ALLEGATION:

34) Joseph P. Nacchio, 55, of Mendham, New Jersey, was Qwest's chief executive officer, or CEO, and chairman of the board of directors from January 1997 to June 2002. He signed Qwest's materially false and misleading 1999, 2000, and 2001 10-K annual reports filed with the SEC, and false management representation letters to Qwest's outside auditors. He reviewed and approved all 10-Q quarterly reports to the SEC. He drafted and approved all of Qwest's earnings releases discussed in this complaint. Nacchio spoke at all analyst calls and conferences and made various television appearances.

ANSWER:

No response is required to the allegations in paragraph 34, as they are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 34 to admit or deny them, and on that basis denies them.

ALLEGATION:

35) Robert S. Woodruff, 56, of Englewood, Colorado, was Qwest's chief financial officer, or CFO, and executive vice president ("EVP") of finance from August 1994 to March 2001. While CFO, Woodruff signed all Qwest's materially false 10-Q quarterly reports filed with the SEC and Qwest's materially false 1999 10-K annual report. He drafted the materially false 2000 10-K. He also signed false management representation letters to Qwest's outside auditors. Woodruff drafted and approved for public release all earnings releases while he was CFO. He spoke at all relevant analyst calls and certain conferences.

ANSWER:

No response is required to the allegations in paragraph 35, as they are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 35 to admit or deny them, and on that basis denies them.

ALLEGATION:

36) Robin R. Szeliga, 44, of Littleton, Colorado, was Qwest's CFO and EVP of finance from March 2001 to July 2002. Before that, from 1998 until March 2001, she held various accounting positions, including Qwest's senior vice president ("SVP") of financial planning and analysis and reporting. While CFO, Szeliga signed all of Qwest's materially false 10-Q quarterly reports filed with the SEC, and its materially false 10-K annual reports for 2000 and 2001. She signed false management representation letters to Qwest's outside auditors. Szeliga drafted and reviewed all earnings releases. As CFO, she spoke at analyst calls.

ANSWER:

No response is required to the allegations in paragraph 36, as they are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 36 to admit or deny them, and on that basis denies them.

ALLEGATION:

37) James J. Kozlowski, 35, of Denver, Colorado, was Qwest's director of financial reporting from April 1998 through October 1999, and Qwest's senior director of financial reporting from November 1999 through September 2000. Kozlowski drafted all fraudulent 10-Q quarterly reports and 10-K annual [sic] from January 1999 through September 2000.

ANSWER:

No response is required to the allegations in paragraph 37, as they are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 37 to admit or deny them, and on that basis denies them.

ALLEGATION:

38) Frank T. Noyes, 35, of Phoenix, Arizona, was a senior manager and then director of financial reporting between April 1999 and September 2000. In September 2000, he left Qwest, but returned as a senior director of finance in April 2001. From April 1999 until September 2000 Noyes assisted in drafting Qwest's 1999 10-Qs and its 1999 10-K.

ANSWER:

No response is required to the allegations in paragraph 38, as they are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 38 to admit or deny them, and on that basis denies them.

ALLEGATION:

39) Afshin Mohebbi, 41, of Danville, California, was Qwest's president and chief operating officer, or COO from May 1999 until June 30, 2000. As a result of the merger, Qwest eliminated the COO position, and between June 30, 2000 and April 2001, Mohebbi was Qwest's president of Network Services and World Wide Operations. In April 2001, Qwest reinstituted the COO position and re-designated Mohebbi as president and COO. He remained in that position until December 2002.

ANSWER:

Mohebbi admits that he is 42 years old and is a resident of Danville, California. In addition, he admits that (1) he had the title of President and Chief Operating Officer of Qwest from June 1999 through June 30, 2000; (2) he had the title of president of Qwest's Network Services and World Wide Operations division between June 30, 2000 and April 2001; and (3) he had the title of President and COO of Qwest from April 2001 until December 2002. Except as otherwise admitted, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 39 to admit or deny them, and on that basis denies them.

