

# **EXHIBIT A**

## Rocky Mountain News

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### Key issue: what Nacchio knew

By Jeff Smith, Rocky Mountain News

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Joe Nacchio

Joe Nacchio repeatedly touted new contracts and Qwest's industry-defying revenue growth at the same time he was unloading \$100 million of company stock.

What Nacchio knew during early 2001 about the Denver telco's true not-so-rosy financial condition will be a critical issue at the former CEO's insider-trading trial starting Monday in Denver.

"What I would do is compare a timeline of events and show the dates of the trades," said Tony Leffert, a former federal prosecutor who now is partner of Robinson Waters & O'Dorizio in Denver.

Prosecutors must prove Nacchio had a willful intent to defraud or, as Leffert put it, "intentionally acted on insider (nonpublic) information."

There appears to be no smoking gun, but rather multiple warnings that Qwest's revenue targets were a stretch, that business units were seeing weaker sales, and that Qwest was relying on questionable one-time sales or swaps of capacity on its fiber-optic network to make revenue targets.

Evidence also indicates analysts and investors increasingly were wondering how Qwest was making its numbers while others in the industry weren't and that many within the company were pushing for better disclosure to investors.

Prosecutors allege Nacchio accelerated his stock sales as he realized Qwest's finances were faltering. They say he sold more than \$100 million in the first five months of 2001, nearly as much as he sold in the 16 previous months.

Eight trades from Feb. 20, 2001, to March 1, 2001, however, were part of a prearranged daily stock sales program, and many others were part of a more informal quarterly sales program.

### Restrictions on witnesses

Witnesses in the Joe Nacchio insider-trading trial will be prohibited from reading or discussing each other's testimony and will be sequestered outside the courtroom until testifying, a judge ruled Wednesday.

U.S. District Judge Edward Nottingham made some exceptions for Nacchio, who will be in the courtroom, and expert witnesses, who may need to consider trial testimony in forming opinions. The rules issued by Nottingham are routine for such criminal cases.

Government prosecutors have issued a draft witness list to the defense, but Nottingham isn't expected to disclose the list publicly until after the jury is seated. Jury selection in the case starts Monday. Nacchio faces 42 counts of insider trading. He has pleaded not guilty.

### A matter if timing

Here's a timeline of events as disclosed in Qwest news releases, press interviews, analyst calls, congressional testimony and court documents related to civil and criminal proceedings:

**PREFACE (LATE 200)**Telecommunications companies across the country are weakening. Qwest stock has slumped to \$32 a share, less than half its peak of \$66 in March 2000.

**CEO Joe Nacchio has met with the** heads of various Qwest business units and has been warned of the numerous risks facing Qwest and its ability to achieve its aggressive financial targets.

**But Nacchio declares Denver-based** Qwest is on track to meet or beat its double-digit revenue growth estimates for 2000 and 2001. He insists Qwest is different, newer, poised to get high-growth business.

**In December 2000, Qwest's then-Chief** Operating Officer Afshin Mohebbi advises Nacchio that the targets are a stretch. Qwest does a secret side deal with Cable & Wireless to save a \$100 million-plus deal.

#### **JANUARY 2001**

**A senior executive warns Nacchio that** the investment community is growing concerned about how Qwest can continue to meet its aggressive revenue targets when others in industry are weakening.

**In mid-January, Qwest stock has** rebounded to \$45 a share, but Nacchio says he still believes it is undervalued. Qwest spends nearly \$1 billion to buy back 22 million shares, a move that bolsters the company's stock price.

**At an all-employee meeting, Nacchio** says: "The most important thing we do is meet our numbers. It's more important than any individual product, it's more important than any individual philosophy, it's more important than any individual cultural change we're making. We stop everything else when we don't make the numbers."

**Nacchio allegedly knows Qwest is** significantly behind in meeting revenue targets and that sales are weak in numerous product lines, including long distance, local phone service, global business and wireless. Historically, Qwest had achieved its financial targets by doing one-time sales of capacity on its fiber-optic network at the end of each quarter.

**On an earnings call with analysts late** in the month, Nacchio is asked how the company is generating its revenues, but he doesn't mention the one-time sales. A senior Qwest executive characterizes Nacchio's skill at not answering such questions as dodging "the elephant in the room."

**Nacchio's January stock sales: Five, \$21.6 million in gross proceeds.**

#### **FEBRUARY 2001**

**Gregory Casey, a top sales executive,** complains to Mohebbi about his target revenue, saying "Remember I had to sign in blood for my budget."

**The Qwest board's audit committee** tells Qwest management to provide more disclosure to investors about its one-time sales and swaps of communications capacity. By then, auditor Arthur Andersen had classified Qwest's swap accounting as "maximum risk," bordering on unacceptable. Qwest booked revenue upfront from trades of network capacity, under CEO Dick Notebaert the company would eventually erase much of the swap revenue from its 2000 and 2001 books.

**Nacchio's February stock sales: 17, \$26.8 million in gross proceeds**

#### **MARCH 2001**

**On March 2, Nacchio announces that** he has ended a daily stock sales program announced Feb. 16 because of the "current uncertainty in the markets." Qwest makes a few announcements about new services and contracts, but not to the extent it did in February.

**Nacchio's March stock sales: One, \$403,984 in gross proceeds.**

#### **APRIL 2001**

**A senior Qwest executive tells Chief** Financial Officer Robin Szeliga that the amount of network capacity sales should be disclosed given their "materiality" and Securities and Exchange Commission scrutiny of how revenue is recognized upfront. Szeliga rejects the disclosure.

**Arthur Andersen auditor Mark Iwan** raises concerns about some of Qwest's transactions, including a \$109 million capacity swap with Global Crossing.

**Qwest releases its first-quarter results** on April 24. Nacchio maintains in the news release that Qwest's remarkable double-digit growth stemmed from revenue that recurs from quarter to quarter (rather than one-time deals).

**In the earnings call with analysts, he** says: "We have 12 percent revenue growth ... it is two to three times the rate of anyone else in the industry ... Nothing you hear positively or negatively will change our view of (2001 revenue targets) ... We believe that it may be a little harder, we may have to work a little harder, but we will meet our numbers. And I think that is what we get paid to do."

**Nacchio appears on Fox News Channel** on April 29. When questioned about Qwest achieving its projected targets amid a weakening industry, Nacchio states: "Most of our growth comes from development of new products and, quite frankly, the taking of market share from the large incumbents on the long-distance side."

**Szeliga nets a \$125,000 profit from** a stock sale on April 30. She later will plead guilty to insider trading.

**Nacchio's April stock sales: three (between April 26-30), \$30 million in gross proceeds.**

#### **MAY 2001**

**Panic among Qwest's operations and** sales teams reflected in an e-mail indicating that Szeliga wants to stop big capacity swaps because she doesn't want to have to disclose them to investors.

**Casey advises Szeliga and Mohebbi** that the capacity sales are becoming increasingly difficult to generate and that "the quarter is in significant jeopardy." Casey adds: "Personally, my advice would be to reset expectations and put the best face to Wall Street that we can." In an e-mail to Casey, Mohebbi says: "Business is in bad shape ... need a ton of one-time items to make the quarter."

**May 25: Nacchio tells analysts** he won't cut the revenue targets and "our overall growth rate for the next several years is - we estimate to be between 15 and 17 percent (a year) for the company as a whole."

**Nacchio's May stock sales: 16, \$22 million in gross proceeds.**

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