

Superior Court of the State of California
County of Santa Barbara

Linda Roark, et al., Plaintiffs

v.

Class Action
Case No. 1035862
Hon. Thomas P. Anderle

GTE California Inc., et al., Defendants

**NOTICE OF PENDENCY OF CLASS ACTION, PROPOSED SETTLEMENT
AND APPROVAL HEARING**

TO: ANY PRESENT OR FORMER CUSTOMER OF VERIZON CALIFORNIA INC. (FORMERLY KNOWN AS GTE CALIFORNIA INC.) WHO IS A MEMBER OF ONE OR BOTH OF THE FOLLOWING CLASSES (THE "CLASSES")

The "Wrong PIC Code Class" includes: "all persons who, at any time between August 11, 1997 and December 30, 2002, (i) either (a) resided in any area code serviced by Verizon California within the State of California or (b) resided in any area code serviced by Verizon California outside of the State of California and were billed by Verizon California from the State of California, and (ii) were assigned a PIC Code for long distance telephone service by AT&T at any location within Verizon California's billing system rather than a PIC Code for the long distance telephone service carrier designated in the customer's profile."

The "Billing Date Error Class" includes: "all persons who, at any time between August 11, 1997 and December 30, 2002, (i) either (a) resided in any area code serviced by Verizon California within the State of California or (b) resided in any area code serviced by Verizon California outside of the State of California and were billed by Verizon California from the State of California, and (ii) were billed for long distance telephone calls based upon the PIC Code assigned to them in Verizon California's billing system on the date of the billing rather than the PIC Code assigned to them in Verizon California's billing system on the date on which the calls were made."

THIS NOTICE MAY AFFECT YOUR RIGHTS. PLEASE READ IT CAREFULLY.

The purpose of this Notice is to inform you of the pendency of this class action, a proposed settlement which has been reached in the class action, and an approval hearing which has been scheduled in order to determine whether the proposed settlement is fair, reasonable and adequate to the members of the Classes. This Notice is being sent to you in a form and in a manner approved by the Santa Barbara Superior Court. However, this Notice is not an expression of any opinion by the Santa Barbara Superior Court as to the merits of the claims or defenses by any of the parties to this class action. Rather, this Notice is being sent to you because the records of Verizon California indicate that you may be a member of one or both of the Classes.

As set forth below in the section entitled "The Proposed Settlement", a proposed settlement has been reached in the class action which is subject to court approval. If the settlement is approved by the Santa Barbara Superior Court, then eligible Class Members who do not request to be excluded from the Classes will be entitled to receive settlement benefits in the form of a refund check for amounts which they were overcharged for long distance telephone calls. Class Members who do not request exclusion also will be barred from asserting certain legal claims against Verizon California.

PARTIES TO THE CLASS ACTION

The plaintiffs who are pursuing this class action on behalf of the members of the Wrong PIC Code Class and the Billing Date Error Class are Linda Roark, Darla Anderson, Curt Billings and On Guard Pest Control (collectively referred to as "Plaintiffs"). Linda Roark, Darla Anderson and Curt Billings are members of the Wrong PIC Code Class and have been certified by the Santa Barbara Superior Court to represent the interests of the Wrong PIC Code Class in this class action. On Guard Pest Control is a member of the Billing Date Error Class and has been certified by the Santa Barbara Superior Court to represent the interests of the Billing Date Error Class in this class action.

The defendants in this case are GTE California Inc., now known as Verizon California Inc. ("Verizon California"), and Verizon West Coast Inc.

DESCRIPTION OF THE CLASS ACTION

Verizon California is a telephone company that provides both local and long distance telephone service for consumers and businesses in California and certain parts of Nevada and Arizona. This class action relates to customers of Verizon California who obtain their long distance telephone service from a long distance carrier other than Verizon California, such as AT&T, Sprint or MCI. These customers designate the long distance carrier of their choice, and Verizon acts as the "billing agent" for the charges imposed by the designated long distance carrier. In order to properly track its customers' designated long distance carrier within its computerized billing system, Verizon California assigns each long distance carrier a unique code which is called a "PIC Code."

Plaintiffs allege that, if the customer is not assigned the correct PIC Code or the assigned PIC Code is not consistent throughout Verizon California's billing system, then Verizon California's customers may not be properly billed according to the rate plan which is in place between each individual customer and the customer's designated long distance carrier. Plaintiffs also allege that, if a customer's PIC Code is not uniform throughout Verizon California's computerized billing system, then an "out of sync"

condition results, and the customer is at risk of being overcharged for long distance telephone service.

