

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLORADO**

Civil Action No. 01-cv-1451-REB-CBS

(Consolidated with Civil Action Nos. 01-cv-1472-REB-CBS, 01-cv-1527-REB-CBS, 01-cv-1616-REB-CBS, 01-cv-1799-REB-CBS, 01-cv-1930-REB-CBS, 01-cv-2083-REB-CBS, 02-cv-0333-REB-CBS, 02-cv-0374-REB-CBS, 02-cv-0507-REB-CBS, 02-cv-0658-REB-CBS, 02-cv-755-REB-CBS, 02-cv-798-REB-CBS and 04-cv-0238-REB-CBS)

In re QWEST COMMUNICATIONS INTERNATIONAL, INC. SECURITIES LITIGATION

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**NOTICE OF PENDENCY AND PARTIAL SETTLEMENT OF CLASS ACTION**

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**TO: ALL PERSONS OR ENTITIES THAT PURCHASED OR OTHERWISE ACQUIRED QWEST COMMUNICATIONS INTERNATIONAL, INC. ("QWEST") PUBLICLY TRADED SECURITIES (INCLUDING COMMON STOCK, BONDS AND OPTIONS) FROM MAY 24, 1999 THROUGH JULY 28, 2002**

**PLEASE READ THIS NOTICE CAREFULLY AND IN ITS ENTIRETY. YOUR RIGHTS MAY BE AFFECTED BY PROCEEDINGS IN THIS ACTION. PLEASE NOTE THAT IF YOU ARE A MEMBER OF THE CLASS YOU MAY BE ENTITLED TO SHARE IN THE PROCEEDS OF THE SETTLEMENT FUND DESCRIBED IN THIS NOTICE. TO CLAIM YOUR SHARE OF THIS FUND, YOU MUST SUBMIT A VALID PROOF OF CLAIM AND RELEASE POSTMARKED ON OR BEFORE MAY 2, 2006.**

This Notice has been sent to you pursuant to Rule 23 of the Federal Rules of Civil Procedure and Orders of the United States District Court for the District of Colorado (the "Court"). The purpose of this Notice is to inform you of the partial settlement of this consolidated class action (the "Litigation") and of the hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the settlement. The partial settlement resolves the claims against the Settling Defendants (defined below) but does not resolve the claims against Joseph P. Nacchio (former Chief Executive Officer of Qwest) and Robert S. Woodruff (former Chief Financial Officer of Qwest), who are not parties to this settlement. This Notice describes the rights you may have in connection with the settlement and what steps you may take in relation to the settlement and the Litigation.

The partial settlement creates a fund in the principal amount of \$400,000,000.00 in cash (the "Settlement Fund"). The Settlement Fund may be increased under certain circumstances described in this Notice and in the Stipulation of Partial Settlement dated as of November 21, 2005 ("Stipulation"). Based on an estimate of the number of shares, bonds, and options entitled to participate in the settlement and the anticipated number of claims to be submitted by Class Member(s) (defined below), the average distribution from the Settlement Fund would be approximately \$0.19 per share before deduction of Court-approved fees and expenses (see the Plan of Allocation below for a more detailed description of how the Settlement Fund will be allocated to the different types of Qwest publicly traded securities). For all types of Qwest publicly traded securities, your actual recovery from the Settlement Fund will depend on a number of variables including the number of claimants and the types and amounts of securities they purchased, the type and number of Qwest publicly traded securities you purchased, the expense of administering the claims process and the timing of your purchases and sales, if any (see Plan of Allocation below).

The Settling Parties to the Litigation do not agree that the Lead Plaintiffs (defined below) would have prevailed on any of the claims asserted in the Litigation, or on the average amount of damages per security that would have been recoverable if Lead Plaintiffs were to have prevailed on their claims. Other issues that are the subject of the Litigation on which the parties disagree include: (1) whether any of the statements allegedly made or facts allegedly omitted by the Settling Defendants were false, material or otherwise actionable; (2) the extent to which external factors, such as general market conditions, influenced the trading price of Qwest publicly traded securities at various times during the Class Period (defined below); (3) the extent to which the various matters that Lead Plaintiffs allege were materially false or misleading influenced (if at all) the trading price of Qwest publicly traded securities at various times during the Class Period; (4) the extent to which the various allegedly adverse material facts that Lead Plaintiffs allege were omitted influenced (if at all) the trading price of Qwest publicly traded securities at various times during the Class Period; and (5) the appropriate economic model for determining the

amount by which the trading prices of Qwest publicly traded securities were allegedly artificially inflated (if at all) at any time during the Class Period.

Counsel for the Lead Plaintiffs believe that the substantial recovery obtained given Qwest's financial condition is the largest possible recovery and is in the best interest of the Class (defined below). Because of the risks associated with continuing to litigate and proceeding to trial, there was a danger that the Lead Plaintiffs would not have prevailed on any of their claims, in which case the Class would have received nothing. Indeed, the Settling Defendants assert that they never made any false or misleading statements or omissions at any time. In addition, the amount of damages recoverable by the Class, if any, was and continues to be vigorously challenged by the Settling Defendants. If the Litigation were tried, recoverable damages, if any, would have been limited to losses caused by conduct actionable under the laws and, had the Litigation gone to trial, the Settling Defendants intended to assert that all or most of the losses of the members of the Class were caused by non-actionable market, industry or general economic factors. The Settling Defendants also would have asserted that throughout the Class Period the uncertainties and risks associated with Qwest's business and financial condition as well as the merger between Qwest and US West were fully and adequately disclosed.

