

AMENDED SETTLEMENT AGREEMENT

This Amended Settlement Agreement, including the releases incorporated herein (collectively, the “Amended Settlement Agreement”) is made, entered into and effective as of the 29th day of December, 2006 (“Effective Date of the Amended Settlement Agreement”) by and between:

California State Teachers’ Retirement System on behalf of itself, its current and former divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members,¹ officers, directors, trustees, employees, agents, administrators, representatives, attorneys, insurers and fiduciaries (“Plaintiff”);

Qwest Communications International Inc., on behalf of itself, its current and former divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, agents, administrators, representatives, attorneys, insurers and fiduciaries (individually and collectively, “Qwest”);

Arthur Andersen LLP, on behalf of itself, 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 (collectively, “Andersen”). As used in this Settlement Agreement, “Andersen Parties” shall mean Andersen and AWSC Société Coopérative en

¹ Only to the extent that Plaintiff represents such members’ interests.

liquidation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries; and

Philip F. Anschutz, Craig R. Barrett, Vinod Khosla, Afshin Mohebbi, Joseph P. Nacchio (“Nacchio”), Robin Szeliga, and Robert Woodruff (together with their advisors, personal or legal representatives, related or affiliated entities, including privately held corporations, limited liability companies, partnerships, and joint ventures, trusts of which they are settlors, and foundations of which they are settlors or which are for their benefit and/or for the benefit of members of their families) (collectively, “Settling Individual Defendants”).

As used herein, the phrase “Bank Defendants” shall mean:

- a. Citigroup Inc., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
- b. Citigroup Global Markets Inc., a New York corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
- c. Lehman Brothers Inc., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former

employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;

- d. Lehman Brothers Holdings Inc., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
- e. Merrill Lynch & Co., a Delaware company, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
- f. Banc of America Securities LLC, a Delaware limited liability company, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
- g. Bank of America Corporation, a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;

- h. J.P. Morgan Securities Inc., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries; and
- i. JP Morgan Chase & Co., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries.

Qwest, the Andersen Parties, the Settling Individual Defendants, and the Bank Defendants shall collectively be referred to in this Amended Settlement Agreement as the Settling Defendants. Plaintiff and the Settling Defendants shall collectively be referred to in this Amended Settlement Agreement as the “Settling Parties” and individually as a “Settling Party.”

WITNESSETH

WHEREAS, there is now pending in the Superior Court of the State of California in and for the County of San Francisco, an action entitled *CalSTRS v. Qwest et al.*, No. 415546 (the “CalSTRS Action”); and

WHEREAS, the Settling Parties desire to resolve fully and forever all claims and defenses that are asserted in the CalSTRS Action; and

WHEREAS, the Settling Defendants deny that they have committed any act or omission giving rise to any liability and/or violation of law, deny the material allegations in the CalSTRS Action complaints, assert affirmative defenses to the allegations in the CalSTRS Action

complaints, and state that they are entering into this Amended Settlement Agreement solely to eliminate the uncertainties, burden, and expense of further protracted litigation; and

NOW THEREFORE, for good and valuable consideration of all covenants and agreements contained in this Amended Settlement Agreement, the adequacy of which is hereby acknowledged, the Settling Parties hereby agree as follows:

TERMS

1. This Amended Settlement Agreement represents a negotiated settlement of disputed claims. The execution of this Amended Settlement Agreement and the negotiations, discussions and communications in connection with this Amended Settlement Agreement shall not be construed as admissions or concessions by the Settling Parties as to any liability or wrongdoing, or as to the merits of any claim or defense.

2. Neither the existence of this Amended Settlement Agreement nor any of its provisions shall be offered into evidence by any party in any action, arbitration, or proceeding for any purpose whatsoever other than in connection with an action, motion, or proceeding by one or more of the Settling Parties to enforce the terms of this Amended Settlement Agreement and even then, the Amended Settlement Agreement shall not be offered as evidence of, or considered to be, admissions or concessions of liability or wrongdoing of any nature.

3. This Amended Settlement Agreement amends the Settlement Agreement effective as of December 16, 2006 only (a) as of the Effective Date of the Amended Settlement Agreement, and (b) to the extent provided for herein. Except as otherwise provided for herein, this Amended Settlement Agreement does not supersede the Settlement Agreement. Capitalized terms not otherwise defined in this Amended Settlement Agreement shall have the same meaning as in the Settlement Agreement. The Settlement Agreement is attached as Exhibit 1.

4. Upon the Effective Date of the Amended Settlement Agreement, Nacchio shall cause to be transferred \$1.5 million (\$1,500,000.00) in cash to an account designated by Plaintiff.

5. Upon the Effective Date of the Amended Settlement Agreement, the definition of Settling Individual Defendants (and, accordingly, of Settling Defendants and Settling Parties) in the Settlement Agreement shall hereby be amended to include Nacchio.

