



2007 Issue 1

# THE RETIREE GUARDIAN

*"the voice of 48,000 retirees in all 14 U S WEST/Quwest states"*  
Newsletter of the Association of U S WEST Retirees  
www.uswestretiree.org or www.qwestretiree.org

## Nacchio Trial March 19



**Joseph P. Nacchio,**  
former Qwest CEO

The long-awaited trial of Joe Nacchio is scheduled to start March 19, and the presiding Federal judge says there will be no delays.

Nacchio, who is free on bail, is accused of selling \$100.8 million worth of stock based on inside knowledge Qwest would be unable to meet revenue targets. He faces 42 counts of insider trading in connection with selling the stock during the first five months of 2001. He has pleaded not guilty.

The government is seeking to recover the \$101 million Nacchio gained from his stock sales. In addition, each of the charges carries a possible \$1 million fine and 10 years in jail. Prosecutors allege that Nacchio accelerated his stock sales while aware that Qwest's financial condition was weakening.

Nacchio's attorneys have argued that Nacchio, based on classified information, believed Qwest was going to be awarded hundreds of millions of dollars in government contracts. Those potential deals offset his concern about

*(continued on page 4...Nacchio)*



**Dick Notebaert**  
Qwest CEO

### Notebaert: ...it's do the right thing for the right reason..."

Qwest CEO Dick Notebaert was not speaking about retiree issues when he addressed a Denver audience with the words of "It's not self-interest. It's do the right thing for the right reason." He was describing Qwest's corporate donation of \$6 million to bring the 2008 Democratic National Convention to Denver.

"We stepped up with the time, the resources, the contributions," said Notebaert when he committed Qwest monies to the city of Denver's \$55 million goal.

*...continued page 4 - "do the right thing"*

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*WE WERE THE OPERATORS AND REPAIR CLERKS, THE INSTALLERS AND LINEMEN, THE ENGINEERS AND NETWORK PLANNERS, THE CRAFT AND MANAGEMENT EMPLOYEES OF EVERY DESCRIPTION WHO BROUGHT TELECOMMUNICATIONS TO THE HOMES, BUSINESSES, AND INSTITUTIONS OF 14 STATES. NOW WE ARE UNITED IN OUR COMMITMENT TO PRESERVE AND ENHANCE THE RETIREMENT BENEFITS PROMISED TO US AND TO THOSE WHO FOLLOW US AS TODAY'S ACTIVE EMPLOYEES.*

# ***Qwest Adopts Shareholder Proposal from Retiree Member***

Qwest has revised corporate governing policy to require directors to be elected by majority vote in some elections, mirroring a trend that gives shareholders a stronger voice.

Mary Ann Neuman, AUSWR NWB member proposed this amendment to the Qwest Bylaws.

**Michael Calabrese**, AUSWR Proxy Attorney, explains the Newman amendment:

"I've confirmed that Qwest has indeed adopted Mary Ann Neuman's shareholder proposal - and has amended the bylaws to require a majority vote to elect or re-elect an uncontested director. As also proposed, the plurality standard is maintained in cases of contested elections, where the number of nominees exceeds the number of seats.

"Although the Qwest Board (for a "compelling reason") could decide to keep the director on the Board, this advance resignation policy for incumbents is considered the "gold standard" among companies voluntarily adopting this policy.

"A "compelling reason" is understood to be limited to a situation such as where the absence of a particular director might cause the company to violate Security Exchange Commission listing standards.

"Thus, the best course is to declare yet another AUSWR proxy victory, reforming Qwest's corporate governance and accountability for the good of all shareholders."

**To volunteer for the 2008 Republican National Convention in Minneapolis go to website or call:**  
<https://www.gop.com/Secure/signup.aspx>

**The Republican Party of Minnesota**  
525 Park Street, St. Paul, MN 55103  
Phone: 651-222-0022  
Fax: 651-224-4122

**To volunteer for the 2008 Democratic National Convention in Denver go to the website or call:**  
[http://coloradodems.org/component/option,com\\_philaform/Itemid,51/form\\_id,19](http://coloradodems.org/component/option,com_philaform/Itemid,51/form_id,19)

**Colorado Democratic Party**  
777 Santa Fe Drive, Denver, CO 80204  
Email: [info@coloradodems.org](mailto:info@coloradodems.org)

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# AUSWR President's Message



Mary "Mimi" M. Hull  
President, AUSWR  
(Association of U S WEST Retirees)

Dear Fellow Retirees,

Prior to the Fall 2006 National Elections, I wrote in the President's column how important I thought it is for retirees to be involved in the political process.