Plaintiffs allege that many customers of Verizon California have been and continue to be assigned a PIC Code in Verizon California's computerized billing system which corresponds to AT&T, rather than the long distance carrier designated by the customers. Plaintiffs further allege that the incorrect assignment of a PIC Code for AT&T causes overcharges to Verizon California's customers which may go undetected for many months and may be paid by Verizon California's customers who are unaware that they are being overcharged. Customers of Verizon California who have been overcharged for long distance telephone calls between August 11, 1997 and December 30, 2002 based upon an incorrect assignment of a PIC Code for AT&T are alleged to be members of the **"Wrong PIC Code Class."**

Plaintiffs allege that, when a customer of Verizon California requests a change in his/her chosen long distance carrier, the customer is assigned a new PIC Code within Verizon California's computerized billing system. Plaintiffs further allege that, because of a programming error in Verizon California's billing system, certain customers were billed at a higher, "non-subscriber" rate for long distance telephone calls which were made while the customer was still subscribed to his/her prior long distance carrier. Customers of Verizon California who incurred such overcharges between August 11, 1997 and December 30, 2002 are alleged to be members of the **"Billing Date Error Class."**

The Defendants deny Plaintiffs' claims, and Defendants maintain that they are entering into the proposed settlement to avoid the expense of continued litigation. The Court has made no ruling on the validity of Plaintiffs' claims, and the proposed settlement does not constitute an admission of any wrongdoing whatsoever by the Defendants.

CLAIMS ALLEGED IN THE CLASS ACTION

The original complaint in this class action was filed on August 11, 2000. The operative fourth amended complaint was filed by Plaintiffs on December 14, 2001. In their fourth amended complaint, Plaintiffs allege that the conduct of Verizon California renders it liable to the members of the Wrong PIC Code Class and the Billing Date Error Class for negligence, conversion and fraud. In a ruling by the Santa Barbara Superior Court on February 5, 2002, the cause of action for violation of the *Consumers Legal Remedies Act* which is alleged in the fourth amended complaint was dismissed.

Verizon California filed its answer to the fourth amended complaint on February 26, 2002, denying the allegations in the fourth amended complaint and asserting various affirmative defenses.

CLASS ACTION DETERMINATION

Following a series of hearings held before the Honorable Thomas P. Anderle on May 16, 2002, May 17, 2002 and May 29, 2002, the Santa Barbara Superior Court certified this action as a class action to be maintained by Plaintiffs, as the representatives of the Wrong PIC Code Class and the Billing Date Error Class, and by their attorneys of record, Foley & Bezek, LLP and Arias, Ozzello & Gignac, LLP, as Class Counsel. Verizon California sought, but was denied, appellate review of the Santa Barbara Superior Court's decision by both the California Court of Appeal and the California Supreme Court.

THE PROPOSED SETTLEMENT

Due to the need to obtain from Class Members certain information within their possession which is required to validate their entitlement to benefits, the proposed settlement is structured as a "claims made settlement" with a guaranteed minimum of \$20 million to be paid out by Verizon California in the form of refund checks, prepaid calling cards, attorneys' fees and expenses. In order to receive a refund check, Class Members will be required to complete and submit a Claim Form establishing their eligibility to receive a refund. A Claim Form is enclosed with this Notice. **TO BE TIMELY, A CLAIM FORM MUST BE MAILED VIA FIRST CLASS MAIL WITH A POSTMARK DATE OF NO LATER THAN OCTOBER 16, 2003.**

Under the proposed settlement, a Class Member that timely submits a valid Claim Form is entitled to receive a payment that will be computed based on the difference between the amounts paid by the Class Member for certain long-distance calls and 12 cents per minute for domestic calls or 50 cents per minute for international calls, plus interest at the rate of approximately 7% per annum, subject to certain reductions (including, without limitation, reductions for credits already received by Class Members) and limitations (for no more than a twelve-month period of time). **EVERY CLASS MEMBER WHO TIMELY SUBMITS A VALID CLAIM FORM WILL BE ENTITLED TO RECEIVE A REFUND, even if the total amount of refunds issued exceeds \$20 million.**

Class Members who do not submit a Claim Form may receive prepaid calling cards under the proposed Settlement. The amount, if any, of such prepaid calling cards will depend upon how many valid Claim Forms are submitted, among other factors. Class Members who do not wish to participate in the proposed settlement may exclude themselves by submitting a Request for Exclusion as detailed below in the section entitled "Right To Be Excluded From The Class Action".

The Santa Barbara Superior Court has preliminarily approved the proposed Settlement as fair, reasonable and adequate to the Class Members. If the Court gives final approval to the proposed Settlement, then the Court will enter a final judgment which will be binding upon all Class Members who do not submit a Request for Exclusion.