Lead Counsel have not received any payment for their services in conducting the Litigation on behalf of the members of the Class, nor have they been reimbursed for their out-of-pocket expenditures. If the settlement is approved by the Court, Lead Counsel will apply to the Court (1) for attorneys' fees of up to 24% of the settlement proceeds, and reimbursement of expenses incurred not to exceed \$5.2 million, and (2) compensation of up to \$40,000 for each of the Lead Plaintiffs to reimburse them for their expenses (including lost wages) incurred in prosecuting the Litigation, all to be paid from the Settlement Fund. If the amounts requested by Lead Counsel are approved by the Court, the average cost would be approximately \$0.05 per share. The average cost per share could vary depending on the number of shares for which valid claims are submitted.

This Notice is not an expression of any opinion by the Court about the merits of any of the claims or defenses asserted by any party in the Litigation.

For further information regarding this settlement you may contact: Rick Nelson, Lerach Coughlin Stoia Geller Rudman & Robbins LLP, 655 West Broadway, Suite 1900, San Diego, California 92101, Telephone: 800/449-4900 or the Claims Administrator, Gilardi & Co. LLC. at 800/516-6339. Please do not contact the Court or Qwest.

## **NOTICE OF SETTLEMENT HEARING ON PROPOSED SETTLEMENT**

A settlement hearing will be held on May 19, 2006, at 10:00 a.m., before the Honorable Robert E. Blackburn, United States District Judge, District of Colorado, United States Courthouse, 901 19th Street, Room A-105, Denver, Colorado (the "Settlement Hearing"). The purpose of the Settlement Hearing will be to determine: (1) whether the settlement consisting of \$400,000,000.00 in cash (plus any accrued interest) should be approved as fair, reasonable and adequate to members of the Class; (2) whether the proposed plan to distribute the settlement proceeds (the "Plan of Allocation") is fair, reasonable, and adequate; (3) whether the application by Lead Counsel for an award of attorneys' fees and reimbursement of expenses and the Lead Plaintiffs' request for reimbursement of their expenses (including lost wages) should be approved; and (4) whether the Litigation should be dismissed with prejudice and the Released Persons (defined below) released from all Released Claims (defined below) against them. The Court may adjourn or continue the Settlement Hearing or modify any dates set forth herein without further notice to the Class.

### **I. DEFINITIONS USED IN THIS NOTICE**

1. "Arthur Andersen LLP" means Arthur Andersen LLP, and all of its respective past and present subsidiaries, parents, successors and predecessors, and all of its current and former partners, members, principals, participating principals, national directors, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, consultants, advisors, attorneys, accountants, representatives, successors and assigns, along with the heirs, spouses, executors, administrators, insurers, reinsurers, representatives, estates, successors and assigns of any such person or entities.

2. "Arthur Andersen Released Parties" means Arthur Andersen LLP, AWSC Société Coopérative, en liquidation, and all of their respective past and present subsidiaries, parents, successors and predecessors, member firms, affiliates, related entities, and divisions, and all of their respective current and former partners,

members, principals, participating principals, national directors, managing or other agents, management personnel, officers, directors, shareholders, administrators, servants, employees, consultants, advisors, attorneys, accountants, representatives, successors and assigns, along with the heirs, spouses, executors, administrators, insurers, reinsurers, representatives, estates, successors and assigns of any such person or entities.

3. "Authorized Claimant" means any Class Member whose claim for recovery has been allowed pursuant to the terms of the Stipulation.

4. "Claims Administrator" means Gilardi & Co. LLC.

5. "Class" means all persons who purchased or otherwise acquired Qwest publicly traded securities (including common stock, bonds, and options) from May 24, 1999 through July 28, 2002 ("Class Period"). Excluded from the Class are Defendants and any Persons affiliated with or related to any Defendant. For purposes of this paragraph, the persons affiliated with or related to any Defendant are members of the immediate family of each Individual Defendant, any entity in which any Defendant has a controlling interest, officers and directors of Qwest and its subsidiaries and affiliates, partners, shareholders, and members of Arthur Andersen LLP, and the legal representatives, heirs, predecessors, successors and assigns of any such excluded party. Also excluded from the Class are those Persons who request exclusion from the Class in such form and manner, and within such time, as the Court shall prescribe. Also excluded from the Class is any current or former officer, director, employee, or agent of Qwest who has been sued by the United States Securities and Exchange Commission in connection with such Person's affiliation with or conduct related to Qwest.

6. "Class Member" means a Person who falls within the definition of the Class.

7. "Defendants" means Qwest Communications International, Inc., Arthur Andersen LLP, and the Individual Defendants.

8. "Individual Defendants" means Joseph Nacchio, Philip Anschutz, Robin Szeliga, Robert Woodruff, Stephen Jacobsen, Drake Tempest, Marc Weisberg, James Smith, Lewis Wilks, Craig Slater, Afshin Mohebbi, Gregory Casey, and Vinod Khosla.

9. "Individual Settling Defendants" means Philip Anschutz, Robin Szeliga, Stephen Jacobsen, Drake Tempest, Marc Weisberg, James Smith, Lewis Wilks, Craig Slater, Afshin Mohebbi, Gregory Casey, and Vinod Khosla.

10. "Judgment" means the judgment to be rendered by the Court, substantially in the form attached as Exhibit B to the Stipulation.