Changes happened in that election. Now there are some new members of Congress and the Senate, as well as some of

the old. We need to educate and keep all of them informed about the plight of today's retirees caused by Corporate America --and in particular the retirees of Qwest Communications, Inc.

We have I believe a unique opportunity to highlight our issues because both major political parties will be holding their 2008 National Conventions within the Qwest territory.

- The Democrats will be holding their convention August 25-28, 2008, in Denver.
- The Republicans will be holding theirs September 1-4, 2008, in Minneapolis.

Both cities are beginning in earnest to organize for the big events and both are looking for local volunteers to help steer all of the delegates through the conventions' inner workings. For our retirees in those cities who have the time and the inclination, what better way to talk with candidates and delegates than to be a volunteer and voice for those retirees who cannot be there themselves?

That does not mean, however, that those retirees who do not have a physical presence in these locales, should sit back and do nothing. Contact your state

party headquarters and ask how you can be involved in selecting delegates or becoming a delegate yourself. See the Democratic Party Headquarters' and the Republican Party Headquarters' information - bottom page 2.

It is the state delegations that have the lions-share of input into the party platforms. We need to ensure that issues of real importance to retirees make it onto each party's platform. I encourage you to "become involved". See the local pages in this issue for retiree and legislative contacts in your state.

The executives of major corporations surely are involved. Don't let their voices be the only ones that gets heard!

On another important topic to our retirees, this is your reminder that the criminal trial of Joseph Nacchio, who has been indicted on 42 counts of insider trading, reaping 100's of millions of dollars, while retirees go wanting begins on March 19, 2007 in the Denver Federal District Court. See the Nacchio trail details in the story starting on page one.

Our able news media watchers will forward newspaper accounts of each day's trial events, as they occur. Our heartfelt thanks to them for being so diligent, and keep an eye on your email and our website to stay updated.

Thank you, *Mimi Hull*

*President of the Regional  
Association of U S WEST  
Retirees (AUSWR)*

# ***Nacchio Defense***

*(...Nacchio continued from page one...)*

warnings he was receiving about the company's finances from other Qwest executives.

The defense argument goes something like this:

“Nacchio was optimistic about Qwest's financial condition because his secret work on a top presidential advisory panel led him to believe the company was in line to land some major federal contracts.”

The panel that provided Nacchio with his contract award information was President Bush's National Security Telecommunications Advisory Committee or NSTAC. The 30-member industry panel provides recommendations to the President on national security and emergency-preparedness issues and hears from top government officials on the matters. It meets annually in-person and quarterly by conference call, but members frequently discuss issues in between those meetings.

Records show Qwest has landed at least a dozen major federal contracts since the fall of 2001. At least two of those contracts came before Nacchio was ousted from Qwest in June 2002, including a communications backbone services contract with the Department of Defense.

Bush didn't officially appoint Nacchio to the committee as vice chair until July 9, 2001, but two sources familiar with the situation said Nacchio was cleared to hear classified information by about March 2001. An old NSTAC Web site also lists Nacchio a member by at least April 2001.

That would still leave questions about Nacchio's defense for January and February 2001.

However, defense attorneys contend that a single phone call landed Qwest a top-secret contract in 1999 to install a fiber-optic line for the federal government. There was no bidding. Soon Qwest was doing business with four clandestine government

*(continued on next page...Nacchio)*

## **Notebaert**

# ***‘\_actions speak louder than words’***

*(...“do the right thing”.. continued from page 1)*

Notebaert's deeds speak much louder than his words to U S WEST and Qwest retirees.

Retirees have challenged the words of Notebaert to “do the right thing” in messages to *Denver Post* staff writer, Al Lewis, on his Internet site and in email messages to Notebaert.

