

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO
Honorable Marcia S. Krieger

Civil Action No. 05-cv-00480-MSK-CBS

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

JOSEPH P. NACCHIO,
ROBERT S. WOODRUFF,
ROBIN R. SZELIGA,
AFSHIN MOHEBBI,
JAMES J. KOZLOWSKI,
FRANK T. NOYES,

Defendants,

**AFSHIN MOHEBBI'S ANSWER TO THE
AMENDED COMPLAINT AND DEMAND FOR JURY TRIAL**

Defendant Afshin Mohebbi, through his attorneys, Morvillo, Abramowitz, Grand, Iason & Silberberg, P.C., submits the following Answer to the Amended Complaint and Demand for Jury Trial (the "Answer") in response to the Amended Complaint of Plaintiff Securities and Exchange Commission ("Plaintiff" or "SEC"), filed April 12, 2006 ("Amended Complaint").¹

¹ Although the SEC filed this document (Docket Sheet Document No. 194) through the ECF filing system under the label "Amended Complaint," the SEC did not change the title of the document itself from "Complaint" to "Amended Complaint." All references in the Answer to the Amended Complaint refer to Docket Sheet Document No. 194, which we understand to supersede the original Complaint, filed on March 15, 2005.

I. PRELIMINARY STATEMENT

On March 15, 2005, the SEC filed a Complaint against Afshin Mohebbi and six other defendants for violating certain securities laws. The SEC amended the Complaint on April 12, 2006. While the Amended Complaint describes a wide-ranging fraudulent scheme to hide the “true source of Qwest’s revenue and earnings growth” (Amended Complaint at p.11, Heading VIII.), it does not even attempt to connect Mohebbi directly to that scheme, or several others alleged therein. Instead, the Amended Complaint alleges, in essence, that Mohebbi was tangentially connected to a handful of business transactions involving the purchase and/or sale of indefeasible rights of use of fiber optic cable, commonly known as IRU transactions. Those are the only substantive allegations against Mohebbi.

Among the other schemes alleged in the far-reaching Amended Complaint is that several of the Defendants (not Mohebbi) traded Qwest stock while in possession of material, non-public information, also known as insider trading. Unlike the overwhelming majority of executives at large public companies in and around 2000 and 2001, Mohebbi did not sell a single share of Qwest stock while he was employed at Qwest; nor did he ever exercise an option on Qwest stock. Had Mohebbi cashed out in the frenzy that swirled around him and enveloped much of corporate America, he could have quickly made some \$18 million. Mohebbi’s discretion in this area signifies his faith in Qwest and its long-term prospects at the time he was there. In fact, to demonstrate his commitment to the company, on February 4, 2002, even after Qwest’s stock price had been battered, Mohebbi purchased 25,000 additional shares of Qwest stock. He held those shares, and all of his other stock and options, throughout his tenure at Qwest. When Mohebbi finally sold his Qwest shares in 2006, he sold them at a loss.

A. The Evidence Will Show That Mohebbi Acted Appropriately

The SEC hopes to use the allegations against Mohebbi with respect to several discrete IRU transactions to connect him to the broader fraudulent scheme in which the SEC claims certain other defendants engaged. However, that effort fails because the allegations against Mohebbi are largely inappropriate conclusions without factual support, *i.e.*, that Mohebbi “knew the accounting rules for immediate revenue recognition from IRUs” (*id.* at ¶ 102), and that he “entered into secret side agreements and falsified documents” (*id.* at ¶ 97). The almost complete lack of detail as to Mohebbi in the Amended Complaint signals that the SEC will be unable to meet its burden of proof as to Mohebbi.

In the one instance in which the SEC provides even a modicum of detail, regarding an IRU transaction in December 2000, the evidence will show that Mohebbi did nothing wrong. The Amended Complaint alleges that “Mohebbi and [Greg] Casey convinced Cable & Wireless to purchase lit fiber through a secret written side agreement Accordingly, on December 29, 2000, Mohebbi sent to Cable & Wireless the secret agreement in an e-mail that guaranteed a ‘full and fair trade’ of the lit fiber Cable & Wireless bought for the different lit fiber at a later date. Neither Mohebbi, nor Casey[,] informed Qwest’s internal accountants of this secret deal. In October 2001, when confronted about the e-mail promising porting, Mohebbi denied knowledge of the e-mail and attempted to delete it from his computer.” (*Id.* at ¶ 105(e)). These allegations do not comport with the facts. A complete review of the circumstances surrounding the e-mail sent to Cable & Wireless on December 29, 2000 (the “C&W E-mail”), demonstrates that Mohebbi’s actions were perfectly legitimate.