6. Upon the Effective Date of the Amended Settlement Agreement, Paragraph 5.c. of the Settlement Agreement shall hereby be replaced with the following paragraph:

“c. As of the Effective Date of the Amended Settlement Agreement, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Qwest, each Settling Individual Defendant, and each Bank Defendant hereby releases and forever discharges the Andersen Parties from all claims (of every nature and description, known and unknown, including but not limited to claims for punitive damages, prejudgment interest, and any and all other loss and damage of every kind and nature) arising out of or relating to claims that were made or could have been made in the CalSTRS Action, but only to the extent that the damages or other relief claimed would be based upon a payment, loss, liability, or expense paid or incurred by Qwest, such Settling Individual Defendant, or such Bank Defendant in litigating or settling the CalSTRS Lawsuit.”

7. Upon the Effective Date of the Amended Settlement Agreement, Paragraph 5.d. of the Settlement Agreement shall hereby be replaced with the following paragraph:

“d. As of the Effective Date of the Amended Settlement Agreement, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Andersen Parties hereby release and forever discharge Qwest, each Settling Individual Defendant, and each Bank Defendant from all claims (of every nature and description, known and unknown, including but not limited to claims for punitive damages, prejudgment interest, and any and all other loss and damage of every kind and nature) arising out of or relating to claims that were made or could have been made in the CalSTRS Action, but only to the extent that the damages or other relief claimed would be based upon a payment, loss, liability, or expense paid or incurred by the Andersen Parties in litigating or settling the CalSTRS Lawsuit.”

8. Upon the Effective Date of the Amended Settlement Agreement, Paragraph 5 of the Settlement Agreement shall hereby be amended to add the following Paragraph 5.f.:

“f. As of the Effective Date of the Amended Settlement Agreement, Nacchio shall dismiss with prejudice the Cross-complaint he has asserted against Qwest, and shall withdraw with prejudice his pending motion for leave to file a Cross-complaint against Plaintiff, and shall be forever barred and enjoined from asserting, prosecuting, or continuing the prosecution of such Cross-complaint and such motion.

9. Upon the Effective Date of the Amended Settlement Agreement, Paragraph 5 of the Settlement Agreement shall hereby be amended to add the following Paragraph 5.g.:

“g. As of the Effective Date of the Amended Settlement Agreement, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Qwest and each Settling Individual Defendant (collectively, the “Qwest Settling Defendants”) hereby releases and forever discharges each and every other Qwest Settling Defendant from all claims (of every nature and description, known and unknown, including but not limited to claims for punitive damages, prejudgment interest, and any and all other loss and damage of every kind and nature) arising out of or relating to claims that were made or could have been made in the CalSTRS Action, but only to the extent that the damages or other relief claimed would be based upon a payment, loss, liability, or expense paid or incurred by one or more Qwest Settling Defendants in litigating or settling the CalSTRS Lawsuit.”

10. Upon the Effective Date of the Amended Settlement Agreement, Paragraphs 6 and 7 of the Settlement Agreement shall hereby be stricken.

REPRESENTATIONS AND WARRANTIES

11. To induce one another to enter into this Amended Settlement Agreement, each of the Settling Parties represents and warrants that it, he or she has full and absolute right, power, authority and ability to enter into this Amended Settlement Agreement, and all releases, representations and warranties contained in this Amended Settlement Agreement, and perform all of its, his or her obligations hereunder. Each counsel or other person executing this Amended

Settlement Agreement on behalf of any Settling Party hereby warrants that such person has the full authority to do so.

12. The Settling Parties represent and warrant that their respective attorneys have fully explained the meaning and effect of this Amended Settlement Agreement. The Settling Parties further represent and warrant that they have read and understand this Amended Settlement Agreement, and have not relied upon any other statements or representations regarding this matter other than those expressly stated herein. The Settling Parties further represent and warrant that they have signed this Amended Settlement Agreement without duress, coercion, or undue influence by anyone or anything.

DEFAULT

13. Any failure by any of the Settling Parties to comply with the terms and conditions of this Amended Settlement Agreement shall constitute a material breach of this Amended Settlement Agreement, and the non-compliant party will be considered in default of this Amended Settlement Agreement.

14. In the event of a default by any of the Settling Parties of any of their respective obligations, and upon the giving of fifteen (15) business days written notice of such default (and if such default is not cured within that 15-day time period), a Settling Party may, in its discretion, institute an action to enforce the terms of this Amended Settlement Agreement. The Settling Parties hereto agree to submit to jurisdiction in the court presiding over the CalSTRS Action for enforcement of this Amended Settlement Agreement and waive all claims as to improper venue. The Settling Parties hereto agree that service of process shall be valid, enforceable and sufficient if made by hand delivery to their respective counsel listed below.

OTHER MATTERS

15. This Amended Settlement Agreement shall be deemed drafted equally by all the Settling Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Settling Party shall not apply. The headings in this Amended Settlement Agreement are for convenience and are not intended to affect construction or interpretation.