11. "Lead Counsel" means Lerach, Coughlin, Stoia, Geller, Rudman & Robbins LLP, 655 W. Broadway, Suite 1900, San Diego, CA 92101-3301.

12. "Lead Plaintiffs" means New England Healthcare Employees Pension Fund, Satpal Singh, Tejinder Singh, and Clifford Mosher.

13. "Net Settlement Fund" means the Settlement Fund, together with any interest earned thereon, less (i) any taxes, (ii) the cash allocated to Lead Counsel for attorneys' fees and expenses pursuant to any Fee and Expense Application approved by the Court pursuant to paragraphs 7.1 and 7.2 of the Stipulation, and (iii) the cash allocated to the Class Notice and Administration Fund pursuant to paragraph 2.8 of the Stipulation.

14. "Non-Settling Defendant" means Joseph P. Nacchio ("Nacchio") and Robert S. Woodruff ("Woodruff"), or either of them. Nacchio and Woodruff are expressly excluded from the definitions of Qwest, Related Parties, Released Persons, Settling Defendants, and Settling Parties.

15. "Plan of Allocation" means a plan or formula of allocation of the Settlement Fund whereby the Net Settlement Fund shall be distributed to Authorized Claimants after payment of expenses of notice and administration of the settlement, Taxes and Tax Expenses and such attorneys' fees, costs, expenses and interest as may be awarded by the Court. Any Plan of Allocation is not part of the Stipulation and the Settling Defendants and the Related Parties shall have no liability with respect thereto.

16. "Qwest" means Qwest Communications International, Inc., any and all successors, subsidiaries, and affiliates of Qwest Communications International, Inc., and any and all current and former officers, directors, employees and agents of any of them, as well as any predecessors of Qwest (including but not limited to US West and any successors, subsidiaries, and affiliates thereof) and their successors, subsidiaries, and affiliates, and any and all current and former officers, directors, employees and agents of any of them. Notwithstanding the foregoing, neither Nacchio nor Woodruff is included in the definition of Qwest.

17. "Related Parties" means each of a Settling Defendant's past or present directors, officers, partners, members, employees, controlling shareholders, attorneys, accountants or auditors, banks or investment banks, advisors, personal or legal representatives, insurers, reinsurers, predecessors, successors, parents, subsidiaries, divisions, assigns, spouses, heirs, related or affiliated entities, any partnership in which a Settling Defendant is a general or limited partner, any entity in which a Settling Defendant has a controlling interest, any member of an Individual Settling Defendant's immediate family, or any trust or foundation of which any Settling Defendant is the settlor or which is for the benefit of any Individual Settling Defendant and/or member(s) of his or her family. Notwithstanding the foregoing, neither Nacchio nor Woodruff is included in the definition of Related Parties.

18. "Released Claims" shall collectively mean all claims, demands, rights, liabilities and causes of action of every nature and description whatsoever, whether based in law or equity, on federal, state, local, foreign, statutory or common law, or any other law, rule, or regulation (including, but not limited to, all claims arising out of or relating to any acts, omissions, disclosures, public filings, registration statements, financial statements, audit opinions, or statements by the Settling Defendants, including without limitation, claims for negligence, gross negligence, constructive or actual fraud, negligent misrepresentation, conspiracy, or breach of fiduciary duty), whether known or unknown, whether or not concealed or hidden, accrued or not accrued, foreseen or unforeseen, matured and not matured, that were asserted or that could have been asserted directly, indirectly, representatively or in any other capacity, at any time, in any forum by Lead Plaintiffs, the Class Members, or the successors or assigns of any Lead Plaintiff or Class Member, or any of them against the Released Persons arising out of, based upon, or related in any way to: (a) the purchase, acquisition, sale, or disposition of Qwest securities by any Lead Plaintiffs or any Class Member during the Class Period and the allegations that were made or could have been made in the Litigation; (b) the purchase or other acquisition of, the retention of, the sale or other disposition of, or any other transaction involving Qwest securities by any of the Released Persons during the Class Period; or (c) the settlement or resolution of the Litigation (including, without limitation, any claim for attorneys' fees by Lead Plaintiffs or any Class Member). Released Claims shall also include claims related to any tax effects or tax liabilities (including any interest, penalties and representation costs) arising out of the Stipulation or any payment or transfer made pursuant to the Stipulation. Released Claims shall also include Unknown Claims otherwise subject to this provision. Released Claims shall not include the claims asserted in the Second Amended and Consolidated Complaint filed in the United States District Court for the District of Colorado on May 21, 2003 in *In re Qwest Savings and Retirement Plan ERISA Litigation*, 02-CV-00464-REB-CBS (and all cases consolidated therein).

19. "Released Persons" means each and all of the Settling Defendants and their Related Parties, and the Arthur Andersen Released Parties. Notwithstanding the foregoing, neither Nacchio nor Woodruff is included in the definition of Released Persons.

20. "SEC Distribution Fund" means those funds paid by Qwest Communications International, Inc. pursuant to the Final Judgment as to Defendant Qwest Communications International, Inc. in *Securities and Exchange Commission v. Qwest Communications International Inc.*, Civil Action No. 04-7-2179 (Oct. 21, 2004), into an account in the Court Registry Investment System initially established in *Securities and Exchange Commission v. Augustine Crucioti*, Civil Action No. 04-D-1267 (MJW) (D. Colo.), that are made available for distribution to the Class pursuant to the Plan of Allocation, together with such other funds paid into that same account by other Persons pursuant to any separate final judgments or agreements that those Persons have entered into or may enter into with the Securities and Exchange Commission that are also made available for distribution to the Class pursuant to the Plan of Allocation.

