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**ALSO ADMITTED IN:**

UNITED STATES SUPREME COURT  
STATE OF ARIZONA  
STATE OF OKLAHOMA  
STATE OF TEXAS  
WASHINGTON, D.C.

November 9, 2004

**(Via Email and First Class Mail)**

QWEST HEALTH CARE PLAN ADMINISTRATOR  
c/o Erik Ammidown, Director, Employee Benefits  
1801 California St., Suite 900  
Denver, CO 80202  
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Erik.ammidown@qwest.com

Re: QWEST HEALTH CARE / **Request for Disclosures**

Mr. Ammidown,  
and Qwest Health Care Plan Administrator:

I received your November 5, 2004, invoice together with the 1,000 pages of Qwest Health Care Plan annual reports for years 1998, 1999 and 2000. Therefore, my check No. 4161 in the amount of \$100.00 is enclosed.

As you know, employer securities ordinarily may not comprise more than **ten** percent of the aggregate fair market value of plan assets. ERISA Section 407(a)(3)(A), 29 U.S.C. § 1107(a)(3)(A). The annual reports you have provided prove that for a prolong time period the health care plan/trust has been *heavily* invested in U S WEST/Qwest common stock. It appears that both U S WEST and Qwest have been careful not to report this investment as 'employer securities.' Instead, the investment has been reported as a 'partnership,' not a direct investment in employer securities. The form 5500 reports this sometimes as "the Internal Equity investment account" and sometimes as "the QWEST Benefit Plan Investment Partnership." The 'partners' in the 'partnership' were the health care trust and the life insurance trust. Eventually, the life insurance trust stopped being a participating 'partner.' Therefore, all of this 'partnership' is now owned by the health care trust. Please see the chart which is attached hereto.

This is a request for further information made on behalf of Qwest Health Care Plan participants Nelson B. Phelps and Mary M. ("Mimi") Hull and numerous other unnamed plan participants who are members of the Association of U S WEST Retirees.

The federal regulations concerning this ERISA employee benefit plan requires that in order for employee benefit trusts to have over 10% of total assets invested in employer securities, the sponsoring company (i.e., U S WEST/Qwest) must apply for and receive permission or an "exemption" granted by the United States Department of Labor.

We understand that U S WEST previously made a request for retroactive exemption for having violated the 10% limitation of ERISA Section 407(a)(2). In a filing with the Department of Labor ("DOL") (Application No. L-09583), U S WEST sought retroactive exemption for having made the two separate U S WEST stock contributions to the Health Care Trusts during 1994. U S WEST requested exemptive relief from the provisions of ERISA section 406(a)(1)(E) and ERISA 407(a)(2), because immediately after the first in-kind contribution of stock to the Health Plan Trust on March 31, 1994, the fair market value of such stock constituted more than 10 percent (10%) of the aggregate assets of the Health Plan Trust. U S WEST requested retroactive exemptive relief, effective as of March 31, 1994.

U S WEST represented in its filing to the DOL that the otherwise prohibited transactions were *"in the interest of the Plans, as growth in the telecommunications industry will cause any stock contributed to the Trusts to appreciate in value. For this reason, U S WEST believes the Stock to be a highly desirable investment. Further, U S WEST represents that the exemption is protective of the participants and beneficiaries, in that the transactions also provide security regarding the continuation of benefits to current and former employees of U S WEST."* Furthermore, U S WEST represented that there would be an independent financial investor, "State Street" and that entity would identify the other holdings in the Health Plan Trust and review asset allocation for the trust, monitor the overall investment mix, and the impact such contributions have on the volatility of the portfolio and make any necessary adjustments. **U S WEST represented that State Street would monitor the holding of the stock in the Health Plan Trust and would continue to hold the stock only if such holding continued to be in the best interest of the Health Plan Trust.** Essentially, U S WEST represented and agreed that State Street would take whatever action is necessary to protect the rights of the Plans which are funded by such Trusts holding U S WEST stock. But, U S WEST stated that it had an investment policy which contemplated the stock would be held for a long term.

Therefore, based upon the representations made by U S WEST, the DOL granted U S WEST retroactive exemptions. In November 1998, the DOL agreed to grant U S WEST retroactive exemptions conditioned upon the adherence by U S WEST to its representations and certain requirements. One requirement is that no future contributions in-kind of stock by U S WEST to any Trust, any replacement publicly traded shares of such stock, or any purchases of

stock in connection with rebalancing of any Trust's holding of stock cause immediately after such transactions the aggregate fair market value of such stock, plus the fair market value of all other qualified employer real property or stock held by such Trust to exceed 25 percent (25%) of the fair market value of the assets of such Trust on the date of such transaction.

When the DOL agreed to grant U S WEST the requested retroactive exemption and allow future transactions of this nature, the DOL stated that it *expects [the independent fiduciary] will use its authority to dispose of as much of the Stock as is necessary to comply with its fiduciary responsibilities at the appropriate time regardless of the policy that the assets of the Accounts be held for long term appreciation.*"

**U S WEST represented to the DOL that as of March 9, 1998, the Health Plan Trust no longer held any of shares of U S WEST stock contributed by the corporation to the Health Plan Trust.** Therefore, it is unclear to Plan participants Mr. Phelps and Ms. Hull how the health care trust, once again, became so heavily invested in U S WEST/Qwest stock.

Presumably, since 1998, no further ERISA exemption was requested by either U S WEST or Qwest, because the DOL tells us, in response to our Freedom of Information Act request, that there is no record of any exemption requested or granted. Therefore, please disclose whether or not the DOL has provided us erroneous information. Did either U S WEST or Qwest apply for and receive an exemption? If so, when was the application made and what was the disposition? Please provide copies of all correspondence and filings associated with an exemption request.

Is there a governing partnership agreement, statement of by-laws and any other instrument memorializing the health care plan/trust investment in the so-called QWEST Benefit Plan Investment Partnership? If so, please send the requesting Plan participants a copy of each document and the records of the underlying investment. What is the total dollar amount of health care plan/trust assets invested in U S WEST/Qwest stock which comprises the QWEST Benefit Plans Investment Partnership? Finally, since this fairly huge investment has gone sour and there has been a significant unrealized loss, please advise whether there are any plans for disposition of the partnership assets.

Sincerely,

Curtis L. Kennedy

Enclosure

Attachment

c: Nelson Phelps  
Mimi Hull  
Association of U S WEST Retirees