16. The Settling Defendants acknowledge that Plaintiff is bound by disclosure obligations under federal and state law, including the California Public Records Act, Cal. Govt. Code §§ 6250-6276.48, and nothing in this Amended Settlement Agreement shall affect Plaintiff's obligations to comply with such obligations. If, on or before January 31, 2007, a request under the California Public Records Act is made of Plaintiff for information concerning this Amended Settlement Agreement, Plaintiff shall provide the Settling Defendants with notice of such request within five days of its receipt, and shall only respond to any such request in accordance with its obligations under governing law. Unless otherwise required to do so by law, Plaintiff and the Settling Defendants acknowledge that they will not disclose the existence or terms of this Amended Settlement Agreement until January 31, 2007.

17. The failure, or partial failure, of any of the Settling Parties to enforce at any time any provision of this Amended Settlement Agreement shall not be construed to be a waiver of such provision, nor in any way affect the validity of this Amended Settlement Agreement or any part thereof or the right of any Settling Party thereafter to enforce each and every provision of this Amended Settlement Agreement. No waiver of any breach of this Amended Settlement Agreement shall be held to constitute a waiver of any other breach.

18. With the exception of the warranties and representations made in this Amended Settlement Agreement, by entering into this Amended Settlement Agreement, the Settling Parties

assume the risk of any misrepresentation, concealment or mistake. If any Settling Party to this Amended Settlement Agreement subsequently discovers that any fact relied upon by it, he or she in entering into this Amended Settlement Agreement was untrue or was concealed from that Settling Party, or that Settling Party's understanding of the facts or of the law was incorrect, such Settling Party shall not be entitled to any relief in connection therewith, including, without limitation, any alleged right or claim to set aside or rescind this Amended Settlement Agreement.

19. This Amended Settlement Agreement may not be altered, modified or amended except by a writing signed by all the Settling Parties hereto.

20. This Amended Settlement Agreement may be executed in several counterparts and, when executed by the Settling Parties, each counterpart shall be deemed an original and shall constitute but one and the same instrument. Facsimile and photocopy signatures shall be valid as originals.

21. This Amended Settlement Agreement and the Settlement Agreement constitute the sole and entire agreement between the Settling Parties hereto with respect to the matters covered herein.

22. This Amended Settlement Agreement is solely for the benefit of the named Settling Parties hereto and there are no third-party beneficiaries of this Amended Settlement Agreement.

23. Notwithstanding anything to the contrary contained herein, Plaintiff, for itself and any other person claiming by, through, or on behalf of it, acknowledges and agrees that (i) in no event shall the Administrator of Arthur Andersen LLP, any member of the Administrative Board of Arthur Andersen LLP (or any officer, director, member or shareholder of any Administrative Board), any present or former directors, officers, managers, partners, participating principals,

national directors or similar persons of Arthur Andersen LLP or any of their respective agents or representatives (collectively, the "Andersen Covered Persons") have any personal liability with respect to the obligations arising out of relating to this Amended Settlement Agreement; and (ii) no Andersen Covered Person shall be obligated to make, and no Andersen Covered Person in fact will make, any capital contribution or other payment of any kind to Arthur Andersen LLP to satisfy its obligations arising out of or relating to this Amended Settlement Agreement.

24. All notices relating to this Amended Settlement Agreement shall be in writing, sent by U.S. mail, postage pre-paid and by confirmed facsimile transmission, and shall be deemed effective upon receipt. All notices relating to this Amended Settlement Agreement shall be made as follows:

Notices to Plaintiff:

Cotchett, Pitre, Simon & McCarthy
840 Malcolm Road, Suite 200
Burlingame, CA 94010
Attention: Joseph W. Cotchett; Steven Williams

Girard Gibbs LLP
601 California Street, Suite 1400
San Francisco, CA 94108
Attention: Elizabeth Pritzker

Notices to Qwest:

Qwest Communications International Inc.
1801 California Street
Denver, CO 80202
Fax No. (303) 383-8444
Attention: Rich Baer, Stefan Stein, and Sean Lindsay

-and-

Boies, Schiller & Flexner LLP
5301 Wisconsin Avenue N.W.
Suite 800

Washington, D.C. 20015
Fax: (202) 237-6131
Attention: Jonathan Schiller; David R. Boyd; Alfred P. Levitt

Notices to Arthur Andersen LLP:

Arnold & Porter LLP
370 Seventeenth Street, Suite 4500
Denver, CO 80202
Fax No. (303) 832-0428
Attention: Tim Atkeson

555 Twelfth Street, NW
Washington, DC 20004-1206
Fax No. (202) 942-5999
Attention: Scott B. Schreiber; John A. Freedman; Elissa Preheim

Notices to Philip F. Anschutz:

Holme Roberts & Owen, LLP
1700 Lincoln Street, Suite 4100
Denver, CO 80203
Fax No. (303) 866-0200
Attention: Michael J. Hofmann; Martin D. Litt