Late December 2000 was an exciting, yet frightening, time for the entire Mohebbi family. Mohebbi's wife was in her last month of pregnancy with their only child. The fact that Mrs. Mohebbi was alive, let alone on the verge of having a baby, was nothing short of incredible. Nine years earlier, Mrs. Mohebbi had been diagnosed with Severe Aplastic Anemia, a condition that generally is fatal within weeks of diagnosis. Her only chance for survival was a bone-marrow transplant, in preparation for which she was required to undergo radiation and chemotherapy treatments. Doctors advised Mrs. Mohebbi that the treatments would leave her unable to have children. Yet, to the surprise of the Mohebbis and the doctors nine years later, Mrs. Mohebbi became pregnant.

As one would expect under the circumstances, the pregnancy was a difficult and high-risk one, during which Mrs. Mohebbi daily gave herself injections to control the condition of her blood. When Mrs. Mohebbi went into the hospital to have the baby, the Mohebbis were at once overwhelmed with joy and fearful of complications for both Mrs. Mohebbi and the baby. Understandably, Afshin Mohebbi was not focused on the business of Qwest at that time. In fact, he was at the hospital with his wife for the 48 hours immediately preceding the sending of the C&W E-mail and had little contact with anyone at Qwest. Simultaneously, members of Qwest's Wholesale division, Pricing and Offer Management division, and Legal and Finance departments were drafting the text that became the C&W E-mail. E-mail traffic will show that Qwest's experts in IRU negotiation drafted the C&W E-mail, and it was approved by Qwest's legal and finance experts. At one point, a member of Qwest's IRU negotiation team even considered sending the e-mail to Cable & Wireless himself. However, Cable & Wireless asked that the e-mail come from Mohebbi.

In response to Cable & Wireless' request, individuals at Qwest sent the approved text to Mohebbi for him to "cut and paste" into an e-mail from his account. Documents clearly show that an e-mail was sent to Cable & Wireless in Mohebbi's name on December 29, 2000, and that it was sent at approximately the same time the Mohebbis arrived home from the hospital. What is less clear is who sent it. Mohebbi does not recall sending the C&W E-mail and does not believe he sent it. But, if he did send it, his role was no more than that of a computer operator: he cut and paste the text into a blank e-mail as requested and hit the send button.

Again, it is understandable that Mohebbi would not remember sending the C&W E-mail, if he did send it. Not only was he completely preoccupied and overwhelmed with the birth of his first and only child under extremely stressful circumstances, but also Mohebbi's involvement with the e-mail, if any, was not substantive. Mohebbi did not draft the language and did not approve it. Nor was he qualified to do so. Instead, Mohebbi properly relied on the process in place at Qwest to insure that the document was drafted with appropriate language for a proper purpose and was adequately reviewed by the Legal and Finance departments before being sent. No one signaled to Mohebbi that there was any issue with which he should be concerned.

Given the circumstances, Mohebbi had no motive to delete the e-mail from his computer, and he never attempted to do so. At the time he was told about the e-mail (which the Amended Complaint claims was in October 2001), Mohebbi either did not know about it or did not remember it. And once he had been told that it was a focus of concern at the highest levels of Qwest, Mohebbi surely would not then attempt to delete it from his computer. Such an act would have been unethical and foolish. The evidence in this case will show that Mohebbi was neither.

B. Mohebbi Relied On Qwest's Specialists

Large public companies in the United States and abroad are complex, multi-faceted organizations that require a distinct division of labor like the one at Qwest to function properly. As demonstrated by the C&W E-mail, throughout Mohebbi's tenure at Qwest, he relied (and was entitled to rely) on the structure and processes at Qwest to insure that IRU transactions were handled appropriately. There was a system in place in which experts in the details and technical aspects of IRU transactions negotiated and obtained the necessary approvals for all aspects of the transactions; accountants and lawyers reviewed and approved the transactions and accompanying documents; and other personnel were tasked with collecting the completed documents and sending them to the Finance Department to insure that Finance had the necessary information to make revenue recognition decisions. Mohebbi had no reason to suspect wrongdoing of any kind or otherwise to question the efficacy of the system at Qwest.

