors or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Required Banks, with the approval of the Company, by notice to the Agent and the Company.

"S&P" means Standard & Poor's Ratings Group, a New York corporation, and its successors or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Required Banks, with the approval of the Company, by notice to the Agent and the Company.

"Status" refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status, Level V Status, Level VI Status, Level VII Status or Level VIII Status exists at any date.

"Usage" means at any date the percentage equivalent of a fraction (i) the numerator of which is the sum of the aggregate outstanding principal amount of the Loans at such date, after giving effect to any borrowing or payment on such date, and (ii) the denominator of which is the aggregate amount of the Commitments at such date, after giving effect to any reduction of the Commitments on such date. For purposes of this Schedule, if for any reason any Loans remain outstanding after termination of the Commitments, the Usage for each date on or after the date of such termination shall be deemed to be greater than 25%.

The credit ratings to be utilized for purposes of this Schedule are those assigned to the senior unsecured long-term debt securities of the Company, and any rating assigned to any other debt security of the Company shall be disregarded. The rating in effect at any date is that in effect at the close of business on such date.

ARTICLE 5

CIK: 0000068622

NAME: U S WEST Communications, Inc.

MULTIPLIER: 1,000,000

PERIOD TYPE	3 MOS	6 MOS
FISCAL YEAR END	DEC 31 1999	DEC 31 1999
PERIOD START	APR 01 1999	JAN 01 1999
PERIOD END	JUN 30 1999	JUN 30 1999
CASH	66	66
SECURITIES	0	0
RECEIVABLES	1,640	1,640
ALLOWANCES	0	0
INVENTORY	194	194
CURRENT ASSETS	2,124	2,124
PP&E	36,059	36,059
DEPRECIATION	20,835	20,835
TOTAL ASSETS	18,335	18,335
CURRENT LIABILITIES	4,729	4,729
BONDS	4,970	4,970
PREFERRED MANDATORY	0	0
PREFERRED	0	0
COMMON	8,079	8,079
OTHER SE	(3,617)	(3,617)
TOTAL LIABILITY AND EQUITY	18,335	18,335
SALES	2,849	5,642
TOTAL REVENUES	2,849	5,642
CGS	0	0
TOTAL COSTS	0	0
OTHER EXPENSES	2,106	4,213
LOSS PROVISION	0	0
INTEREST EXPENSE	98	187
INCOME PRETAX	633	1,218
INCOME TAX	246	462
INCOME CONTINUING	387	756
DISCONTINUED	0	0
EXTRAORDINARY	0	0
CHANGES	0	0
NET INCOME	387	756
EPS BASIC	0	0
EPS DILUTED	0	0

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