Kellogg, Huber, Hansen, Todd, Evans & Figel, P.L.L.C.
Sumner Square
1615 M. Street NW, Suite 400
Washington, D.C. 20036-3209
Fax No. (202) 326-7999
Attention: Mark C. Hansen; Kevin B. Huff; David L. Schwarz

Notices to Craig R. Barrett:

Rothgerber Johnson & Lyons LLP
1200 17th Street, Suite 3000
Denver, CO 80202-5855
Fax No. (303) 623-9222
Attention: Frederick J. Baumann; James M. Lyons

Keker & Van Nest
710 Sansome Street
San Francisco, CA 94111
Fax No. (415) 397-7188
Attention: Wendy Thurm; Steven K. Taylor

Notices to Vinod Khosla:

Rothgerber Johnson & Lyons LLP
1200 17th Street, Suite 3000
Denver, CO 80202-5855
Fax No. (303) 623-9222
Attention: Frederick J. Baumann; James M. Lyons

Keker & Van Nest
710 Sansome Street
San Francisco, CA 94111
Fax No. (415) 397-7188
Attention: Wendy Thurm; Steven K. Taylor

Notices to Afshin Mohebbi:

Morvillo, Abramowitz, Grand, Iason, Anello & Bohrer, P.C.
565 Fifth Avenue
New York, NY 10017
Fax No. (212) 856-9494
Attention: Paul Grand; Barbara Moses

Notices to Joseph P. Nacchio:

Stern & Kilcullen
75 Livingston Avenue
Roseland, NJ 07068
Fax: (973) 535-9664
Attention: Herbert J. Stern; Joel M. Silverstein; Jeffrey Speiser

Notices to Robin Szeliga:

Bird, Marella, Boxer & Wolpert, PC
1875 Century Park East, 23rd Floor
Los Angeles, CA 90067-2561
Fax No. (310) 201-2110
Attention: Mark T. Drooks; Thomas V. Reichert

Notices to Robert Woodruff:

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10166
Fax No. (212) 878-8375

Attention: David Meister; James Miller

IN WITNESS WHEREOF, each of the Settling Parties has signed or caused to be signed this Amended Settlement Agreement as of the Effective Date.

California State Teachers' Retirement Fund

By: Steven Williams
Steven Williams

Qwest Communications International Inc.

By: _____
Alfred Levitt

Arthur Andersen LLP

By: _____
Scott B. Schreiber

Philip F. Anschutz

By: _____
Martin D. Litt

Craig R. Barrett

By: _____
Frederick J. Baumann

Attention: David Meister; James Miller

IN WITNESS WHEREOF, each of the Settling Parties has signed or caused to be signed this Amended Settlement Agreement as of the Effective Date.

California State Teachers' Retirement Fund

By: _____
Steven Williams

Qwest Communications International Inc.

By:  _____
~~Alfred Levitt~~ William Jackson

Arthur Andersen LLP

By: _____
Scott B. Schreiber

Philip F. Anschutz

By: _____
Martin D. Litt

Craig R. Barrett

By: _____
Frederick J. Baumann

Attention: David Meister; James Miller

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California State Teachers' Retirement Fund

By: _____
Steven Williams

Qwest Communications International Inc.

By: _____
Alfred Levitt

Arthur Andersen LLP

By: _____
~~Scott B. Schreiber~~ John A. Freedman

Philip F. Anschutz

By: _____
Martin D. Litt

Craig R. Barrett

By: _____
Frederick J. Baumann

Attention: David Meister; James Miller

IN WITNESS WHEREOF, each of the Settling Parties has signed or caused to be signed this Amended Settlement Agreement as of the Effective Date.

California State Teachers' Retirement Fund

By: _____
Steven Williams

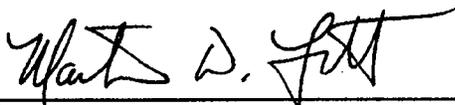
Qwest Communications International Inc.

By: _____
Alfred Levitt

Arthur Andersen LLP

By: _____
Scott B. Schreiber

Philip F. Anschutz

By:  _____
Martin D. Litt

Craig R. Barrett

By: _____
Frederick J. Baumann

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California State Teachers' Retirement Fund

By: _____
Steven Williams

Qwest Communications International Inc.