“If that reflects your true philosophy -- what happened when you recently capped your retirees' Group Life Insurance at only \$10,000? There seems to be a big ‘disconnect’ between what you were quoted as saying -- and what you did by reaching into the pockets and taking thousands and thousands of dollars away from now elderly

people who have no chance to find alternative life insurance at an affordable rate. Remember, you have not graced them with a cost of living increase in about 10 years!,” wrote Phyllis Kielblock, Executive Assistant, NWB-USW-Qwest Retiree Association, in an email to Notebaert.

“If there is any doubt in your mind, retirees ask that you rescind that action and restore their life insurance at its full value -- that which was promised to them during their many years of employment. They earned it and deserve it! **THAT** -- would be ... “doing the right thing for the right reason,”” Kielblock wrote.

No response has been forthcoming from Notebaert.

# Nacchio Trial Evidence

(...Nacchio continued from page 4...)

agencies. By early 2001, Qwest had been awarded more than \$1 billion in classified work from just one of those agencies. Nacchio was in discussions for additional black-book contracts worth hundreds of millions of dollars, including construction of a fiber-optic network to Europe and the Middle East. That's how Nacchio describes his involvement in the clandestine world of classified government work in documents recently unsealed in his criminal insider-trading case.

Experts said the recently unsealed documents begin to flesh out what has until now been a mysterious defense strategy. Nacchio's defense team asserts that he alone understood the company's prospects in early 2001, and that he believed they were positive.

It's difficult to know how much of what Nacchio describes, through his attorneys and a federal judge, is true. Much of the information is sketchy. Whether it was Nacchio or someone else on the phone in 1999, for example, isn't revealed. The documents, filed between May and October 2006 and unsealed in December 2006, have been redacted to shield classified information from public view. But they still contain new information about Nacchio's defense against federal insider-trading charges.

"The classified information known to Mr. Nacchio during the time he traded allowed him to reasonably anticipate the award of classified government contracts," Nacchio attorneys Herbert Stern and John Richilano wrote in the May 2006 filing. "Nacchio had ... observed the manner and frequency with which his classified discussions about potential new projects ultimately bore fruit as actual contracts."

The prosecution's case against Nacchio is built, in large part, on warnings he received from other

Qwest executives in late 2000 and early 2001 about looming financial problems - a period during which Nacchio was selling big chunks of Qwest stock. Former president Afshin Mohebbi and former chief financial officer Robin Szeliga both issued such warnings, according to court documents.

Another evidence issue stems from classified documents that defense attorneys say they need.

Prosecutors said the evidence-exchange process had been slowed because some of the documents fall under the Classified Information Procedures Act, which sets guidelines for viewing secret government documents.

The Classified Information Procedures Act was enacted decades ago to counter a strategy used by defendants charged with spying who threatened to expose national secrets unless the charges were dropped.

In order to view the contracts and determine their relevance at trial, attorneys for both sides and the judge received Justice Department security clearances.

In another defense-related issue, Nacchio's attorneys contend evidence that could be deemed favorable to Nacchio, which prosecutors are required by law to provide the defense, is being delayed or withheld.

Defense attorneys have contended government attorneys have been slow to deliver witness interview evidence citing a report on a witness delivered two months after the interview was conducted.

"It's the witness interviews that are of concern," Nacchio attorney John Richilano said. "It's just a very, very serious issue now."

Government attorneys are still interviewing witnesses. "We're doing the best we can," prosecutor Cliff Stricklin said. Prosecutors said they must coor-

(Nacchio...continued on page 6...)



**Joe Nacchio and  
Defense Attorney, Herb Stern**

# Nacchio Legal Fees

(Nacchio...continued from page 5...)

minate the documents with federal agencies that are involved.

Another potential defense that Nacchio attorneys have hinted may be used is that stock sales were a part of a scheduled trading program, and that in some cases the Qwest board directed him to sell. Experts contend that if there is stock trading over a long period of time, it becomes potentially difficult to make a case for insider actions.

