

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

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STATE OF NEW YORK and ELIOT SPITZER,
Attorney General of the State of New York, for and on
behalf of the People of the State of New York,

Plaintiffs,

-against-

Index No. 02/403855

PHILIP F. ANSCHUTZ, BERNARD J. EBBERS,
STEPHEN A. GAROFALO, CLARK E. McLEOD and
JOSEPH P. NACCHIO,

Defendants.
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STIPULATION OF SETTLEMENT AND RELEASE

Pursuant to the provisions of Article 23-A of the General Business Law (“the Martin Act”) and §63(12) of the Executive Law, Eliot Spitzer, Attorney General of the State of New York, on his own behalf and on behalf of the People of the State of New York (collectively “Plaintiff”), asserted claims against Joseph P. Nacchio (“Mr. Nacchio”) and others, in a complaint and amended complaint (collectively the “Complaint”) in Supreme Court, New York County, Index No. 02/403855 (the “Action”). The time for Mr. Nacchio to respond formally to the complaint has been adjourned until October 3, 2003.

Whereas, the Attorney General and Mr. Nacchio (collectively the “Settling Parties”) have agreed to settle the Action, the Settling Parties stipulate and agree as follows:

IT IS AGREED that, within 30 business days following delivery to counsel for Mr. Nacchio of an executed copy of this Stipulation, Mr. Nacchio personally will contribute and cause the total amount of four hundred thousand dollars (\$400,000) to be delivered to the following law schools to be used in the State of New York in connection with securities arbitration clinic programs:

<u>Amount</u>	<u>Recipient</u>
\$200,000	New York Law School
\$200,000	St. John's University School of Law

IT IS FURTHER AGREED that the contributions shall be made and monitored in accordance with the provisions of Exhibit A annexed hereto.

IT IS FURTHER AGREED that Plaintiff releases and discharges Mr. Nacchio (and his heirs, executors, administrations, successors, and assigns) from any and all actions, claims, suits, prosecutions, damages, and demands whatsoever relating to or in any way concerning the subject matter of the pending Action that arose or may have arisen at any time up to and including the date of this Stipulation. Specifically included within this Release are any and all claims under state and federal law arising out of, relating to, or in any way concerning (i) the allocation, receipt, transfer or sale of shares of stock in any public offering, and (ii) the allocation, receipt, transfer or sale of shares of stock or securities of Qwest Communications International, Inc. (including any of its subsidiaries or affiliates). However, the aforementioned Release shall not discharge or otherwise alter or abrogate any duty or obligation imposed upon the Settling Parties by this Stipulation. Mr. Nacchio represents that, from the date the Complaint

in this Action was filed to the date of this Stipulation, he has not received any allocation of any initial public offering.

IT IS FURTHER AGREED that Mr. Nacchio will not seek a tax deduction of any kind on account of the contributions to be made under this Stipulation.

IT IS FURTHER AGREED that this Stipulation is intended to be and is a settlement and compromise of a dispute between the Settling Parties, and the Settling Parties do not intend that this Stipulation (i) shall constitute an admission or denial of liability of any kind (other than a liability created by this Stipulation), (ii) be admissible, or have value as precedent, in any other proceeding, or (iii) be construed as containing any adjudicated finding of fact.

IT IS FURTHER AGREED that nothing contained herein shall be construed so as to create any third party rights or private rights of action or deprive any third party individual or entity of any private right under the law except to the extent that otherwise recoverable damages are mitigated as a consequence of this Stipulation.

IT IS FURTHER AGREED that this Stipulation shall be construed and interpreted in accordance with the laws of the State of New York.

IT IS FURTHER AGREED that concurrent with delivery by counsel for Plaintiff to counsel for Mr. Nacchio of an executed copy of this Stipulation, counsel for Plaintiff shall deliver to counsel for Mr. Nacchio an executed Stipulation of Discontinuance with Prejudice in the form annexed hereto as Exhibit B. Mr. Nacchio may file the Stipulation of Discontinuance with Prejudice without any further notice to the Plaintiff.

IT IS FURTHER AGREED that this Stipulation, with the attached Exhibits, constitutes the entire agreement between the Settling Parties concerning the subject matter of the

Action and supersedes any prior communication, understanding, or agreement, whether written or oral, concerning said subject matter.

IT IS FURTHER AGREED that this Stipulation shall not be amended, changed, or modified except by a writing signed by the Settling Parties.

IT IS FURTHER AGREED that this Stipulation may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall be deemed to constitute one instrument.

WHEREFORE, the following signatures are affixed this ____ day of October, 2003.

ELIOT SPITZER
Attorney General of the
State of New York
Investment Protection Bureau

By: _____
Harriet B. Rosen
Assistant Attorney General
120 Broadway
New York, New York 10271

JOSEPH P. NACCHIO

EXHIBIT A

GUIDELINES FOR DISTRIBUTION OF NACCHIO CONTRIBUTIONS

Distribution Agent: Buchbinder Tunick & Company LLP
One Pennsylvania Plaza, Suite 5335, New York, NY 10119

Role of Distribution Agent

(1) Within thirty (30) days of deposit with the distribution agent ("Agent") of Four Hundred Thousand Dollars (\$400,000) from Joseph P. Nacchio, the Agent shall:

A. By letter approved by the New York State Office of the Attorney General (the "Office"), (i) notify each of the recipient law schools of the contribution to be made to it by Mr. Nacchio pursuant to a settlement with the Office; (ii) advise each recipient that the funds shall be used for securities clinic programs at the law school for the benefit of the residents of the State of New York; (iii) inform each recipient that its contribution must be used in accordance with the guidelines set forth by this "Exhibit A"; and (iv) request from each of the recipients a proposal outlining, both financially and programmatically, how it intends to spend the contribution. A copy of this Exhibit A shall accompany said letter.

B. Upon receipt of the recipient law school's proposal, the Agent shall confirm that said proposal corresponds with Section A of these guidelines. Once compliance is verified, the agent shall distribute the sum of two hundred thousand dollars (\$200,000) to each of the two law schools specified in the Stipulation of the Settling Parties.

(2) The Agent shall require periodic written status reports as deemed necessary to confirm that all expenditures of contribution funds by the recipient law schools are being used in accordance with the guidelines set forth in this Exhibit A. In addition, at the conclusion of the one year period following each law school's receipt of the contribution, a responsible officer of each recipient law school shall provide to the Agent a sworn statement, made under penalties of perjury, describing how the contribution was used, including programmatic and financial details sufficient to show that the law school used the contribution funds in accordance with the provisions of this Exhibit A.

(3) During the pendency of the one year contribution period, the Agent shall provide to the Office all written correspondence exchanged between each of the recipient law schools and the Agent. In addition, within fourteen (14) months of its last distribution of funds to the recipient law schools, the Agent shall provide to the Office a summary report on each law school's use of the funds, including each law school's sworn statement and any actual or potential deficiencies noted by the Agent with respect to any law school's compliance with the provisions of this Exhibit A.

Guidelines for the Expenditure of Contributions:

(1) The contribution is for a period of one year following the law school's receipt of the contribution, provided that at the request of the law school, the one year period may be modified by the Agent with the consent of the Office.

(2) The contributions shall be used in connection with securities arbitration clinic programs for the benefit of New York State residents.

(3) The contributions shall not be used to supplant funds received, or earmarked to be received, by the recipient organization from other source(s).

(4) The contribution shall not be used for legislative and lobbying expenses, fines and penalties, or contributions and donations.