Afshin Mohebbi's career has always and only been to manage the operations of the companies (or divisions of the companies) for which he has worked. Prior to joining Qwest, Mohebbi worked at British Telecom ("BT"), Britain's telephone company, where he managed its largest operating division. Mohebbi was responsible for servicing millions of BT customers in the United Kingdom. At age 35, he became one of the youngest executives ever appointed to BT's management board.

Mohebbi officially joined Qwest in June 1999, prior to the merger with US West. Although he held the titles of President and Chief Operating Officer ("COO") at that time, Mohebbi's role was not that of second-in-command of the company. The Chief Executive Officer has the power to define the roles of subordinate executives, and, in the case of a Chief

Operating Officer, that role is especially malleable. At CEO Joseph Nacchio's direction, Mohebbi focused on Qwest's long haul network and long distance business operations and coordinating the efforts of those below him. Nacchio retained strong control of the vision and direction of Qwest and did not want a strong COO at his side.

On June 30, 2000, Qwest merged with US West. Mohebbi's title changed with the merger: he became president of Qwest's Network Services and World Wide Operations ("Network Services") division. As such, Mohebbi was responsible for operations with respect to Network Services and was one of six business unit heads, all of whom reported to CEO Nacchio. Mohebbi retained that title until April 2001, when he was given the title of President and COO of post-merger Qwest. This change in title did not alter the focus of Mohebbi's job: to insure that Qwest served its customers in the best possible manner. Nor did it greatly increase his responsibilities. Several of Qwest's business units still did not report to Mohebbi.

Mohebbi is not an accountant and has never held a position in a finance-related department of any company. It was not his job to decide what constitutes revenue, i.e., what revenue is recognized, how it is recognized, when it is recognized, or why. At each company for which Mohebbi has worked, including Qwest, those determinations were reasonably and correctly left to experts in finance. Nor was Mohebbi responsible for determining what information relating to Qwest's financial statements should be disclosed in Qwest's public filings and other public statements.

Mohebbi's role at Qwest, whether as President and COO of Qwest or merely as president of Network Services, always was to manage the big picture with respect to Qwest's operations. It would be difficult to overstate the enormity of that task. When Mohebbi first joined Qwest, its

customer service record was abysmal. By the time he left in December 2002, Mohebbi had helped turn Qwest into a leader in the telecommunications industry by vastly improving Qwest's operations and customer relations. In doing his job, Mohebbi inevitably, and appropriately, relied on expert sub-specialists who analyzed what IRU capacity Qwest should purchase, what capacity Qwest could sell, and negotiated the IRU transactions in a manner consistent with Qwest's internal policies and procedures. Mohebbi did not (and could not) do others' jobs for them. Instead, he trusted the people with whom he worked and had no reason to doubt that those experts were performing their duties honestly and correctly.

C. Mohebbi Regularly Expressed His Opinion That Qwest's Public Revenue Projections Were Too High

Although the Amended Complaint contains racy allegations of misrepresentations, secret dealings, and outright falsification of documents, there is no substance to those claims with respect to Mohebbi. In fact, the Amended Complaint in certain instances actually contradicts itself. At paragraph 106, the SEC alleges that Mohebbi "backdated contracts for the explicit purpose of falsely making it appear that immediate revenue recognition was appropriate in a specific quarter." However, subparagraphs 106(a)-(c), which purport to set forth the specific instances of backdating, do not accuse Mohebbi of backdating at all. Only paragraph 106(b) even mentions him, and the allegation relating to backdating is that Greg Casey, not Afshin Mohebbi, "executed the backdated contract with a false date" As is evident, the Amended Complaint is sloppily pled, at the very least.