RECOMMENDATION OF CLASS COUNSEL

The settlement was agreed upon by the parties only after the parties had completed extensive discovery, participated in arm's-length negotiations, and engaged in formal mediation before the Hon. Daniel Weinstein, Ret. After taking into account the disputed factual and legal issues involved in the class action, the substantial information learned through discovery in the class action, the recommendation of the mediator, and the substantial benefits to be received by Class Members under the settlement, Plaintiffs and Class Counsel have concluded that the settlement is in the best interests of the Class Members.

RELEASE OF CLAIMS BY CLASS MEMBERS

If the settlement is granted final approval by the Court, all Class Members who have not filed a valid and timely Request for Exclusion (the "Settlement Class") shall be forever barred from suing the Defendants and other Released Parties (as defined in the Settlement Agreement) for any and all actions, causes of action, claims, demands, liabilities, obligations, proceedings and/or rights of any nature and description whatsoever, liquidated or unliquidated, known or unknown, in law or in equity, whether or not concealed or hidden, that have been asserted or that might have been asserted by Plaintiffs or any Class Member, including violations of any state or federal statutes, rules or regulations, or principles of common law, based upon, arising out of or related to, in whole or in part, the allegations, claims and/or theories raised in, or that could have been raised in, the class action. This release will bind all members of the Settlement Class regardless of whether they file a Claim Form and receive a refund.

In connection with the release and discharge of the Released Claims (as defined in the Settlement Agreement), each member of the Settlement Class shall be deemed to have expressly waived all rights under *California Civil Code* section 1542 (or any like or similar statute or common law doctrine), and to have done so understanding the significance of that waiver. Section 1542 provides:

"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 HIS SETTLEMENT WITH THE DEBTOR."

ATTORNEYS' FEES, EXPENSES AND OTHER PAYMENTS

Class Counsel will apply to the Court for an order requiring Defendants to pay \$6,666,666 in attorneys' fees, representing one-third (33.33%) of the \$20 million guaranteed minimum amount to be paid out by Verizon under the terms of the settlement. Class Counsel also will apply to the Court for an order requiring Defendants to reimburse Class Counsel for the reasonable expenses incurred by Class Counsel in connection with the class action. Finally, Class Counsel will apply to the Court for an order awarding incentive payments to the Class Representatives and one Class Member in the amount of \$10,000 each or less for their services in bringing the class action and/or carrying out their responsibilities as Class Representatives. Any attorneys' fees, expenses and incentive awards granted by the Court will be deducted from the \$20 million guaranteed minimum amount to be paid out by Verizon. However, THE PAYMENT OF ANY ATTORNEYS' FEES, EXPENSES OR INCENTIVE AWARDS BY VERIZON WILL NOT AFFECT THE AMOUNT OF THE REFUNDS WHICH WILL BE ISSUED TO ALL CLASS MEMBERS WHO TIMELY SUBMIT A VALID CLAIM FORM.

THE SETTLEMENT APPROVAL HEARING

A hearing will be held on September 16, 2003 at 11:00 a.m. in Courtroom No. 3 of the Santa Barbara Superior Court, located at 1100 Anacapa Street, Santa Barbara, California 93101, to determine whether the proposed settlement should be finally approved by the Court as fair, adequate and reasonable and to determine whether and to what extent the Court should award attorneys' fees, costs and expenses to Class Counsel and approve the payment of incentive awards. The settlement approval hearing may be rescheduled or continued to a later date without further notice. You are not required to attend the hearing, but you may do so on your own or through an attorney retained by you at your own expense.

RIGHT TO BE EXCLUDED FROM THE CLASS ACTION

Any Class Member who wishes to exclude himself, herself or itself from the Wrong PIC Code Class and/or the Billing Date Error Class may do so by exercising his, her or its right to be excluded from such class as instructed below. If you do request exclusion, then: (1) you will not be entitled to receive any of the benefits available under the settlement if it is approved by the Court; (2) you will not be bound by the final judgment entered in this action upon the approval of the settlement; and (3) you will be free to pursue or not pursue any legal rights which you may have against Verizon California.

If you do not request exclusion, then:

(1) you will be bound by the final judgment entered in this class action under the legal doctrines of *res judicata* and/or collateral estoppel;

(2) you may, if you so elect, object to the proposed settlement; and

(3) the Settlement Administrator may be provided with documents, records, and electronic files relating to your Verizon California account, notwithstanding any protection from disclosure which might otherwise apply to such documents, records, or electronic files under California Public Utilities Code § 2891 and/or related tariff provisions (including, without limitation, Schedule Cal. P.U.C. No. D&R, Rule 45).

All requests for exclusion must be made in writing, must identify the class(es) from which you request to be excluded (the Wrong PIC Code Class and/or the Billing Date Error Class), and must be mailed to the address of the Settlement Administrator set forth below in the section entitled "Mailing Addresses For All Communications".