By: _____
Alfred Levitt

Arthur Andersen LLP

By: _____
Scott B. Schreiber

Philip F. Anschutz

By: _____
Martin D. Litt

Craig R. Barrett

By: Frederick J. Baumann
Frederick J. Baumann

Vinod Khosla

By: Frederick J. Baumann
Frederick J. Baumann

Afshin Mohebbi

By: _____
Paul Grand

Robin Szeliga

By: _____
Mark T. Dooks

Joseph P. Nacchio

By: _____
Joel M. Silverstein

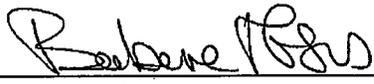
Robert Woodruff

By: _____
James Miller

Vinod Khosla

By: _____
Frederick J. Baumann

Afshin Mohebbi

By:  _____
Paul Grand Barbara Moses

Robin Szeliga

By: _____
Mark T. Drooks

Joseph P. Nacchio

By: _____
Joel M. Silverstein

Robert Woodruff

By: _____
James Miller

Vinod Khosla

By: _____
Frederick J. Baumann

Afshin Mohebbi

By: _____
Paul Grand

Robin Szeliga

By:  _____
Mark T. Dooks

Joseph P. Nacchio

By: _____
Joel M. Silverstein

Robert Woodruff

By: _____
James Miller

Vinod Khosla

By: _____
Frederick J. Baumann

Afshin Mohebbi

By: _____
Paul Grand

Robin Szeliga

By: _____
Mark T. Dooks

Joseph P. Nacchio

By: _____
Joel M. Silverstein

Robert Woodruff

By: _____
James Miller

Robert Woodruff

By: _____

James Miller

James Miller

EXHIBIT 1

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SETTLEMENT AGREEMENT

This Settlement Agreement, including the releases incorporated herein (collectively, the "Settlement Agreement") is made, entered into and effective as of the 16th day of December, 2006 ("Effective Date") by and between:

California State Teachers' Retirement System on behalf of itself, its current and former divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members,¹ officers, directors, trustees, employees, agents, administrators, representatives, attorneys, insurers and fiduciaries ("Plaintiff");

Qwest Communications International Inc., on behalf of itself, its current and former divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, agents, administrators, representatives, attorneys, insurers and fiduciaries, except expressly not including individual defendant Joseph Nacchio (individually and collectively, "Qwest");

Arthur Andersen LLP, on behalf of itself, 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 (collectively, "Andersen"). As used in this Settlement

¹ Only to the extent that CalSTERS represents such members' interests.

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Agreement, "Andersen Parties" shall mean Andersen and AWSC Société Coopérative en liquidation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries; and

Philip F. Anschutz, Craig R. Barrett, Vinod Khosla, Afshin Mohebbi, Robin Szeliga, and Robert Woodruff (together with their advisors, personal or legal representatives, related or affiliated entities, including privately held corporations, limited liability companies, partnerships, and joint ventures, trusts of which they are settlors, and foundations of which they are settlors or which is for their benefit and/or for the benefit of members of their families) (collectively, "Settling Individual Defendants").

As used herein, the phrase "Bank Defendants" shall mean:

1. Citigroup Inc., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
2. Citigroup Global Markets Inc., a New York corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
3. Lehman Brothers Inc., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors,

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- assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
4. Lehman Brothers Holdings Inc., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
 5. Merrill Lynch & Co., a Delaware company, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
 6. Banc of America Securities LLC, a Delaware limited liability company, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;
 7. Bank of America Corporation, a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries;

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8. J.P. Morgan Securities Inc., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries; and
9. JP Morgan Chase & Co., a Delaware corporation, on behalf of itself, its divisions, affiliates, subsidiaries, stockholders, parents, predecessors, successors, assignors, assigns, partners, members, officers, directors, trustees, employees, former employees, agents, administrators, representatives, attorneys, insurers and fiduciaries.

Qwest, the Andersen Parties, the Settling Individual Defendants, and the Bank Defendants shall collectively be referred to in this Settlement Agreement as the Settling Defendants. CalSTRS and the Settling Defendants shall collectively be referred to in this Settlement Agreement as the Settling Parties.

WITNESSETH

WHEREAS, there is now pending in the Superior Court of the State of California in and for the County of San Francisco, an action entitled *CalSTRS v. Qwest et al.*, No. 415546 (the "CalSTRS Action"); and

WHEREAS, the Settling Parties desire to resolve fully and forever all claims and defenses that are asserted in the CalSTRS Action; and

WHEREAS, the Settling Defendants deny that they have committed any act or omission giving rise to any liability and/or violation of law, deny the material allegations in the CalSTRS Action complaints, assert affirmative defenses to the allegations in the CalSTRS Action

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complaints, and state that they are entering into this Settlement Agreement solely to eliminate the uncertainties, burden, and expense of further protracted litigation; and

NOW THEREFORE, for good and valuable consideration of all covenants and agreements contained in this Settlement Agreement, the adequacy of which is hereby acknowledged, the Settling Parties hereby agree as follows:

TERMS

1. This Settlement Agreement represents a negotiated settlement of disputed claims. The execution of this Settlement Agreement and the negotiations, discussions and communications in connection with this Settlement Agreement shall not be construed as admissions or concessions by the Settling Parties as to any liability or wrongdoing, or as to the merits of any claim or defense.
2. Neither the existence of this Settlement Agreement nor any of its provisions shall be offered into evidence by any party in any action, arbitration, or proceeding for any purpose whatsoever other than in connection with an action, motion, or proceeding by one or more of the Settling Parties to enforce the terms of this Settlement Agreement and even then, the Settlement Agreement shall not be offered as evidence of, or considered to be, admissions or concessions of liability or wrongdoing of any nature.
3. Upon the Effective Date, Qwest (on behalf of itself, the Settling Individual Defendants, Andersen Parties, and the Bank Defendants) shall cause to be transferred \$45 million (\$45,000,000.00) in cash to an account designated by Plaintiff.
4. Upon execution of this Settlement Agreement, the Settling Parties agree to seek to stay or otherwise suspend the prosecution of the CalSTRS Action so that the Settling Parties may

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avoid incurring further legal fees and costs in connection with the CalSIRS Action pending the Effective Date.