Qwest stock traded with a high of \$64 in 2000, falling to \$38 in mid-May 2001 and to \$1.11 by August 2002, when Nacchio completed his last stock trade. Qwest most recent trading price was \$8.20 with a 52-week high of \$9.22.

The prosecution must prove that Nacchio acted, "willfully and with the intent to defraud, manipulate or deceive," according to the federal court filing.

Separately, Nacchio also is one of several former Qwest executives accused by the Securities and Exchange Commission in a civil case alleging they orchestrated a financial fraud that forced the company to restate billions of dollars in revenue.

Nacchio and several other former Qwest executives are alleged to have fraudulently boosted revenues by \$3 billion from 1999 to 2002. Qwest later restated much of that revenue.. That case is pending. [See details on page 7].

## LEGAL FEES

Experts say Nacchio's legal fees in both the civil and criminal cases could hit a combined \$75 million, based on other high-profile corporate executive trials.

Qwest bylaws require the company to pay those expenses, according to company spokesman Bob Toevs. Under the bylaws, the company must pay legal fees for current and former officers involved in criminal or civil legal proceedings because of their work with the company

Also, Nacchio's severance agreement spells out Qwest's requirement to pick up his legal bills. Nacchio who started with Qwest in 1997 was forced out in mid-2002.

The lead defense attorneys in the case could likely charge more than \$500 an hour and their associates around \$200

an hour. The legal bill would also include fees for pollsters, expert witnesses, travel expenses and other costs.

Qwest, which acquired Baby Bell U S WEST in 2000, hasn't disclosed how much it has spent or expects to spend on Nacchio's defense. Some of the fees may be covered by so-called Directors and Officers liability insurance, which many public corporations including Qwest carry to help defend and settle lawsuits against key officials.

But the insurance typically doesn't cover criminal charges. Qwest would have to recover the fees through court action, and the company wouldn't get anything if Nacchio's finances are emptied by fines and other debts.

"It's really sad that a public corporation like Qwest is going to end up having to pay for his legal expenses," said retiree Nelson Phelps, executive director of the Association of U S WEST Retirees. "It's a further hit against a company (through) legal costs for a person that many retirees look at as almost sinking the company."

*"It's really sad that a public corporation like Qwest is going to end up having to pay for his legal expenses,"*

*— Nelson Phelps,  
AUSWR  
Executive Director*

## JURY

The judge presiding over the case agreed to withhold from the public a questionnaire that will be sent to prospective jurors as an initial step in the jury selection process.

The questionnaire will help the attorneys and the judge eliminate candidates who may be unable to serve or disqualified because of bias or an association with Qwest. The judge said the questionnaire will be made public at the start of the selection

process in court.

## WITNESSES

U.S. District Judge Edward Nottingham has scheduled a trial preparation conference for March 1, at which time the parties will have to submit their witness lists. Anticipated witnesses include some of the following:

Robin Szeliga, former Qwest CFO, who reached a settlement with the SEC regarding her role in the alleged multi-billion dollar financial fraud. Szeliga was sentenced to two years' probation and a \$250,000 fine after pleading guilty to one count of insider trading. She has described the sentence as "financial ruin" for her and her family.

Former Qwest Senior Vice President, Grant Graham who  
(Nacchio...continued on page 7...)

# ***Nacchio Faces Civil Case***

*(Nacchio...continued from page 6...)*

received a sentence of "time served," even though he never spent a day behind bars, after his extensive cooperation with prosecutors -- presumably in building their case against Nacchio. Graham spent some 3-1/2 years on "pre-trial supervision" after agreeing to a plea of guilty to being an accessory to malfeasance with top executives at Qwest.

James F. X. Payne, 55, former senior vice president of Qwest's Government Systems Division, emerges as a key figure in the case. According to Nacchio's lawyers, Payne has verified the former CEO's contention that potential classified contracts were not included in Qwest's public statements about its prospects.

Dean Wandry, senior vice president of government markets who declared that "a great bulk" of the division's work was classified. Wandry, 66, said he has been contacted by attorneys in the case but does not yet know whether he will testify.