All written requests for exclusion must be postmarked no later than August 26, 2003, and must include your name, address, telephone number and signature. Any request for exclusion made on behalf of a class member by a representative of that class member must state the capacity in which the representative is acting.

RIGHT TO APPEAR IN THE CLASS ACTION

Any Class Member who does not request exclusion, and who so wishes, may apply to the Santa Barbara Superior Court for permission to appear in this class action. Prior to doing so, you must enter a formal appearance either individually or through your own counsel.

The original of all documents relating to an appearance should be filed with the Clerk of the Santa Barbara Superior Court, Anacapa Division, 1100 Anacapa Street, Santa Barbara, California 93101. Such documents shall be identified as filed in connection with this class action by including thereon the caption and case number appearing at the head of this Notice. Copies of all documents filed with the Santa Barbara Superior Court must be served by mail upon Class Counsel and Defense Counsel at the addresses set forth below in the section entitled "Mailing Addresses For All Communications".

If you do not enter an appearance individually or through counsel of your choice at your own expense, you will be represented in this class action by Class Counsel appointed by the Santa Barbara Superior Court.

RIGHT TO OBJECT TO THE PROPOSED SETTLEMENT

Any Class Member who does not timely submit a valid Request for Exclusion may object to the proposed settlement, the application for attorneys' fees and expenses and/or the application for incentive awards. All objections must be in writing and **must**: (1) include your name, address and telephone number; (2) provide a detailed explanation of your objection and include any documents upon which you rely to support your objection; (3) include the caption and case number appearing at the head of this Notice; (4) include a statement of whether you intend to appear, either in person or through your own counsel, at the settlement approval hearing; (5) be filed with the Clerk of the Santa Barbara Superior Court at the address identified below, **NO LATER THAN AUGUST 26, 2003**; and (6) be served via first class mail on Class Counsel and Defense Counsel at the addresses set forth below **NO LATER THAN AUGUST 26, 2003**. Class Members who fail to comply with these requirements will not be heard, either in person or through counsel, at the time of the settlement approval hearing unless specifically permitted by the Court.

ADDITIONAL COPIES OF THIS NOTICE

This Notice is being mailed to all individuals and entities who, on the basis of the computerized records maintained by Verizon California, have been identified as potential members of the Wrong PIC Code Class and/or the Billing Date Error Class. Additional copies of this Notice may be obtained by sending a written request to the Settlement Administrator at the address set forth below. Alternatively, any Verizon customer may access a copy of this Notice over the Internet at the following web site: <http://www.dmaaction.com>. A copy of this Notice also may be obtained by dialing the following toll-free number: (800) 818-7980.

MAILING ADDRESSES FOR ALL COMMUNICATIONS

For the purpose of submitting a Claim Form, submitting a Request for Exclusion, or requesting additional copies of this Notice, the mailing address for the Settlement Administrator is:

Settlement Administrator
c/o Desmond, Marcello & Amster
P.O. Box 451999
Los Angeles, CA 90045

For any questions regarding the settlement or the class action, or for the purpose of serving an objection, the mailing addresses of Class Counsel are:

Peter J. Bezek, Esq.
FOLEY & BEZEK, LLP
15 West Carrillo Street
Santa Barbara, California 93101

J. Paul Gignac, Esq.
ARIAS, OZZELLO & GIGNAC, LLP
1231 State Street, Suite 206
Santa Barbara, California 93101

For the purpose of serving an objection, the mailing address of Defense Counsel is:

Joseph D. Lee, Esq.
MUNGER, TOLLES & OLSON, LLP
355 S. Grand Avenue, Suite 3500
Los Angeles, California 90071-1560

For the purpose of submitting an objection, the address of the Clerk of the Court is:

Santa Barbara Superior Court
1100 Anacapa Street
Santa Barbara, California 93101

Please direct all questions to Class Counsel in writing at the addresses listed above or via e-mail to GTEcase@foleybezek.com. Please do not contact the Court, the Settlement Administrator, Defense Counsel or your Verizon sales representative with your questions, as the Court has ordered that all questions be directed to Class Counsel.

ADDITIONAL INFORMATION

The matters identified and described in this Notice do not purport to be comprehensive and should not be considered as such. Accordingly, Class Members who desire further information may wish to review the pleadings and other records on file with the Santa Barbara Superior Court. The documents publicly filed in this class action are available for inspection and copying during regular business hours at the Office of the Clerk, Santa Barbara Superior Court, Anacapa Division, 1100 Anacapa Street, Santa Barbara, California 93101.

Dated: July 18, 2003

Honorable Thomas P. Anderle