ALLEGATION:

40) Gregory M. Casey, 46, of Houston, Texas, was Qwest's EVP of the Wholesale Business Unit from 1998 through November 2001, when he left Qwest. Casey was responsible for virtually all of Qwest's IRU sales.

ANSWER:

No response is required to the allegations in paragraph 40, as they are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 40 to admit or deny them, and on that basis denies them.

ALLEGATION:

41) Qwest Communications International Inc., based in Denver, Colorado, is one of the largest telephone and Internet service companies in the United States. Qwest's common stock is registered with the SEC pursuant to Exchange Act Section 12(b) and the company is required by law to make filings with the SEC. Qwest's common stock trades on the New York Stock Exchange. During 2000 and 2001, Qwest made public offerings of approximately $49 billion of securities through registration statements filed with the SEC between April 1999 and March 2002 during the fraudulent scheme. Approximately $40 billion of that was issued in connection with the merger with US West.

ANSWER:

No response is required to the allegations in paragraph 41, as they are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 41 to admit or deny them, and on that basis denies them.

ALLEGATION:

42) The SEC seeks an order requiring each defendant to disgorge all salary and other compensation of any kind received while they committed the violations alleged during their employment at Qwest. The defendants received the following estimated amounts of compensation:

a) Nacchio from 1999 through 2001 received total compensation from Qwest of at least $216.4 million. This includes his salary, bonus, incentive plan payments, profits from the sale of Qwest stock, and the value of stock he received from companies seeking to do business with Qwest.

b) Woodruff from 1999 through 2000 received total compensation from Qwest of at least $41 million. This includes his salary, bonus, profits from the sale of Qwest stock, and the value of stock he received from companies seeking to do business with Qwest.

c) Szeliga from 1999 through 2001 received total compensation from Qwest of at least $1.6 million. This includes her salary, bonus, profits from the sale of Qwest stock, and the value of stock he [sic] received from companies seeking to do business with Qwest.

d) Mohebbi from 1999 through 2001 received total compensation from Qwest of at least $5.9 million. This includes his salary, bonus, and the value of stock he received from companies seeking to do business with Qwest.

e) Casey from 1999 through 2001 received total compensation from Qwest of at least $34.9 million. This includes his salary, bonus, and profits from the sale of Qwest stock.

f) Kozlowski from 1999 through 2000 received total compensation from Qwest of at least $472,000. This includes his salary, bonus, and profits from the sale of Qwest stock.

g) Noyes between 1999 and 2001 received total compensation from Qwest of at least $291,000. This includes his salary and bonus.

ANSWER:

Paragraph 42 contains subparagraphs (a) through (g). Only subparagraph (d) is directed at Mohebbi. Mohebbi denies the allegations in subparagraph (d), except that he admits that his compensation at Qwest included his salary and bonus. Mohebbi denies the allegation and/or implication that he should "disgorge" any compensation he received or any amount relating to securities he purchased because Mohebbi received no ill-gotten gains. Moreover, Mohebbi 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. No response is required with respect to the other allegations in paragraph 42 because they are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 42 to admit or deny them, and on that basis denies them.

ALLEGATION:

43) In addition to more traditional forms of compensation, such as salary, bonus, and Qwest stock and options, Nacchio, Woodruff, and Szeliga, received secret compensation in the form of the ability to buy newly issued stock of companies that did business with Qwest or sought to do business with Qwest. This stock was referred to as "vendor stock." The ability to obtain this stock was a special investment opportunity offered to senior Qwest executives as an inducement for them to stay with the company. Qwest senior executives were given opportunities to purchase vendor stock shortly before or at the time that companies became publicly traded. During 1999 to 2001, these vendor stock investment opportunities were valuable because stock share prices of companies doing business with Qwest often rose significantly when public trading of the stock started. This was during the period of a hot Initial Public Offering market. This compensation was not publicly disclosed.

ANSWER:

To the extent paragraph 43 alleges or implies that Mohebbi improperly received any type of stock, Mohebbi denies that allegation. To the extent paragraph 43 alleges or implies that Mohebbi was responsible for any alleged failure to disclose information that should have been disclosed, Mohebbi denies that allegation. No further response is required, as the allegations are directed at other defendants. To the extent that a further response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 43 to admit or deny them, and on that basis denies them.