## **Other WITNESSES**

Federal prosecutors have asked AUSWR to help identify potential witnesses who suffered large financial losses after buying Qwest stock during the first five months of 2001. Prosecutors also are trying to identify people who may have seen or heard Nacchio make statements about Qwest's ability to meet its financial targets or Wall Street expectations. Prosecutor Colleen Conry, who served on the Enron task force, will be meeting with potential witnesses.

## **Defense Attorneys:**

Nacchio is represented by two law firms: Roseland, N.J.-based Stern & Kilcullen and Denver's Richilano & Gilligan. Herbert Stern is Nacchio's lead attorney, and John Richilano is the top local attorney. Six other attorneys from those two firms have entered appearances in the criminal case.

Herbert Stern, 70, spent his early career putting corrupt officials behind bars. As a top federal prosecutor in New Jersey, Stern helped convict eight mayors, a U.S. congressman and dozens of other public officials.

## **Prosecutors**

Cliff Stricklin, 42, first assistant U S Attorney leads the Nacchio prosecution team. He was one of four attorneys to present the evidence in the fraud and conspiracy trial against former Enron executives Ken Lay and Jeff Skilling.

Prior to joining the Enron case, Stricklin was a state district judge in Dallas where for four years he presided over felony criminal cases ranging from fraud and narcotic crimes to capital murder cases. In all, Stricklin heard over 130 jury trials including 26 federal cases while on the bench. Each of his cases has been affirmed at the appellate level.

Other Nacchio case prosecutors are corporate-fraud trial attorneys Leo Wise and Colleen Conry, who successfully prosecuted the case against HealthSouth CEO Richard Scrushy. Both Conry and Wise were members of the Enron prosecution team. Also on the team is Assistant U.S. attorney James Hearty who successfully prosecuted Qwest Senior VP, Thomas Hall, in the \$33 million wire fraud case involving reported equipment sales to the Arizona School Facilities Board.

## **CIVIL CASE**

In addition to his criminal trial scheduled to start March 19, Nacchio and former Qwest top executives were indicted by the SEC in March 2005 on civil charges.

The SEC has said the fraud at Qwest occurred between April 1999 and March 2002, allowing it to improperly report approximately \$3 billion in revenue that helped clear the way for its 2000 acquisition of U S West. The revenue was later restated.

"From at least April 1, 1999, through March 31, 2002, senior executives and others at Qwest Communications International Inc. engaged in a massive financial fraud that hid from the investing public the true source of the company's revenue and earnings growth, caused the company to fraudulently report approximately \$3 billion of revenue, and facilitated the company's June 2000 merger with US West.

The top five ex-Qwest officials who haven't settled the SEC charges are Nacchio, former President Afshin Mohebbi, former Chief Financial Officer Robert Woodruff (predecessor to Szeliga), and former accountants Frank Noyes and James Kozlowski.

THE CIVIL INDICTMENT against Nacchio and former Qwest top executives is found in the complete 50-page form at the Securities & Exchange Commission site: [http://www.sec.gov/litigation/complaints/comp\\_nacchio19136.pdf](http://www.sec.gov/litigation/complaints/comp_nacchio19136.pdf)



# A View from Washington

The Seventh Annual NRLN Leadership Conference and Board meeting in Washington, D.C., was highlighted by an informative, lively discussion of pension and health care issues by two panels of leading congressional and committee staff members for the 110<sup>th</sup> Congress.

Those attending represented U.S. Senate, House of Representatives, and key legislative committee members, who will be instrumental in shaping the agenda on Capitol Hill during 2007.

Panel discussions provided an invaluable opportunity to meet face-to-face with senior staff members of relevant committees that are directly involved with those issues of most interest to NRLN members and retirees in general.

Participants on our pension panel included Jim Paretti, representing Rep. Howard "Buck" McKeon (R-CA), ranking Republican on the House Committee on Education and the Workforce; Michele Varnhagen, Chief of Staff for the House Committee on Education and the Workforce; and Judy Miller, Chief of Staff on the Senate Committee on Finance.

Members of our health care panel included Dr. Wendell Primus, Policy Advisor to House Speaker Nancy Pelosi; Ben Klein, Legislative Assistant to Sen. Byron Dorgan (D-ND); and Bill Pewen, Legislative Aide to Sen. Olympia Snowe (R-ME).