5. The Settling Parties hereby agree:
- a. As of the Effective Date, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Plaintiff hereby releases and forever discharges the Settling Defendants from all claims of every nature and description, known and unknown, including but not limited to punitive damages, prejudgment interest, and any and all other loss and damage of every kind and nature arising out of or relating to the claims or allegations that were made or could have been made in the CalSIRS Action.
 - b. As of the Effective Date, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Settling Defendants hereby release and forever discharge Plaintiff from all claims of every nature and description, known and unknown, including but not limited to punitive damages, prejudgment interest, and any and all other loss and damage of every kind and nature arising out of or relating to the claims or allegations that were made or could have been made in the CalSIRS Action.
 - c. As of the Effective Date, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Qwest, the Settling Individual Defendants, and the Bank Defendants hereby release and forever discharge the Andersen Parties from all claims of every nature and description, known and unknown, including but not limited to punitive damages, prejudgment interest, and any and all other loss and damage of every kind and nature arising out of or

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relating to the claims or allegations that were made or could have been made in the CalSTRS Action and to the extent that damages would be calculated based upon the Andersen Parties' liability to Plaintiff.

- d. As of the Effective Date, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Andersen Parties hereby release and forever discharge Qwest, the Settling Individual Defendants, and the Bank Defendants from all claims of every nature and description, known and unknown, including but not limited to punitive damages, prejudgment interest, and any and all other loss and damage of every kind and nature arising out of or relating to the claims or allegations that were made or could have been made in the CalSTRS Action and to the extent that damages would be calculated based upon Qwest's, the Settling Individual Defendants', and the Bank Defendants' liability to Plaintiff.

- e. As of the Effective Date, Plaintiff shall dismiss with prejudice the CalSTRS Action against all of the Settling Defendants and shall be forever barred and enjoined from asserting, prosecuting, or continuing the prosecution of any and all claims of every nature and description, known and unknown, including but not limited to punitive damages, prejudgment interest, and any and all other loss and damage of every kind and nature arising out of or relating to the claims and allegations that were made or could have been made in the CalSTRS Action.

After consultation with their own counsel, the Settling Parties specifically waive the benefits of Section 1542 of the Civil Code of the State of California (or any similar statute) which provides as follows:

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A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected the settlement with the debtor.

6. Plaintiff will not settle any claim or judgment against Defendant Joseph Nacchio ("Nacchio") without first obtaining from Nacchio the release (in a form approved by Qwest) of any and all claims Nacchio may have against the Settling Defendants based upon, arising out of, relating to, or in connection with the claims that Plaintiff made or could have made in the CalSTRS Action.

7. Qwest, in its sole discretion, shall be permitted to pursue any and all rights, remedies, or procedures that limit or extinguish potential claims by Nacchio against the Settling Defendants based upon, arising out of, relating to, or in connection with the claims that Plaintiff made or could have made in the CalSTRS Action, and Plaintiff shall provide any and all reasonable cooperation with Qwest's pursuit of such rights, remedies, or procedures. Such rights, remedies, or procedures shall include, but shall not be limited to, the procedures provided for under Cal. Code Civ. P. § 877.6. If Qwest elects to pursue a good faith hearing under Cal. Code Civ. P. § 877.6, it shall do so by January 31, 2007. If Qwest elects to pursue a good faith hearing under Cal. Code Civ. P. § 877.6 and it is determined that this Settlement Agreement was not made in good faith, Qwest, in its sole discretion, shall have the option to terminate this Settlement Agreement. If Qwest exercises such termination right, this Settlement Agreement shall be null and void, and CalSTRS shall return any and all monies that the Settling Defendants paid hereunder. If Qwest does not elect to pursue such rights, remedies, or procedures, including a good faith hearing under Cal. Code. P. § 877.6, on or before January 31, 2007, the Settling Defendants, and each of them, shall have the right, in his or her sole discretion, to pursue any and all rights, remedies, or procedures that limit or extinguish potential claims by Nacchio against the

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Settling Defendants based upon, arising out of, relating to, or in connection with the claims that Plaintiff made or could have made in the CalSTRS Action. Such rights, remedies, or procedures shall include, but shall not be limited to, the procedures provided for under Cal. Code Civ. P. § 877.6.