ALLEGATION:

44) Nacchio, Woodruff, and Szeliga constantly touted to the public and Wall Street that Qwest, unlike its competition, in the future would grow extremely quickly. They further claimed that such growth was the result of Qwest's increase in its recurring revenue from Internet and telephone services. In fact, the growth was largely the result of one-time sales of IRUs and equipment.

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 44 to admit or deny them, and on that basis denies them, except that Mohebbi admits that he was aware that Nacchio, Woodruff, and Szeliga made positive public statements regarding Qwest's current and future performance. In addition, Mohebbi refers to the facts set forth above in Part I.C. of this Answer and hereby incorporates them into his answer to paragraph 44.

ALLEGATION:

45) Nacchio, Woodruff, and Szeliga failed to disclose that Qwest was dependant [sic] on non-recurring IRU and equipment sales to meet their inflated revenue and growth predictions for the company. In fact, non-recurring IRU and equipment sales comprised a material amount of Qwest's revenues. For example:

a) In 1999, Qwest had total revenue of $3.9 billion. Hidden non-recurring IRU and equipment sales accounted for over $1 billion, or 26 percent of that amount.

b) In the first two quarters of 2000, before Qwest merged with US West, Qwest had total revenue of almost $2.5 billion. Hidden non-recurring IRU and equipment sales accounted for $731 million, or almost 30 percent of the $2.5 billion total.

c) After the merger with US West, for the first two quarters of 2001, Qwest reported total revenue of $10.25 billion. Of that, almost $1.2 billion, over 10 percent, was revenue from hidden non-recurring IRU and equipment sales.

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 45 to admit or deny them, and on that basis denies them, except that Mohebbi refers to the facts set forth above in Part I.C. of this Answer and hereby incorporates them into his answer to paragraph 45.

ALLEGATION:

46) In the early 1990s, Qwest was a construction company building a fiber network connecting major cities within the United States. The original business plan was to create the network and then sell the company shortly thereafter.

ANSWER:

No response is required, as the allegations are not directed at Mohebbi and the time period of the allegations pre-dates Mohebbi's tenure at Qwest. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 46 to admit or deny them, and on that basis denies them.

ALLEGATION:

47) After Nacchio joined Qwest as CEO in January 1997, he changed the direction of the company and decided that Qwest would use the network to become a major telecommunications company. Qwest planned to sell all but 48 of the dark fiber strands in each cable of the network in the form of IRUs. Qwest intended to keep the remaining fiber strands and "light" them in order to generate revenue for itself by selling communications services.

ANSWER:

No response is required, as the allegations are directed at other defendants and the time period of the allegations pre-date Mohebbi's tenure at Qwest. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 47 to admit or deny them, and on that basis denies them, except that Mohebbi admits that, when he joined Qwest in June 1999, the business strategy for the company was consistent with that outlined in the second and third sentences of paragraph 47.

ALLEGATION:

48) Nacchio, Woodruff, and Szeliga publicly heralded the completion of Qwest's network construction and emphasized in public statements its communications services from which Qwest predicted it would receive substantial recurring revenue.

ANSWER:

No response is required, as the allegations are directed at other defendants and the time period of the allegations pre-dates Mohebbi's tenure at Qwest. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 48 to admit or deny them, and on that basis denies them.

ALLEGATION:

49) Beginning in 1998, Qwest publicly stated that its dark fiber sales were diminishing, that its network was nearly complete, and that its recurring communications services revenue was increasing. For example:

a) Qwest's earnings release for the third quarter 1998 touted an "eighteen-fold" growth in communications services business with a 780 percent growth in data services (meaning Internet-related services).

b) In Qwest's earnings release for year-end 1998, Nacchio was quoted announcing Qwest's successful transition from a construction company to a communications services provider saying "we successfully transitioned Qwest from building a state-of-the-art network into a leading, Internet protocol-based multimedia company focused on the convergence of data, video and voice services."

c) In the earnings release for year-end 1998, Woodruff was quoted stating that Qwest had "momentum in our effort to promote wide-spread use of Internet and web-based communication services."

d) The earnings release for the first quarter 1999 stated that, while total revenue had increased, construction revenue (dark fiber sales) had declined "reflecting Qwest's successful transition to a leading-edge provider of communications services."