21. "Settlement Fund" means the principal amount of \$400,000,000.00 (four hundred million dollars) in cash plus all interest earned thereon pursuant to the Stipulation and the SEC Distribution Fund.

22. "Settling Defendants" means, collectively, Qwest, Arthur Andersen LLP, and each of the Individual Settling Defendants. Notwithstanding the foregoing, neither Nacchio nor Woodruff is included in the definition of Settling Defendants.

23. "Settling Parties" means, collectively, each of the Settling Defendants and the Lead Plaintiffs on behalf of themselves and the Class Members. Notwithstanding the foregoing, neither Nacchio nor Woodruff is included in the definition of Settling Parties.

24. "Unknown Claims" means any claims that any Class Member or Lead Plaintiffs do not know or suspect to exist in his, her, its or their favor at the time of the release of the Released Persons which, if known by him, her, it, or them might have affected his, her, its or their settlement with and release of the Released Persons, or might

have affected his, her, its, or their decision not to object to this settlement. With respect to any and all Released Claims, the Settling Parties stipulate and agree that, upon the Effective Date, the Lead Plaintiffs shall expressly, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived the provisions, rights and benefits of California Civil Code §1542, which provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The Lead Plaintiffs shall expressly, and each of the Class Members shall be deemed to have, and by operation of the Judgment shall have, expressly waived any and all provisions, rights and benefits conferred by any law, or principle of common law, which is similar, comparable or equivalent to California Civil Code §1542. The Lead Plaintiffs and Class Members may hereafter discover facts in addition to or different from those that he, she, it or they now know or believe to exist or to be true with respect to the subject matter of the Released Claims, but the Lead Plaintiffs shall have, and each Class Member, upon the Effective Date, and by operation of the Judgment shall be deemed to have, fully, finally, and forever settled and released any and all Released Claims, known or unknown, suspected or unsuspected, contingent or non-contingent, whether or not concealed or hidden, which now exist, or heretofore have existed, upon any theory of law or equity now existing or coming into existence in the future, including, but not limited to, conduct that is negligent, intentional, with or without malice, or a breach of any duty, law or rule, without regard to the subsequent discovery or existence of such different or additional facts. The Lead Plaintiffs acknowledge, and the Class Members shall be deemed by operation of the Judgment to have acknowledged, that the foregoing waiver was separately bargained for and a material element of the settlement of which this release is a part.

## II. THE LITIGATION

On July 27, 2001, New England Healthcare Employees Pension Fund filed a class action complaint, entitled *New England Health Care Employees Fund v. Qwest, et al.*, Civil Action No. 01-cv-1451-REB-CBS, in the United States District Court for the District of Colorado, alleging various violations of the federal securities laws. A number of similar class action complaints were subsequently filed in the United States District Court for the District of Colorado. Pursuant to the Private Securities Litigation Reform Act of 1995, all of the related class action complaints were consolidated under the first filed case No. 01-cv-1451; New England Healthcare Employees Pension Fund, Clifford Mosher, Tejinder Singh, and Satpal Singh were appointed Lead Plaintiffs; and a consolidated class action complaint was filed. Lead Plaintiffs filed amended complaints on December 3, 2001, April 5, 2002, May 2, 2002, August 21, 2002, and February 6, 2004. In the Fifth Amended Complaint, the named defendants in the Litigation were Qwest Communications International, Inc., Arthur Andersen LLP, Joseph Nacchio, Philip Anschutz, Robin Szeliga, Robert Woodruff, Stephen Jacobsen, Drake Tempest, Marc Weisberg, James Smith, Lewis Wilks, Craig Slater, Afshin Mohebbi, Gregory Casey, and Vinod Khosla. The causes of action asserted in the Fifth Amended Complaint were for violations of the Securities Act of 1933 and the Securities Exchange Act of 1934. Lead Plaintiffs sought to recover money and/or other relief on behalf of themselves and a putative class.

On November 4, 2002, Lead Plaintiffs moved for a temporary restraining order and a preliminary injunction to prevent Qwest from selling certain assets, or, in the alternative, to place the proceeds from that sale in trust. Qwest opposed that motion. The Court denied Lead Plaintiffs' request for a temporary restraining order, and following supplemental briefing and a hearing at which both sides presented evidence, denied Lead Plaintiffs' request for a preliminary injunction.

Defendants moved to dismiss Lead Plaintiffs' various consolidated amended complaints, and Lead Plaintiffs opposed Defendants' motions. Defendants' motions to dismiss were granted in part and denied in part, with some Individual Defendants being dismissed from the Litigation. In other instances, the claims or allegations against Defendants were narrowed.

Those Defendants not dismissed from the Litigation filed answers denying all material allegations of Lead Plaintiffs' Fifth Amended Complaint and asserted various defenses. Lead Plaintiffs and Defendants engaged in extensive discovery, which has been coordinated with discovery in several other state and federal securities

actions. For example, Qwest has produced more than 8,000,000 pages of documents, and Lead Plaintiffs and Defendants have conducted more than 50 depositions. Those depositions began in early 2005.

On March 14, 2005, Lead Plaintiffs filed a motion for class certification, which Defendants opposed. Upon Final Settlement Approval, the Stipulation renders Lead Plaintiffs' motion for class certification moot as to the Settling Defendants.