REPRESENTATIONS AND WARRANTIES

8. To induce one another to enter into this Settlement Agreement, each of the Settling Parties represents and warrants that it, he or she has full and absolute right, power, authority and ability to enter into this Settlement Agreement, and all releases, representations and warranties contained in this Settlement Agreement, and perform all of its, his or her obligations hereunder. Each counsel or other person executing this Settlement Agreement on behalf of any Settling Party hereby warrants that such person has the full authority to do so.

9. The Settling Parties represent and warrant that their respective attorneys have fully explained the meaning and effect of this Settlement Agreement. The Settling Parties further represent and warrant that they have read and understand this Settlement Agreement, and have not relied upon any other statements or representations regarding this matter other than those expressly stated herein. The Settling Parties further represent and warrant that they have signed this Settlement Agreement without duress, coercion, or undue influence by anyone or anything.

DEFAULT

10. Any failure by any of the Settling Parties to comply with the terms and conditions of this Settlement Agreement shall constitute a material breach of this Settlement Agreement, and the non-compliant party will be considered in default of this Settlement Agreement.

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11. In the event of a default by any of the Settling Parties of any of their respective obligations, and upon the giving of fifteen (15) business days written notice of such default (and if such default is not cured within that 15-day time period), a Settling Party may, in its discretion, institute an action to enforce the terms of this Settlement Agreement. The Settling Parties hereto agree to submit to jurisdiction in the court presiding over the CalSTRS Action for enforcement of this Settlement Agreement and waive all claims as to improper venue. The Settling Parties hereto agree that service of process shall be valid, enforceable and sufficient if made by hand delivery to their respective counsel listed below.

OTHER MATTERS

12. This Settlement Agreement shall be deemed drafted equally by all the Settling Parties. Its language shall be construed as a whole and according to its fair meaning. Any presumption or principle that the language is to be construed against any Settling Party shall not apply. The headings in this Settlement Agreement are for convenience and are not intended to affect construction or interpretation.

13. The Settling Defendants acknowledge that Plaintiff is bound by disclosure obligations under federal and state law, including the California Public Records Act, Cal. Govt. Code §§ 6250-6276.48, and nothing in this Settlement Agreement shall affect Plaintiff's obligations to comply with such obligations. If, on or before January 31, 2007, a request under the California Public Records Act is made of Plaintiff for information concerning this Settlement Agreement, CalSTRS shall provide the Settling Defendants with notice of such request within five days of its receipt, and shall only respond to any such request in accordance with its obligations under governing law. Unless otherwise required to do so by law, CalSTRS and the Settling Defendants acknowledge that they will not disclose the existence or terms of this

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Settlement Agreement until the earlier of (a) if the material terms of this Settlement Agreement are disclosed in connection with a good faith determination as provided for under Cal. Code Civ. P. § 877.6, or (b) January 31, 2007.

14. The failure, or partial failure, of any of the Settling Parties to enforce at any time any provision of this Settlement Agreement shall not be construed to be a waiver of such provision, nor in any way affect the validity of this Settlement Agreement or any part thereof or the right of any Settling Party thereafter to enforce each and every provision of this Settlement Agreement. No waiver of any breach of this Settlement Agreement shall be held to constitute a waiver of any other breach.

15. With the exception of the warranties and representations made in this Settlement Agreement, by entering into this Settlement Agreement, the Settling Parties assume the risk of any misrepresentation, concealment or mistake. If any Settling Party to this Settlement Agreement subsequently discovers that any fact relied upon by it, he or she in entering into this Settlement Agreement was untrue or was concealed from that Settling Party, or that Settling Party's understanding of the facts or of the law was incorrect, such Settling Party shall not be entitled to any relief in connection therewith, including, without limitation, any alleged right or claim to set aside or rescind this Settlement Agreement. This Settlement Agreement is intended to be and is final and binding between and among the Settling Parties, regardless of any claims of misrepresentation, promise made, lack of intention to perform, concealment of facts or mistakes of fact or law.

16. This Settlement Agreement may not be altered, modified or amended except by a writing signed by all the Settling Parties hereto.

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17. This Settlement Agreement may be executed in several counterparts and, when executed by the Settling Parties, each counterpart shall be deemed an original and shall constitute but one and the same instrument. Facsimile and photocopy signatures shall be valid as originals.

18. This Settlement Agreement constitutes the sole and entire agreement between the Settling Parties hereto with respect to the matters covered herein.

19. This Settlement Agreement is solely for the benefit of the named Settling Parties hereto and there are no third-party beneficiaries of this Settlement Agreement.