ANSWER:

No response is required, as the allegations are directed at other defendants and the time period of the allegations pre-dates Mohebbi's tenure at Qwest. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 49 to admit or deny them, and on that basis denies them, except that Mohebbi respectfully refers the Court to the documents publicly filed by Qwest referred to in paragraph 49 for their contents.

ALLEGATION:

50) In 1998 and 1999, Nacchio, Woodruff, and Szeliga publicly touted the growth of Qwest's data and Internet services revenue, which utilized Qwest's fiber network. For example:

a) In the earnings release for the third quarter 1999, Nacchio was quoted saying "[w]e've said from the beginning that we are creating a growth company and our results clearly show the steps we've taken. . . and rapidly growing our Internet and data business segment."

b) In the same release, Woodruff was quoted stating that "we are committing more resources to the expansion of the Qwest Internet and data services portfolio."

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 50 to admit or deny them, and on that basis denies them, except that Mohebbi respectfully refers the Court to the document publicly filed by Qwest referred to in paragraph 50 for its contents.

ALLEGATION:

51) Nacchio, Woodruff, and Szeliga knew that data and Internet services were particularly valued by investors and stock analysts who believed such data services were a major part of the company's potential future revenue growth because it was recurring and predictable. They also knew that investors and analysts discounted non-recurring one-time revenue events like IRU and equipment sales when valuing the company and its stock.

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 51 to admit or deny them, and on that basis denies them, except that Mohebbi refers to the facts set forth above in Part I.C. of this Answer and hereby incorporates them into his answer to paragraph 51.

ALLEGATION:

52) In 1998 and 1999, Qwest began selling lit fiber IRUs and recognizing the revenue immediately to meet revenue and growth targets. Further, beginning in 1999, Qwest also sold equipment to generate additional immediate revenue. Although these were one-time dark and lit fiber and equipment sales, Qwest fraudulently included the revenue in its reported recurring data and Internet services revenue starting in July 1999. Nacchio, Woodruff, and Szeliga made no meaningful public disclosure of this materially fraudulent practice until August 2001 about IRU sales and December 2001 about equipment sales.

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 52 to admit or deny them, and on that basis denies them, except that Mohebbi admits that he was aware that Qwest sold IRUs and equipment and recognized revenue upfront for those sales. However, Mohebbi had no reason to question this long-standing policy of Qwest's. Moreover, as set forth above in Part I.B., Mohebbi was not responsible for determining what, how, when, or why revenue was recognized at Qwest. Similarly, Mohebbi was not responsible for determining what information should be disclosed publicly in Qwest's financial statements.

ALLEGATION:

53) Each quarter, prior to releasing Qwest's financial results to the investing public, Nacchio, Woodruff, and Szeliga received detailed financial information regarding the performance of Qwest's business units. This information contained

detailed breakdowns of revenue from IRU and equipment sales, and detailed breakdowns of recurring and non-recurring sources of revenue within Qwest's business units. Additionally, Nacchio, Woodruff, and Szeliga met with executives operating Qwest's business units at the end of every quarter to review Qwest's financial performance. As a result, Nacchio, Woodruff and Szeliga knew and were fully aware of Qwest's revenues from IRU and equipment sales, and Qwest's sources of recurring and non-recurring revenue.

ANSWER:

No response is required, as the allegations are directed at other defendants. To the extent that a response is required, Mohebbi admits that he attended financial reviews with certain business unit heads from time to time. Except as specifically admitted, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 53 to admit or deny them, and on that basis denies them.