### **III. CLAIMS OF THE LEAD PLAINTIFFS AND BENEFITS OF SETTLEMENT**

The Lead Plaintiffs believe that the claims asserted in the Litigation have merit and believe that the evidence developed to date supports the claims. However, the Lead Plaintiffs and Lead Counsel recognize and acknowledge the expense and length of continued proceedings necessary to prosecute the Litigation against the Settling Defendants through trial and appeals. The Lead Plaintiffs and Lead Counsel also have taken into account the uncertain outcome and the risk of any litigation, especially in complex actions such as this Litigation, as well as the difficulties and delays inherent in such litigation. The Lead Plaintiffs and Lead Counsel are also mindful of the inherent problems of proof under and possible defenses to the violations asserted in the Litigation. The Lead Plaintiffs and Lead Counsel believe that the settlement set forth in the Stipulation confers substantial benefits upon the Class Members. Based on their evaluation, the Lead Plaintiffs and Lead Counsel have determined that the settlement set forth in the Stipulation is in the best interests of the Class.

### **IV. DEFENDANTS' STATEMENT AND DENIALS OF WRONGDOING AND LIABILITY**

The Defendants have denied and continue to deny each and all of the claims and contentions alleged in the Litigation. The Defendants expressly have denied and continue to deny all charges of wrongdoing or liability against them arising out of any of the conduct, statements, acts or omissions alleged, or that could have been alleged, in the Litigation. The Defendants also have denied and continue to deny, *inter alia*, the allegations that the Lead Plaintiffs or the Class have suffered any damages, and that the Lead Plaintiffs or the Class were harmed by the conduct alleged in the Litigation.

Nonetheless, the Settling Defendants have concluded that further conduct of the Litigation would be protracted and expensive, and that it is desirable that the Litigation be fully and finally settled in the manner and upon the terms and conditions set forth in the Stipulation. The Settling Defendants also have taken into account the uncertainty and risks inherent in any litigation, especially in complex cases like this Litigation. The Settling Defendants have, therefore, determined that it is desirable and beneficial to them that the Litigation be settled in the manner and upon the terms and conditions set forth in the Stipulation.

### **V. TERMS OF THE PROPOSED SETTLEMENT**

The Settlement Fund consists of \$400 million in cash, plus any accrued interest thereon. Additionally, the Settlement Fund may include an additional, approximately \$250 million in cash from the SEC Distribution Fund, should the United States Securities and Exchange Commission agree that those monies may be distributed pursuant to the Plan of Allocation. A portion of the Settlement Fund will be used for certain administrative expenses, including costs of printing and mailing notice of the settlement, the cost of publishing newspaper notices, payment of any taxes assessed against the Settlement Fund and costs associated with the processing of claims submitted. In addition, as explained below, a portion of the Settlement Fund may be awarded by the Court to Lead Counsel as attorneys' fees and for reimbursement of out-of-pocket expenses and to Lead Plaintiffs for reimbursement of their expenses (including lost wages) in representing the Class. The balance of the Settlement Fund (the "Net Settlement Fund") will be distributed according to the Plan of Allocation described below to the Class Members who submit valid and timely Proof of Claim and Release forms.

## VI. PLAN OF ALLOCATION

The Net Settlement Fund will be distributed to Class Members who submit valid, timely Proof of Claim forms ("Authorized Claimants") under the Plan of Allocation described below. The Plan of Allocation provides that you will be eligible to participate in the distribution of the Net Settlement Fund only if you have a net loss on all transactions in Qwest publicly traded securities, notes/debt or options.

Each Authorized Claimant shall be paid the percentage of the Net Settlement Fund that each Authorized Claimant's claim bears to the total of the claims of all Authorized Claimants. Payment in this manner shall be deemed conclusive against all Authorized Claimants.

The total of all profits shall be subtracted from the total of all losses from transactions during the Class Period to determine if a Class Member has a claim. Only if a Class Member had a net loss, after all profits from transactions in Qwest publicly traded securities, notes/debt or options during the Class Period are subtracted from all losses, will such Class Member be eligible to receive a distribution from the Net Settlement Fund.