20. Notwithstanding anything to the contrary contained herein, Plaintiff, for itself and any other person claiming by, through, or on behalf of it, acknowledges and agrees that (i) in no event shall the Administrator of Arthur Andersen LLP, any member of the Administrative Board of Arthur Andersen LLP (or any officer, director, member or shareholder of any Administrative Board), any present or former directors, officers, managers, partners, participating principals, national directors or similar persons of Arthur Andersen LLP or any of their respective agents or representatives (collectively, the "Andersen Covered Persons") have any personal liability with respect to the obligations arising out of relating to this Settlement Agreement; and (ii) no Andersen Covered Person shall be obligated to make, and no Andersen Covered Person in fact will make, any capital contribution or other payment of any kind to Arthur Andersen LLP to satisfy its obligations arising out of or relating to this Settlement Agreement.

21. All notices relating to this Settlement Agreement shall be in writing, sent by U.S. mail, postage pre-paid and by confirmed facsimile transmission, and shall be deemed effective upon receipt. All notices relating to this Settlement Agreement shall be made as follows:

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Notices to CalSIRS:

Cotchett, Pitre, Simon & McCarthy
840 Malcolm Road, Suite 200
Burlingame, CA 94010
Attention: Joseph Cotchett; Steven Williams

Girard Gibbs LLP
601 California Street, Suite 1400
San Francisco, CA 94108
Attention: Daniel Girard, Elizabeth Pritzker

Notices to Qwest:

Qwest Communications International Inc.
1801 California Street
Denver, CO 80202
Fax No. (303) 383-8444
Attention: Rich Baer, Stefan Stein, and Sean Lindsay

-and-

Boies, Schiller & Flexner LLP
5301 Wisconsin Avenue N.W.
Suite 800
Washington, D.C. 20015
Fax: (202) 237-6131
Attention: Jonathan Schiller; David R. Boyd; Alfred P. Levitt

Notices to Arthur Andersen:

Arnold & Porter
370 Seventeenth Street, Suite 4500
Denver, CO 80202
Fax No. (303) 832-0428
Attention: Tim Atkeson

555 Twelfth Street, NW
Washington, DC 20004-1206
Fax No. (202) 942-5999
Attention: Scott B. Schreiber; John A. Freedman; Elissa Preheim

Notices to Philip F. Anschutz:

Holme Roberts & Owen, LLP
1700 Lincoln Street, Suite 4100
Denver, CO 80203
Fax No. (303) 866-0200
Attention: Michael J. Hofmann; Martin D. Litt

Kellogg, Huber, Hansen, Todd, Evans & Figel, P.L.L.C.
Sumner Square
1615 M. Street NW, Suite 400

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Washington, D.C. 20036-3209
Fax No. (202) 326-7999
Attention: Mark C. Hansen; Kevin B. Huff; David L. Schwarz

Notices to Craig R. Barrett:

Rothgerber Johnson & Lyons LLP
1200 17th Street, Suite 3000
Denver, CO 80202-5855
Fax No. (303) 623-9222
Attention: Frederick J. Baumann; James M. Lyons

Keker & Van Nest
710 Sansome Street
San Francisco, CA 94111
Fax No. (415) 397-7188
Attention: Wendy Thurm; Steven K. Taylor

Notices to Vinod Khosla:

Rothgerber Johnson & Lyons LLP
1200 17th Street, Suite 3000
Denver, CO 80202-5855
Fax No. (303) 623-9222
Attention: Frederick J. Baumann; James M. Lyons

Keker & Van Nest
710 Sansome Street
San Francisco, CA 94111
Fax No. (415) 397-7188
Attention: Wendy Thurm; Steven K. Taylor

Notices to Afshin Mohebbi:

Morvillo, Abramowitz, Grand, Iason, Anello & Bohrer, P.C.
565 Fifth Avenue
New York, NY 10017
Fax No. (212) 856-9494
Attention: Paul Grand; Barbara Moses

Notices to Robin Szeliga:

Bird, Marella, Boxer & Wolpert, PC
1875 Century Park East, 23rd Floor
Los Angeles, CA 90067-2561

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Fax No. (319) 201-2110
Attention: Mark T. Dooks; Thomas V. Reichert

Notices to Robert Woodruff

Clifford Chance US LLP
33 West 52nd Street
New York, NY 10166
Tel No. (212) 678-8375
Attention: David Meister; James Miller

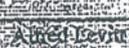
IN WITNESS WHEREOF, each of the Settling Parties have signed or caused to be signed this Agreement as of the Effective Date.

California State Teachers' Retirement Fund



Steven Williams

Quest Communications International Inc

By 

Arthur Andersen LLP

By 

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Fax No. (310) 201-2110
Attention: Mark T. Dooks; Thomas V. Reichert

Notices to Robert Woodruff:

Clifford Chance US LLP
31 West 52nd Street
New York, NY 10166
Fax No. (212) 878-8375
Attention: David Meister; James Miller

IN WITNESS WHEREOF, each of the Settling Parties have signed or caused to be signed this Agreement as of the Effective Date.

California State Teachers' Retirement Fund

By: _____
Steven Williams

Qwest Communications International Inc.

By:  _____
Alfred Levitt

Arthur Andersen LLP

By: _____
Scott B. Schreiber

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