ALLEGATION:

53a) Nacchio, Woodruff, and Szeliga knew that Qwest's books and records fraudulently included revenue from one-time IRU and equipment sales in its recurring data and Internet services revenue. Nacchio, Woodruff, and Szeliga knew that because Qwest's books and records fraudulently included revenue from one-time IRU and equipment sales in its recurring data and Internet services revenue, Qwest's books and records were materially inaccurate.

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 53a to admit or deny them, and on that basis denies them.

ALLEGATION:

54) At the end of each quarter, Qwest released its financial results in earnings releases and SEC 8-K filings and later in SEC 10-Q filings. Additionally,

Nacchio, Woodruff, Szeliga, and other Qwest executives routinely participated every quarter in calls with analysts covering the telecommunications industry to discuss Qwest's financial performance in detail. Nacchio, Woodruff, and Szeliga completely controlled the earnings release process and solely determined what information to release 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 admits that Qwest released its financial results in various filings with the SEC and that Qwest held quarterly conference calls with analysts covering the telecommunications industry. Except as specifically admitted, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 54 to admit or deny them, and on that basis denies them.

ALLEGATION:

55) Nacchio, Woodruff, and Szeliga knew of Qwest's one-time IRU and equipment sales and approved the fraudulent public reporting of such sales as recurring revenue.

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 55 to admit or deny them, and on that basis denies them.

ALLEGATION:

56) In July 1999, Qwest announced a merger agreement with US West, a regional "Baby Bell" telephone company. The merger was completed on June 30, 2000.

ANSWER:

No response is required, as there are no allegations against Mohebbi. To the extent that a response is required, Mohebbi admits that, on June 30, 2000, Qwest announced that the merger had been completed. To the extent a further response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 56 to admit or deny them, and on that basis denies them.

ALLEGATION:

57) The merger agreement required Qwest to issue $69 worth of its common stock for each share of US West stock. US West had the option to terminate the merger agreement if, among other things, Qwest stock was below $22 per share for 20 consecutive trading days. By August 9, 1999, shortly after the merger announcement, Qwest's stock price had dropped from $34 per share to only $26 per share.

ANSWER:

Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 57 to admit or deny them, and on that basis denies them.

ALLEGATION:

58) Nacchio, Woodruff, and Szeliga continued the fraudulent scheme to keep Qwest's stock price high to complete the announced merger with US West.

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 58 to admit or deny them, and on that basis denies them.

ALLEGATION:

59) Nacchio, Woodruff, and Szeliga continued to make public predictions of double-digit growth in recurring communication services revenue, which included data and Internet services, and EBITDA. For example:

a) In the earnings release for the third quarter 1999, Nacchio is quoted saying, "[w]e've said from the beginning that we are creating a growth company and our results clearly show the steps we've taken . . . and rapidly growing our Internet and data business segment."

b) In the same release, Woodruff is quoted stating "we are committing more resources to the expansion of the Qwest Internet and data services portfolio."

c) In the fourth quarter and year-end 1999 earnings release, Woodruff is quoted saying, "In 2000, we anticipate revenue will continue to grow in the range of 30-35 percent, with EBITDA growth of approximately 40-50 percent."

d) The first quarter 2000 earnings release announced, "strong Internet and data services drove record first quarter revenue of $1.22 billion . . ."

e) In the first quarter 2000 earnings release, Nacchio was quoted stating, "[w]e continue to drive strong demand for our industry-leading portfolio of Internet and data services in the business marketplace."

f) In the same release, Woodruff was quoted claiming, "[w]e . . . expect continued strong revenue and EBITDA growth led by the demand for Qwest's Internet-based broadband applications and services."

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 59 to admit or deny them, and on that basis denies them, except that Mohebbi respectfully refers the Court to the documents publicly filed by Qwest referred to in paragraph 59 for their contents.

ALLEGATION:

60) Nacchio, Woodruff, and Szeliga set required internal revenue targets based on the numbers necessary for Qwest to meet the public growth predictions rather than on revenues that a particular business unit could reasonably expect to achieve.

ANSWER:

No response is required, as the allegations are directed at other defendants. To the extent that a response is required, Mohebbi refers to the facts set forth above in Part I.C. of this Answer, and hereby incorporates them into his answer to paragraph 60. To the extent that a further response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 60 to admit or deny them, and on that basis denies them.