### **Qwest Common Stock**

1. For shares of Qwest common stock that were ***purchased from May 24, 1999 through June 19, 2001***, and
  - a) sold prior to June 20, 2001, the claim per share is \$0 per share;
  - b) sold from June 20, 2001 to August 1, 2001, the claim per share is \$1.74 per share;
  - c) sold from August 2, 2001 to September 26, 2001, the claim per share is \$4.03 per share;
  - d) sold from September 27, 2001 to October 30, 2001, the claim per share is \$7.33 per share;
  - e) sold from October 31, 2001 to February 12, 2002, the claim per share is \$10.38 per share;
  - f) retained at the end of February 12, 2002, the claim per share is \$11.16 per share.
2. For shares of Qwest common stock that were ***acquired in the June 30, 2000 merger with U.S. West***, and
  - a) sold prior to June 20, 2001, the claim per share is \$0 per share;
  - b) sold from June 20, 2001 to August 1, 2001, the claim per share is \$2.18 per share;
  - c) sold from August 2, 2001 to September 26, 2001, the claim per share is \$5.04 per share;
  - d) sold from September 27, 2001 to October 30, 2001, the claim per share is \$9.16 per share;
  - e) sold from October 31, 2001 to February 12, 2002, the claim per share is \$12.98 per share;
  - f) retained at the end of February 12, 2002, the claim per share is \$13.95 per share.
3. For shares of Qwest common stock that were ***purchased from June 20, 2001 through August 1, 2001***, and
  - a) sold prior to August 2, 2001, the claim per share is \$0 per share;
  - b) sold from August 2, 2001 to September 26, 2001, the claim per share is \$2.29 per share;
  - c) sold from September 27, 2001 to October 30, 2001, the claim per share is \$5.59 per share;
  - d) sold from October 31, 2001 to February 12, 2002, the claim per share is \$8.64 per share;
  - e) retained at the end of February 12, 2002, the claim per share is \$9.42 per share.
4. For shares of Qwest common stock that were ***purchased from August 2, 2001 through September 26, 2001***, and
  - a) sold prior to September 27, 2001, the claim per share is \$0 per share;
  - b) sold from September 27, 2001 to October 30, 2001, the claim per share is \$3.30 per share;
  - c) sold from October 31, 2001 to February 12, 2002, the claim per share is \$6.35 per share;
  - d) retained at the end of February 12, 2002, the claim per share is \$7.13 per share.
5. For shares of Qwest common stock that were ***purchased from September 27, 2001 through October 30, 2001***, and
  - a) sold prior to October 31, 2001, the claim per share is \$0 per share;
  - b) sold from October 31, 2001 to February 12, 2002, the claim per share is \$3.05 per share;
  - c) retained at the end of February 12, 2002, the claim per share is \$3.83 per share.
6. For shares of Qwest common stock that were ***purchased from October 31, 2001 through February 12, 2002***, and
  - a) sold prior to February 13, 2002, the claim per share is \$0 per share;
  - b) retained at the end of February 12, 2002, the claim per share is \$0.78 per share.
7. For shares of Qwest common stock that were ***purchased from February 13, 2002 through July 28, 2002***, and

- a) sold prior to June 26, 2002, the claim per share is \$0;
- b) sold from June 26, 2002 through December 31, 2002, the claim per share is the lesser of:
  - i) \$4.19 per share less the sales price per share,
  - ii) the purchase price per share less the sales price per share, or
  - iii) \$0.10 per share;
- c) retained at the end of December 31, 2002, the claim per share is \$0 per share.

**PUBLICLY TRADED QWEST NOTES/DEBT**

***“July Exchange Notes” defined as notes issued pursuant to July 12, 2001 Registration Statement:***

Qwest Capital Funding Note 7.25% due February 15, 2011

Qwest Capital Funding Note 7.75% due February 15, 2031

***“October Exchange Notes” defined as notes issued pursuant to October 30, 2001 Registration Statement:***

Qwest Capital Funding Note 5.875% due August 3, 2004

Qwest Capital Funding Note 7.0% due August 3, 2009

Qwest Capital Funding Note 7.625% due August 3, 2021

***July Exchange Notes***

For Qwest July Exchange Notes ***purchased or otherwise acquired from July 12, 2001 through July 28, 2002***, and

- a) sold prior to January 1, 2004, the claim per \$1,000 par value Note is the difference between the purchase price per \$1,000 par value Note and the sales price per \$1,000 par value Note;
- b) retained at the end of December 31, 2003, the claim per \$1,000 par value Note is \$0.

***October Exchange Notes***

For Qwest October Exchange Notes ***purchased or otherwise acquired from October 30, 2001 through July 28, 2002***, and

- a) sold prior to January 1, 2004, the claim per \$1,000 par value Note is *25 percent* of the difference between the purchase price per \$1,000 par value Note and the sales price per \$1,000 par value Note;
- b) retained at the end of December 31, 2003, the claim per \$1,000 par value Note is \$0.

***All Other Publicly Traded Notes/Debt***

For all other publicly traded Qwest Notes/Debt ***purchased from October 30, 2001 through July 28, 2002***, and

- a) sold prior to January 1, 2004, the claim per \$1,000 par value Note/Debt is *10 percent* of the difference between the purchase price per \$1,000 par value Note/Debt and the sales price per \$1,000 par value Note/Debt;
- b) retained at the end of December 31, 2003, the claim per \$1,000 par value Note/Debt is \$0.

**QWEST OPTIONS**

**Call Options**

1. For Call Options on Qwest common stock that were ***purchased during the period May 24, 1999 through July 28, 2002***, and,
  - a) ***owned*** at the end of one of the following dates: June 19, 2001, August 1, 2001, September 26, 2001, October 30, 2001, February 12, 2002 or June 25, 2002, the claim per Call Option is the difference between the price paid for the Call Option less the proceeds received upon the settlement of the Call Option contract;
  - b) ***not owned*** at the end of one of the following dates: June 19, 2001, August 1, 2001, September 26, 2001, October 30, 2001, February 12, 2002 or June 25, 2002, the claim per Call Option is \$0.
2. For Call Options on Qwest common stock that were ***written during the period May 24, 1999 through July 28, 2002***, the claim per Call Option is \$0.



## Put Options

1. For Put Options on Qwest common stock that were **written during the period May 24, 1999 through July 28, 2002**, and
  - a) **owned** at the end of one of the following dates: June 19, 2001, August 1, 2001, September 26, 2001, October 30, 2001, February 12, 2002 or June 25, 2002, the claim per Put Option is the difference between the amount paid upon settlement of the Put Option contract less the initial proceeds received upon the sale of the Put Option contract.
  - b) **not owned** at the end of one of the following dates: June 19, 2001, August 1, 2001, September 26, 2001, October 30, 2001, February 12, 2002 or June 25, 2002, the claim per Put Option is \$0.
2. For Put Options on Qwest common stock that were **purchased during the period May 24, 1999 through July 28, 2002**, the claim per Put Option is \$0.