Through this early dialogue, these influencers can glean a better understanding of the concerns and challenges facing today's retirees. At the same time, these panels provide the NRLN with access to those staff and committee members who will play a critical role in the development of legislation that will directly impact retirees and their families. Their influence on the legislative process is undeniable.

Our Leadership Conference included a presentation



from Ralph Maly, vice president of the Communications Workers of America, who gave a sobering account of how corporations are handling health care benefits for retirees. Maly cited examples of Lucent, AT&T and other companies. One example that struck me as particularly onerous involved Lucent, which Maly reported as receiving \$100 million a year in prescription drug rebates related to Medicare Part D and Federal supplements. According to Maly, Lucent does not apply any of these dollars to retiree health care benefits. Maly added that Lucent has not paid a nickel for health care purposes to represented retirees since it was spun off from AT&T in 1996.

The Board also voted to accept a legislative agenda for 2007. This is a dynamic document and will change from time to time. A current version on our agenda appears on our Web site at [www.NRLN.org](http://www.NRLN.org).

Last year we devoted much of our time and resources to pension issues.

We concentrated on the Pension Reform Act and were successful. Remember the thousands of grass roots messages that moved the Conciliation Committee to our view on several issues?. This year, our activity, while not forgetting pensions, will be on health care issues. You will be hearing about these health care issues, which all eight Democrat candidates for President have made a cornerstone of their campaigns. NRLN will be observing, studying, and recommending action on various health care initiatives as the year unfolds.



The National Retiree Organization (NRLN) is a non-partisan, grassroots coalition of retiree associations, individual retirees and pre-retirees devoted to enacting federal legislation to protect pension plans and retirement healthcare benefits. With support from its more than 2 million members and Washington, DC-based staff, the NRLN identifies and rallies support for Federal legislation will guarantee fair and equitable treatment of retirees from the private and public sectors.



A.J. (Jim) Norby



# AUSWR Grassroots Network

by Hazel Floyd, AUSWR Regional  
Vice President for Legislation  
email: hafloyd1@msn.com — tel.303-455-1535

We, as members of the AUSWR, cannot sit idly by during this critical time of benefit losses and expect all of our retiree problems to be handled in the Courts or by our Leaders speaking to the press.

There was a statement made by one of the State Senators that tells it all.

“Show up. The world is run by people who show up. We live in a democracy, but only about half the people vote, so it is really only **half** a democracy,” he said.

We must listen to that statement and “**show up.**”

A very important goal for the AUSWR **must** be that many local contacts are made by our members in all of our states with the people who represent them in Washington.

For that reason, all members should have local addresses, telephone, fax, and the email address of their legislators. For members who do or do not have Internet services, it is especially important to know how to reach your Legislators.

There is nothing like a person showing up at the local Legislator’s office and getting acquainted with the staff. Only by telling our retiree story to all the people we have elected to represent us will we bring any results.

Get to know the people who run the local offices for your Legislators. They are very helpful to let

you know when a Legislator will be in town.

They also know what Committees the Legislator serves on and what legislation they are supporting.

Discuss this legislation with your friends. Express your support and opinions for or against the proposed legislation to your members of Congress.

We will offer more suggestions about your participation in each issue of the *Retiree Guardian* during 2007 and until the elections in 2008.

The main offices of all legislators within your state are listed in the local pages at the back of this edition.

Also the name and contact information of your AUSWR State Legislative Leader is listed.

If there is not an office listed near you, please call your AUSWR State Legislative Leader and he or she will be able to find a contact near you.

**Let’s be more than half of a democracy!**

**IMPORTANT NOTE:** You need to remember that all contacts with Legislative Representatives should always be non-partisan. When you are representing AUSWR in any matter, you cannot take any one political party’s position. This would be against the law concerning our IRS non-profit status.

The AUSWR/NRLN Grassroots Network is for the 14 Regional States of the Qwest and former U S WEST corporate area, plus Wisconsin. For more information or to discuss state and national plans, please contact:  
Hazel Floyd at the email address: hafloyd1@msn.com

# Qwest 401(k) Settlement

Update by Curtis Kennedy, AUSWR Litigation Attorney

[Mr. Kennedy did not represent any parties in the Qwest 401(k) Saving Plan Securities Cases. The following is his explanation of the court orders issued January 30<sup>th</sup>, 2007.]