ALLEGATION:

61) Nacchio then exerted extreme pressure on subordinate executives who managed business units to achieve the targets. In turn, the business unit executives exerted extraordinary pressure on their managers and employees to meet or exceed the revenue targets at all costs. For example:

a) Qwest insured that company and business unit targets were met by paying bonuses to management and employees for periods when they achieved the targeted revenue and threatening consequences if targets were not met.

b) Nacchio had an explosive temper. One senior executive, in describing Nacchio's interaction with subordinates, explained that "people [were] just afraid of the man."

c) Another executive who worked on IRU transactions stated that Qwest management "had a culture of fear." No one wanted to find out the consequences for "not getting IRUs done."

ANSWER:

No response is required, as the allegations are not expressly directed at Mohebbi. To the extent that the allegations in paragraph 61 may implicitly be directed at 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. To the extent that a further response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 61 to admit or deny them, and on that basis denies them.

ALLEGATION:

62) Nacchio, Woodruff, and Szeliga knew that Qwest's publicly announced growth and revenue targets and growth rates were highly overstated and could not be met through increases in recurring communications services revenue. Rather than lowering revenue projections and risking a decline in the stock price in light of the pending US West merger, Nacchio, Woodruff, and Szeliga turned to the fraudulent scheme of using non-recurring revenue, specifically IRU and equipment sales, to fill the gap and meet the revenue 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 62 to admit or deny them, and on that basis denies them, except that Mohebbi refers to the facts set forth above in Part I.C. of this Answer and hereby incorporates them into his answer to paragraph 62.

ALLEGATION:

63) Over time, Qwest's dependence on IRUs grew so large that it became a major part of Qwest's culture. For example:

a) In September 1999, an internal e-mail explained that, "[w]e are closing in on the end of the quarter and once again IRUs must be a top priority to Qwest making our revenue targets."

b) 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).

c) Mohebbi recognized Qwest's reliance on IRU sales to meet revenue targets early on, and stated in a July 21, 1999 e-mail that "[our] revenues are way too flat and we can't mortgage our future every damn quarter by selling stupid IRUs."

d) One of the vice presidents reporting to Casey responded to Qwest's bonus plan by telling his sales team, "[L]eave no stone unturned." "We will drop everything to close an IRU this quarter. It is that important."

e) Mohebbi praised Casey in a June 2001 e-mail as "the guy who made [the merger with US West] happen" because of his closing of IRU deals to meet revenue projections. Mohebbi said that if Casey had not "pulled the quarters" that he did in 1999, "there would not have been a [merger with US West] . . . ."

ANSWER:

Paragraph 63 contains subparagraphs lettered (a) through (e). No response is required with respect to subparagraphs (a), (b), and (d), as the allegations are not directed at Mohebbi. To the extent that a response is required to those subparagraphs, Mohebbi lacks sufficient knowledge or information of the allegations in those subparagraphs to admit or deny them, and on that basis denies them. With respect to subparagraphs (c) and (e), Mohebbi denies the allegations therein, except that he admits that the e-mails selectively quoted therein exist and respectfully refers the Court to those documents for their contents. To the extent that a further response is required, except as expressly so admitted, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 63 to admit or deny them, and on that basis denies them.

ALLEGATION:

64) Kozlowski in early 2000 determined that IRU revenue was material to Qwest's financial statements and should be disclosed.

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 64 to admit or deny them, and on that basis denies them.

ALLEGATION:

65) Kozlowski then told Woodruff that the scope and extent of reliance on IRU transactions should be disclosed in Qwest's 1999 10-K. In response, Woodruff asked Kozlowski to draft proposed language.

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 65 to admit or deny them, and on that basis denies them.

ALLEGATION:

66) Kozlowski also discussed IRU disclosure with Qwest's outside auditor who told him Qwest should provide disclosure in the footnotes to the financial statements detailing not only Qwest's IRU accounting policy, but also the amount of revenue and gross margins from IRU transactions.