Note: In the case the option was exercised for Qwest common stock, the amount paid, or proceeds received, upon the settlement of the option contract equals the intrinsic value of the option using Qwest common stock's closing price on the date the option was exercised.

The total recovery for publicly traded notes/debt shall not exceed 5% of the Net Settlement Fund. Total recovery for options shall not exceed 1% of the Net Settlement Fund. Based on the Section 11 claims under the Securities Act of 1933, shares of Qwest common stock acquired in the June 30, 2000 Merger with U.S. West will receive a 25% premium from shares purchased on the open market during the Class Period. The date of purchase or sale is the "contract" or "trade" date as distinguished from the "settlement" date. The determination of the price paid per share or security and the price received per share or security shall be exclusive of all commissions, taxes, fees and charges.

For Settlement Class Members who held shares at the beginning of the Class Period or made multiple purchases or sales during the Class Period, the first-in, first-out ("FIFO") method will be applied to such holdings, acquisitions and sales for purposes of calculating a claim. Under the FIFO method, sales of shares during the Class Period will be matched, in chronological order, first against shares held at the beginning of the Class Period. The remaining sales of shares during the Class Period will then be matched, in chronological order, against shares purchased or acquired during the Class Period.

The Court has reserved jurisdiction to allow, disallow or adjust the claim of any Class Member on equitable grounds.

## **VII. PARTICIPATION IN THE CLASS**

If you fall within the definition of the Class, you are a Class Member unless you elect to be excluded from the Class (see Section VIII below). If you do not request to be excluded from the Class in the manner specified in Section VIII below, you will be bound by any Judgment entered with respect to the settlement in the Litigation whether or not you submit a Proof of Claim and Release form.

***If you are a Class Member, you need do nothing (other than timely file a properly completed Proof of Claim and Release form if you wish to participate in the distribution of the Net Settlement Fund). Your interests will be represented by Lead Plaintiffs and Lead Counsel.*** If you choose, you may enter an appearance individually or through your own counsel at your own expense; provided, however, that in order to be heard at the Settlement Hearing or pose an objection to the settlement, you and your counsel must follow the procedures set forth in Section XII below. Class Members may both pose an objection to the settlement and also submit a Proof of Claim and Release form to allow them to participate in the distribution of the Net Settlement Fund, if the settlement is approved.

**TO PARTICIPATE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, YOU MUST TIMELY COMPLETE AND RETURN THE PROOF OF CLAIM AND RELEASE FORM THAT ACCOMPANIES THIS NOTICE.** The Proof of Claim and Release form must be postmarked on or before May 2, 2006, and be sent to the Qwest Claims Administrator at the address below. Unless the Court orders otherwise, if you do not timely submit a valid Proof of Claim and Release form, you will be barred from receiving any payments from the Net Settlement Fund, but will in all other respects be bound by the provisions of the Stipulation and the Judgment.

### **VIII. EXCLUSION FROM THE CLASS**

You may request to be excluded from the Class. To do so, you must mail a written request stating that you wish to be excluded from the Class to:

*Qwest Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 808003  
Petaluma, CA 94975-8003

In order to be valid and effective, the request for exclusion must contain the following information:

First, list your name, address, and telephone number.

Second, for each purchase or other acquisition of any Qwest stock, bonds, or options from May 24, 1999 through July 28, 2002, identify (i) the date the stock, bonds, or options were purchased or otherwise acquired; (ii) the number of shares, bonds, or options that were purchased or otherwise acquired; and (iii) the price paid for each share, bond, or option purchased or otherwise acquired.

Third, for each purchase or other acquisition of any Qwest stock, bonds, or options from May 24, 1999 through July 28, 2002, state whether such stock, bonds or options were sold or otherwise disposed of and, for each such sale or disposition identify (i) the date the stocks, bonds, or options were sold or otherwise disposed of; (ii) the number of shares, bonds, or options that were sold or otherwise disposed of; and (iii) the price obtained for each share, bond, or option sold or otherwise disposed of.

Fourth, separately identify the number of shares of Qwest common stock (if any) acquired as a result of the merger between Qwest and US West, the record date of which was June 30, 2000.

**YOUR EXCLUSION REQUEST MUST BE POSTMARKED ON OR BEFORE MARCH 23, 2006, AND, IN ORDER TO BE VALID, MUST CONTAIN ALL OF THE FOREGOING INFORMATION. IF YOU SUBMIT A VALID TIMELY, AND COMPLETE REQUEST FOR EXCLUSION, YOU SHALL HAVE NO RIGHTS UNDER THE SETTLEMENT, SHALL NOT SHARE IN THE DISTRIBUTION OF THE NET SETTLEMENT FUND, AND SHALL NOT BE BOUND BY THE STIPULATION OR THE FINAL JUDGMENT. IF YOUR EXCLUSION REQUEST FAILS TO CONTAIN ALL THE FOREGOING INFORMATION, IT WILL BE INVALID AND YOU WILL BE BOUND BY THE TERMS AND CONDITIONS OF THE STIPULATION AND JUDGMENT.**

### **IX. DISMISSAL AND RELEASES**

If the settlement is approved, the Court will enter a Judgment in the Litigation. The Judgment will dismiss the Released Claims with prejudice as to all Settling Defendants.

The Judgment will also provide that all Class Members who have not validly and timely requested to be excluded from the Class shall be deemed to have released and forever discharged all Released Claims (to the extent members of the Class have such claims) against all the Released Persons.