This update concerns the *Qwest 401k Savings Plan Securities Cases* that were pending in Denver Federal Court. You will recall there was a Settlement/Fairness Hearing on November 17, 2006.

The Clerk of Court distributed two orders issued by Judge Blackburn. Both orders [total of 12 pages] are available from your state leaders.

First, Judge Blackburn fully approved the proposed class-wide settlement. A total of \$37.5 million is to be paid by Qwest and Deutsche Bank into the Qwest Savings Plan (401k) and, after payment of attorney's fees and costs, those monies will be distributed to Plan participants according to a rather complicated formula based on the number and value of all claims submitted. Another \$20 million will be deposited into the 401k out of the other Settlement Fund created in the other set of federal securities cases and those monies will be distributed to Plan participants. Second, the attorneys will be paid \$9.75 million which amounts to 26% of the \$37.5 million settlement recovery in this case. All of the requested costs -- about \$796,000 -- without question will be reimbursed from the Settlement Funds.

Several AUSWR retiree members who lost significant monies in the 401k due to the alleged frauds made cogent objections to the proposed settlement and they objected to the amount of attorney's fees and expenses requested by Lead Counsel to be paid out of the Settlement Fund.

But, unfortunately and surprisingly, in neither of his two orders entered January 29, 2007, did Judge Blackburn either make comments or formally overrule any of the objections.

However, Judge Blackburn noted that "*objectors Keller, Rice and Carveth [AUSWR] have raised a question about the fate of a computer server acquired by Lead Counsel to maintain and access data about the accounts maintained by participants in the ERISA plan that is the subject of the litigation.*"

Judge Blackburn ordered the computer server, the cost of which is to be charged to the Settlement Fund, not be kept

by the attorneys. At the end of Judge Blackburn's order approving the Class settlement, he ordered the computer "*server currently in the possession of Lead Counsel shall be delivered to the [401k] Plan with the Plan participant data intact, within a reasonable time, not to exceed 120 days from the date of this order.*"

Judge Blackburn's orders do not require any other changes or improvements be made to the Class-wide settlement. His orders effectively end this litigation concerning the horrendous losses suffered by *thousands* of Qwest employees. In papers filed by Lead Counsel with the Court and during the November 17, 2006, Settlement/Fairness Hearing the teams of Plaintiffs' attorneys who had contended throughout the litigation that the Class of Plan participants lost close to \$2 billion in the Qwest Savings Plan reported this was the best settlement that could be accomplished.

Therefore, to recap:

\$57.5 million Settlement Fund (\$37.5 million + \$20 million)

- less \$ 9.75 million will be paid to attorneys as fees
- less \$ 507,880.31 will be paid to attorneys to reimburse expenses
- less \$289,000.00 will be paid to MetLife for expense of computer system.

Balance of \$46,953,119.69 to be distributed to 401k claimants based upon claims submitted.

## AUSWR Officers:

Executive Director — Nelson Phelps  
President — Mimi Hull  
Regional Vice Pres —Legislation — Hazel Floyd  
Treasurer — Phil Graham  
Secretary — Ed Kerber

## 2006 Board of Directors:

Arizona President — Sue Woodworth  
Colorado/Wyo President — Jack Beattie  
New Mexico President — Irene Chavira  
NWB Chairman — Dick Johnson  
Oregon/Washington President — Judy Stenberg  
Utah/Idaho/Montana Chair — Donnetta Mitchell

Litigation Attorney — Curtis L Kennedy

# Legal Information



**Curtis L. Kennedy**  
AUSWR  
Litigation Attorney

*Do you want to know about the funding status of the Qwest Pension Plan? Have you wondered what might happen if Qwest defaulted on pensions or declared bankruptcy?*

*Here's advice on how to stay informed from Curtis Kennedy, AUSWR Litigation Attorney,*

The current information we have is that the Qwest Pension Plan is fully funded and in better shape than most other defined benefit pension plans sponsored by large employers throughout the U.S.