In contrast to the false allegations that Mohebbi backdated documents and hid information from Qwest's accountants, Mohebbi actually voiced his opinion to his boss regularly when he believed that Qwest's revenue predictions were unrealistic. From 2000 through at least

mid 2001, Mohebbs was concerned that Qwest's public revenue projections were too high, and he urged CEO Nacchio both to lower the projections and to explain to the public more fully how Qwest generated revenue. In written notes to Nacchio and verbally, Mohebbs did everything he could think of to convince Nacchio to revise Qwest's projections. Beginning in December 2000, among the statements Mohebbs made to Nacchio were: "[t]he Revenue and EBITDA numbers for next year are huge stretch . . ."; "[w]e need our recurring business to literally take off by April-May time frame or the amount of one-time business required to fill the gap will just be too large to deal with . . ."; "[o]ur track record in this area is not that good, as you know . . ."; and "if we don't crank up recurring growth by April, we got big problems"

Afshin Mohebbs is an honest, diligent man who dedicated his entire career to the telecommunications industry and performed his duties at Qwest with care and integrity. Sadly, the baseless charges the SEC has leveled against Mohebbs have smeared his previously unblemished reputation and have rendered him unemployable in the industry for the last four years. During the course of its three-year-long investigation, the SEC reviewed millions of pages of documents and took hundreds of days of testimony from more than 200 different witnesses. But, at the end of all of that work, the SEC has been unable to link Mohebbs directly to the overarching fraud it claims engulfed Qwest. A careful reading of the allegations against Mohebbs in the Amended Complaint reveals their lack of substance, especially when viewed in the context of the Qwest corporate structure and division of labor. Mohebbs simply did not commit the wrongs alleged in the Amended Complaint. Moreover, he relied on experts in the technical aspects of IRU transactions to do their jobs in accordance with Qwest's internal

policies and within the confines of the securities laws. Mohebbi never had reason to doubt that they were doing so. The claims against Mohebbi simply are unsupportable and must fail.

II. ANSWERS TO THE ALLEGATIONS IN THE AMENDED COMPLAINT

Mohebbi has attempted to answer the allegations against him with as much precision as possible, but the manner in which the Amended Complaint is drafted and the nature of the allegations against Mohebbi have hindered this effort. The Amended Complaint makes allegations against other defendants in many of the same paragraphs in which it makes allegations against Mohebbi. In addition, the Amended Complaint repeatedly alleges that Qwest itself engaged in certain conduct but often does not indicate who at Qwest is alleged to have acted inappropriately. (See, e.g., *id.* at ¶ 3) (“Qwest fraudulently and repeatedly relied on immediate revenue recognition . . .”). Mohebbi can neither admit nor deny conduct of other individuals or entities; nor is he required to do so.

Mohebbi denies all allegations against him not expressly admitted herein, and reserves the right to withdraw, amend, or modify his answer to the Amended Complaint as and when circumstances in this action may so warrant. Mohebbi’s Answer does not address the provocative, yet irrelevant, headings throughout the Amended Complaint, as they lack any substance and are not actual allegations against Mohebbi.

ALLEGATION:

1) 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.

ANSWER:

No response is required, as the allegations in paragraph 1 are not directed at Mohebbi. To the extent that a response is required, Mohebbi denies the allegations in paragraph 1. Mohebbi further states that he never engaged in any manner of fraud, relating to Qwest or otherwise.

ALLEGATION:

2) Joseph P. Nacchio, Qwest's former chief executive officer, and the company's two former chief financial officers, Robert S. Woodruff, and Robin R. Szeliga, caused, directed, and implemented the fraudulent scheme. The massive financial fraud directly resulted from aggressive and rigid targets for Qwest's revenue and earnings growth set by Nacchio, Woodruff, and Szeliga, which they constantly touted to the investing public and Wall Street. Extreme pressure was placed on subordinate Qwest executives to meet these aggressive targets at all costs and the pressure spread throughout the company, causing a "culture of fear." For example, at a January 2001 all-employee meeting, Nacchio stated that, "[T]he 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."

ANSWER:

No response is required, as the allegations are directed at other defendants. To the extent that paragraph 2 can be construed to make allegations against Mohebbi, he denies sufficient knowledge or information as to what Plaintiff intends by the phrase "extreme pressure" to admit or deny that allegation, and on that basis denies it. With respect to the other allegations in paragraph 2, Mohebbi lacks sufficient knowledge or information of the allegations to admit or deny them, and on that basis denies them.

ALLEGATION:

3) To meet the aggressive targets, Qwest fraudulently and repeatedly relied on immediate revenue recognition from one-time sales of assets known as "IRUs" and certain equipment while falsely claiming to the investing public that the revenue was recurring. By hiding non-recurring revenue and making false and misleading public statements, Nacchio, Woodruff, and Szeliga fraudulently and materially misrepresented Qwest's performance and growth to the investing public.