### **X. APPLICATION FOR FEES AND EXPENSES**

At the Settlement Hearing, Lead Counsel will request the Court to award attorneys' fees of up to 24% of the Settlement Fund, plus reimbursement of expenses, not to exceed \$5.2 million, which were incurred in connection with the Litigation, plus interest thereon. Lead Counsel will not apply for an award of attorneys' fees and/or expenses based on the monies from the SEC Distribution Fund. In addition, certain of the Lead Plaintiffs in the Litigation may seek compensation of up to \$40,000 each for their expenses incurred (including lost wages) in prosecuting the Litigation. This compensation will be paid from the Settlement Fund and will not be paid from the SEC Distribution Fund. Class Members are not personally liable for any such fees or expenses. To date, Lead Counsel have not received any payment for their services in conducting the Litigation nor have counsel been reimbursed for all of their out-of-pocket expenses incurred.

### **XI. CONDITIONS FOR SETTLEMENT**

The settlement is conditioned upon the occurrence of certain events described in the Stipulation. Those events include, among other things: (1) entry of the Judgment by the Court as provided for in the Stipulation; and (2) expiration of the time to appeal from or alter or amend the Judgment. If, for any reason, any one of the

conditions described in the Stipulation is not met, the Stipulation might be terminated and, if terminated, will become null and void, and the parties to the Stipulation will be restored to their respective positions in the Litigation prior to the settlement.

## **XII. THE RIGHT TO BE HEARD AT THE SETTLEMENT HEARING**

Any Class Member who has not validly, timely, and completely requested to be excluded from the Class, and who objects to any aspect of the settlement, the Plan of Allocation, Lead Counsel's application for attorneys' fees and expenses, or the Lead Plaintiffs' request for reimbursement may appear and be heard at the Settlement Hearing. Any such person must file a written notice of objection, filed with the Clerk of the Court on or before March 23, 2006, and served by hand or first class mail on each of the following:

CLERK OF THE COURT  
DISTRICT OF COLORADO  
United States Courthouse  
901 19th Street, Room A-105  
Denver, CO 80294

and

LERACH COUGHLIN STOIA GELLER  
RUDMAN & ROBBINS LLP  
KEITH F. PARK  
655 West Broadway, Suite 1900  
San Diego, CA 92101-3301  
Lead Counsel for Plaintiffs

BOIES, SCHILLER & FLEXNER LLP  
ALFRED LEVITT  
5301 Wisconsin Ave., N.W., Suite 800  
Washington, DC 20015  
Counsel for Settling Defendant Qwest

ARNOLD & PORTER LLP  
JOHN FREEDMAN  
555 Twelfth Street, N.W.  
Washington, DC 20004-1202

Counsel for Defendant Arthur Andersen LLP

Any such written objection must demonstrate the objecting person's membership in the Class, including the number and type of Qwest publicly traded securities purchased and sold during the Class Period, and contain a statement of the reasons for objection. Only Class Members who have submitted written notices of objection in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise. In addition, any Class Member who desires to present evidence at the Settlement Hearing must include in his, her or its written objection the identity of any witnesses he, she or it may call to testify, and any exhibits he, she or it intends to introduce into evidence at the Settlement Hearing.

By filing an objection, a Class Member does not affect his or her right to participate in the settlement. Class Members are entitled to both file objections and timely submit Proof of Claim and Release forms allowing them to participate in the distribution of the Net Settlement Fund, if the settlement is approved.

## **XIII. SPECIAL NOTICE TO NOMINEES**

If you, as nominee for a beneficial owner, hold or held any Qwest publicly traded securities purchased or acquired during the Class Period, then, within ten (10) days after you receive this Notice, you must either: (1) request additional copies of the Notice and the Proof of Claim form, and, within ten (10) days after the receipt of the additional copies of the Notice and the Proof of Claim form, send them by first class mail to all such beneficial owners and send a statement to the Claims Administrator confirming that the mailings were made as directed; or (2) provide a list of the names and addresses of such beneficial owners to the Qwest Claims Administrator:

*Qwest Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 808003  
Petaluma, CA 94975-8003

If you choose to mail the Notice and Proof of Claim and Release yourself, you may obtain from the Qwest Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred by you in connection with forwarding the Notice and Proof of Claim and Release form and which would not have been incurred but for the obligation to forward the Notice and Proof of Claim and Release form, upon submission of appropriate documentation to the Qwest Claims Administrator.

#### **XIV. EXAMINATION OF PAPERS**

This Notice is a summary and does not describe all of the details of the Stipulation. For full details of the matters discussed in this Notice, you may review the pleadings and Stipulation filed with the Court, which may be inspected during business hours, at the office of the Clerk of the Court, United States District Court, District of Colorado, United States Courthouse, 901 19th Street, Room A-105, Denver, Colorado. Further, the Stipulation, its exhibits, and additional copies of this Notice and the Proof of Claim and Release are available on the Internet at [www.gilardi.com](http://www.gilardi.com).

If you have any questions about the settlement of the Litigation, you may contact Lead Counsel by writing:

LERACH COUGHLIN STOIA GELLER  
RUDMAN & ROBBINS LLP  
KEITH F. PARK  
655 West Broadway, Suite 1900  
San Diego, CA 92101-3301

**PLEASE DO NOT CONTACT THE COURT OR QWEST REGARDING THIS NOTICE.**

DATED: January 5, 2006

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
DISTRICT OF COLORADO