The following are two good ways to stay informed about the funding of the Qwest Pension Plan:

1) Most definitely, you should join the Association of U S WEST Retirees (AUSWR), frequently visit the website and check the legal updates page, and get on the email list and mailing list for the *Retiree*

*Guardian*, the AUSWR quarterly newsletter. For an application go to: <http://www.uswestretiree.org/membership2.htm>.

2) You can check for an updated report, soon to be published, by an organization named Milliman which performs an annual pension funding report. Go to [http://www.milliman.com/services/employee\\_benefits/professional\\_services/eb\\_professional\\_services.php](http://www.milliman.com/services/employee_benefits/professional_services/eb_professional_services.php). At that website, go to "Research & Resources," then, go to "Employee Benefits," then, go to "Pension Funding Study," and you will see the latest "2007 Pension Funding Study" when posted in the next month or two.

Presently, the 2006 report for status as of the end of year 2005 is posted. When the newer 2007 report is posted, it will show the pension funding for Qwest as of the end of year 2006 and compare it with about 50 other pension plans.

Finally, there is federal insurance protection provided by the Pension Benefit Guarantee Corporation (PBGC). At the AUSWR website on the "Benefits" page you will find helpful information discussing this subject matter, as follows: ["Here is some very good information about your pension and the Pension Benefit Guarantee Commission \(PBGC\)."](#)

## AUSWR Plans Legal Action Over Life Insurance Cutbacks

*—Excerpts from Andy Vuong, Staff Writer, Denver Post*

Nelson Phelps, AUSWR Executive Director, promised a lawsuit against Qwest to challenge the retiree benefit cutback on life insurance that took effect January 1, 2007.

"The suit will fight changes in life-insurance benefits that went into effect [in January]," Phelps told the *Denver Post*.

"We have several people who are in hospice care, and they're going to pass away," he said. "It's a sad thing. We're waiting for them to pass away, and ... their spouse has already agreed to be part of the lawsuit."

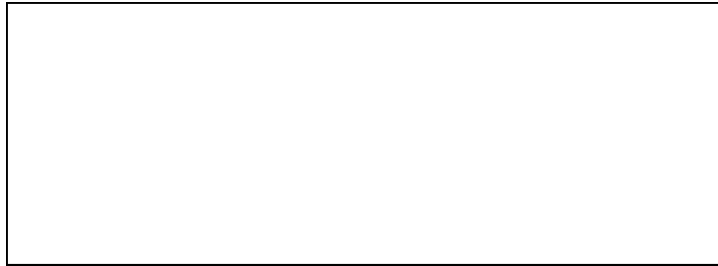
Curtis Kennedy said he's awaiting word that the spouse of a Qwest retiree is ready to go through the process before he files the lawsuit.

"It'll happen," Kennedy said.

AUSWR expects to file a class-action suit in federal court in Denver, Phelps said.

Phelps also said retirees will have "a rather aggressive and vocal presence at the Qwest annual meeting in May."

"We're not going to be as business-like and polite as we have been in the past," he said.



## **A Telephone Retiree's Poem**

When from this earth I take my leave,  
The corporation will not grieve.  
The work I did will be absorbed,  
redistributed, or just ignored.

But by that time I will not care,  
floating on celestial air.

An angel greets me by the Gate,  
says I do not have to wait.

St. Peter gives me a knowing smile,  
as I move beyond the rank and file.  
Beyond Mother Theresa and the Pope,  
past the man who created liquid soap

(Cleanliness being next to Godliness, you  
know.)

I sit and in awe before the Gate.

In dreadful anticipation do I wait.  
To hear the voice of God decree  
Just what fate He has for me.

I think of all the wrong I've done,  
The fear erases all the fun.  
And suddenly I fear the worst,  
the never ending flames and thirst.

But just as I abandon hope,  
and wish that I'd invented soap,  
His gentle voice allays my fears,  
Soothes my soul and dries my tears;

Enter, friend...you have had your hell:  
I understand you worked for Bell.  
And now you've passed the hardest test,  
I hear you even worked for Qwest.