ANSWER:

No response is required, as the allegations are directed at other defendants. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 3 to admit or deny them, and on that basis denies them, except that Mohebbi has set forth facts relating to this issue in Part I.C. of this Answer and hereby incorporates those facts into his answer to paragraph 3.

ALLEGATION:

4) In addition, to meet revenue targets, Nacchio, Woodruff, and Szeliga caused the manipulation of revenue associated with Qwest Dex, a wholly-owned subsidiary of Qwest. Szeliga also fraudulently lowered liabilities related to employee vacations to artificially increase Qwest's earnings to meet revenue and growth targets.

ANSWER:

No response is required, as the allegations are directed at other defendants. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 4 to admit or deny them, and on that basis denies them.

ALLEGATION:

5) Due to extreme pressure to meet the targets, Nacchio, Woodruff, Szeliga, and their subordinates, certified public accountants James J. Kozlowski and Frank T.

Noyes, failed to properly record revenue from IRU and equipment sales transactions in Qwest's financial statements, causing the company to fraudulently report revenue. Moreover, Nacchio, Woodruff, Szeliga, Kozlowski, and Noyes failed to make required accounting disclosures about IRUs to the investing public.

ANSWER:

No response is required, as the allegations are directed at other defendants. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 5 to admit or deny them, and on that basis denies them.

ALLEGATION:

6) Also as a result of the aggressive targets, others at Qwest, including former chief operating officer Afshin Mohebbi, senior executive Gregory M. Casey, and Noyes fraudulently manipulated IRU transactions to meet revenue targets by backdating contracts, hiding side agreements, and purchasing IRUs that Qwest did not need.

ANSWER:

Mohebbi denies the allegations against him in paragraph 6. To the extent there are allegations against other defendants in paragraph 6, Mohebbi lacks sufficient knowledge or information to admit or deny them, and on that basis denies them.

ALLEGATION:

7) Qwest relied so heavily on the immediate revenue recognition from one-time IRU and equipment sales transactions to meet the aggressive revenue and growth targets that Qwest management and employees referred to the practice as a "drug," an "addiction," "heroin," and "cocaine on steroids." Moreover, Qwest's reliance on so-called IRU "swap" transactions to meet revenue targets led some in the company to refer sarcastically to those transactions as "SLUTs" (short for Simultaneous Legally Unrelated Transactions).

ANSWER:

Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 7 to admit or deny them, and on that basis denies them. Mohebbi further states that he did not make the statements set forth in paragraph 7.

ALLEGATION:

8) Nacchio, Woodruff, and Szeliga sold Qwest stock and made significant profits, knowing that Qwest had issued materially false information to the investing public in violation of the insider trading prohibition of the securities laws.

ANSWER:

No response is required, as the allegations are directed at other defendants. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 8 to admit or deny them, and on that basis denies them.

ALLEGATION:

9) During the fraudulent scheme, the defendants profited by approximately \$300,000,000 through salary, bonuses, stock sales, and other compensation. Nacchio alone reaped an estimated \$216,000,000.

ANSWER:

Mohebbi denies the allegations in paragraph 9 to the extent those allegations are made against him, except that Mohebbi states that he never sold a share of Qwest stock prior to 2006, nearly three-and-a-half years after departing Qwest. Nor did Mohebbi ever exercise an option on Qwest stock. When Mohebbi sold his Qwest shares in 2006, he sold them at a loss. To the

extent there are allegations against other defendants in paragraph 9, Mohebbi lacks sufficient knowledge or information to admit or deny them, and on that basis denies them.

ALLEGATION:

10) Qwest's stock had traded as high as \$64 per share in 2000. The fraudulent scheme unraveled beginning in late August 2001. Qwest's stock price steadily declined to a low of \$1.11 per share in August 2002 after the company announced it was going to restate its previous financial results. Qwest's market capitalization dropped by \$91,000,000,000.

ANSWER:

No response is required, as the allegations are not directed at Mohebbi. To the extent a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 10 to admit or deny them, and on that basis denies them.

ALLEGATIONS:

- 11) Analyst – professionals who evaluate public companies and their stock.
- 12) Dark fiber – raw glass fiber cable that has been installed, but does not have equipment connected to it to allow for transmission of data.
- 13) Earnings release – a press release issued by Qwest that publicly announced its quarterly and annual financial results.
- 14) EBITDA (Earnings Before Interest, Taxation, Depreciation, and Amortization) – a method of analyzing corporate earnings that was touted by Qwest.
- 15) Fiber network – cables containing strands of glass fiber cable and related equipment for the transmission of data between any two points using beams of light.
- 16) GAAP (Generally Accepted Accounting Principles) – rules that public companies like Qwest must use in accounting for business transactions and reporting financial results to the SEC and the public.

- 17) Grooming – altering lit fiber Qwest sold in IRU transactions which makes immediate revenue recognition on the transactions improper under GAAP.
- 18) IRU (Indefeasible Right of Use) – an irrevocable right to use a specific amount of dark or lit fiber for a specified time period.
- 19) Lit fiber – installed glass fiber cable that is connected to equipment necessary for the transmission of data.
- 20) Management Representation Letter – a letter to a company’s outside auditors that they rely on.
- 21) MD&A (Management’s Discussion and Analysis) – a section in a public company’s SEC filings that is required, and contains management’s explanation and discussion of the company’s business operations.
- 22) Outside Auditor – an independent certified public accountant who examines the financial statements of public companies, like Qwest, and issues an opinion about whether the company’s financial statements comply with GAAP. Public companies are required by SEC rules to have audits of their year-end financial statements.
- 23) Porting – allowing IRU purchasers the ability to exchange the lit or dark fiber purchased for different fiber at a later date. Porting makes immediate revenue recognition on the transaction improper under GAAP.
- 24) SEC filings – quarterly reports on Form 10-Q, annual reports on Form 10-K, and other reports on Form 8-K, filed with the SEC as required by law, that are available to the public.
- 25) Swap – an IRU transaction where Qwest was able to sell an IRU to another company in exchange for Qwest’s buying an IRU from the same company.

ANSWER:

Paragraphs 11 through 25 do not contain allegations against any defendants, only purported definitions of terms; thus, Mohebbi cannot respond. To the extent that a response is required, Mohebbi denies the accuracy of some of the purported definitions, to the extent he has knowledge of those terms. To the extent that a further response is required, except as expressly

denied, Mohebbs lacks sufficient knowledge or information as to the accuracy of the purported definitions to admit or deny them, and on that basis denies them.

ALLEGATION:

26) The SEC brings this action pursuant to the authority conferred upon it by Securities Act of 1933 Section 20(b) [15 U.S.C. § 77t(b)] and Securities Exchange Act of 1934 Sections 21(d) and (e) [15 U.S.C. §§ 78u(d) and (e)].

ANSWER:

Mohebbs admits that the SEC purports to bring this action pursuant to the authority set forth in paragraph 26. However, Mohebbs denies that he is liable for wrongdoing under those statutes.

ALLEGATION:

27) This Court has jurisdiction over this action pursuant to Securities Act Section 22(a) [15 U.S.C. § 77v(a)] and Exchange Act Sections 21(e) and 27 [15 U.S.C. §§ 78u(e) and 78aa]. Venue lies in this Court pursuant to Securities Act Section 22(a) and Exchange Act Section 27 [15 U.S.C. §§ 77v(a) and 78aa].

ANSWER:

Mohebbs admits that the Court has jurisdiction over this matter and that the venue is appropriate. However, Mohebbs denies that he is liable for the acts alleged against him in the Amended Complaint.

ALLEGATION:

28) In connection with the transactions, acts, practices, and courses of business described in this Complaint, the Defendants, directly and indirectly, have made use of the means or instrumentalities of interstate commerce, of the mails, and/or of the means and instruments of transportation or communication in interstate commerce.

ANSWER:

To the extent it contains allegations against Mohebbi, Mohebbi denies the allegations in paragraph 28. To the extent there are allegations against other defendants in paragraph 28, Mohebbi lacks sufficient knowledge or information to admit or deny them, and on that basis denies them.

ALLEGATION:

29) Certain of the transactions, acts, practices, and courses of business constituting the violations of law alleged herein occurred within this district. Moreover, Woodruff, Szeliga, and Kozlowski reside in this district.

ANSWER:

To the extent it contains allegations against Mohebbi, Mohebbi denies the allegations in paragraph 29 because he has not violated the law. To the extent there are allegations against other defendants in paragraph 29, Mohebbi lacks sufficient knowledge or information to admit or deny them, and on that basis denies them.

ALLEGATION:

30) Nacchio, Woodruff, and Szeliga violated Section 17(a) of the Securities Act [15 U.S.C. § 77q(a)] and Sections 10(b) and 13(b)(5) of the Exchange Act [15 U.S.C. §§ 78j(b) and 78m(b)(5)] and Rules 10b-5, 13b2-1, and 13b2-2 [17 C.F.R. §§ 240.10b-5, 240.13b2-1, and 240.13b2-2] thereunder, and aided and abetted violations of Sections 13(a) and 13(b)(2) of the Exchange Act [15 U.S.C. §§ 78m(a) and 78m(b)(2)] and Rules 12b-20, 13a-1, 13a-11, and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11, and 240.13a-13] thereunder, and unless restrained and enjoined will in the future violate or aid and abet violations of such provisions.

ANSWER:

No response is required, as the allegations are directed at other defendants. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 30 to admit or deny them, and on that basis denies them.

ALLEGATION:

31) Kozlowski and Noyes violated Section 17(a) of the Securities Act and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5 and 13b2-1 thereunder, and aided and abetted violations of Sections 13(a) and 13(b)(2) of the Exchange Act and Rules 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, and unless restrained and enjoined will in the future violate or aid and abet violations of such provisions.

ANSWER:

No response is required, as the allegations are directed at other defendants. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 31 to admit or deny them, and on that basis denies them.

ALLEGATION:

32) Mohebbi and Casey violated Section 17(a) of the Securities Act and Sections 10(b) and 13(b)(5) of the Exchange Act and Rules 10b-5, 13b2-1, and 13b2-2 thereunder, or alternatively aided and abetted violations of Exchange Act Sections 10(b) and Rule 10b-5, and aided and abetted violations of Exchange Act Sections 13(a) and 13(b)(2) of the Exchange Act and Rules, 12b-20, 13a-1, 13a-11, and 13a-13 thereunder, and unless restrained and enjoined will in the future violate or aid and abet violations of such provisions.

ANSWER:

Mohebbi denies the allegations in paragraph 32 that are directed at him. To the extent there are allegations against other defendants in paragraph 32, Mohebbi lacks sufficient knowledge or information to admit or deny them, and on that basis denies them.

ALLEGATION:

33) The defendants' violations resulted in various materially false statements contained in: Qwest SEC Forms 10-K – for the periods ending December 31, 1999, December 31, 2000, and December 31, 2001; Qwest SEC Forms 10-Q – for the periods ended March 31, 1999, June 30, 1999, September 30, 1999, March 31, 2000, June 30, 2000, September 30, 2000, March 31, 2001, June 30, 2001, September 30, 2001 and March 31, 2002; Qwest SEC Forms 8-K – dated June 30, 2000, July 6, 2000, September 7, 2000, October 31, 2000, December 21, 2000, February 26, 2001, March 22, 2001, June 5, 2001, June 19, 2001, June 20, 2001, July 24, 2001 (amended), August 7, 2001, August 7, 2001 (amended), and 8-Ks incorporating earnings releases; Qwest Earnings Releases – issued April 21, 1999, July 27, 1999, October 27, 1999, February 2, 2000, April 19, 2000, July 19, 2000, October 24, 2000, January 24, 2001, April 24, 2001, and July 24, 2001; all SEC filings and statements, including registration statements filed with the SEC, that incorporated the above documents; Management Representation Letters – dated in 1999, March 15, 2000, March 17, 2000, August 11, 2000, November 14, 2000, January 24, 2001, March 16, 2001, April 25, 2001, May 15, 2001, August 14, 2001, November 14, 2001 and March 31, 2002; Analyst conference calls – on April 21, 1999, July 27, 1999, October 27, 1999, February 2, 2000, April 19, 2000, July 19, 2000, October 24, 2000, January 24, 2001, April 24, 2001, June 19, 2001, June 20, 2001, July 24, 2001, and September 10, 2001; Conference presentations – on October 31, 2000, March 5, 2001, and August 7, 2001; and Television appearances – on April 26, 2001, May 25, 2001, and June 19, 2001.

ANSWER:

Mohebbi denies the allegations in paragraph 33 that are directed at him. To the extent there are allegations against other defendants in paragraph 33, Mohebbi lacks sufficient knowledge or information to admit or deny them, and on that basis denies them.