ANSWER:

Mohebbi denies the allegations in paragraph 104 to the extent they are directed at him. No response is required with respect to the allegations directed at other defendants. To the extent that a response is required to those allegations, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 104 to admit or deny them, and on that basis denies them.

ALLEGATION:

105) By falsely making the IRU sales appear eligible for immediate revenue recognition, Mohebbi and Casey allowed Qwest to improperly recognize over $366 million in immediate revenue on seven IRU transactions between the third quarter ended September 30, 1999 through the second quarter June 30, 2001. This fraudulent revenue recognition caused Qwest's financial statements to be materially false and misleading.

a) In the third quarter 1999, Verio, Inc. purchased a $57 million IRU from Qwest, and Qwest recognized $57 million as immediate revenue. An e-mail to Casey from a Verio executive on September 9, 1999, stated that, "We have assumed, to this point, that the capacity inherent in the IRU is 'fungible' – meaning substitutions and upgrades." Casey knew that Verio would not sign the IRU contract unless the IRU was portable, and . . . Casey provided a [sic] Verio a secret verbal assurance of portability of the IRU. Casey did not inform Qwest's internal accountants of this secret verbal agreement.

b) In the fourth quarter 1999, Verio also purchased a $10 million IRU from Qwest, and Qwest recognized nearly all of that revenue immediately. Verio agreed to purchase the IRU with the understanding that the lit fiber could be exchanged. Again, Casey provided Verio a secret verbal assurance of portability, without informing Qwest's internal accountants.

c) In the first quarter 2000, Qwest sold to Cable & Wireless a $9.6 million IRU, and recognized $8.2 million in immediate revenue. In order to close the deal, Casey gave Cable & Wireless verbal assurances that the lit fiber could be ported. Casey told Cable & Wireless that the IRU was like a "coupon," meaning that the lit fiber purchased was interchangeable for other lit fiber. Casey never told Qwest's internal accountants about this secret verbal side deal.

d) In the second quarter 2000, Qwest also sold to Cable & Wireless $65 million of older-technology lit fiber, and recognized about $65 million in immediate revenue. During negotiations, Cable & Wireless informed Casey that it wanted newer technology lit fiber on different routes, which Qwest had not completed constructing at the time. Casey signed a secret option agreement that granted Cable & Wireless the ability to port the lit fiber. Casey once again failed to disclose this secret arrangement to Qwest's internal accountants.

e) In the fourth quarter 2000, Qwest sold to Cable & Wireless another IRU for $109 million. It recognized $108 million in immediate revenue. Qwest did not have the lit fiber that Cable & Wireless actually wanted to buy at the time. Therefore, Mohebbi and Casey convinced Cable & Wireless to purchase lit fiber through a secret written side agreement promising that Cable & Wireless could exchange the lit fiber later. 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.

f) In the second quarter of 2001, Flag sought to purchase certain lit fiber from Qwest. Qwest did not have the lit fiber available to sell at that time but, Qwest's sales team offered to sell Flag alternative lit fiber and to give Flag the ability to port it at a later date. Flag requested that the written contract include the ability to port. Casey learned that "[b]ottom line Flag is willing to trust us," so he instead provided secret verbal assurance to Flag of the ability to exchange the IRU outside the written contract. Thereafter, on June 27, 2001, Qwest and Flag entered into a swap transaction in which Qwest sold to Flag $20 million of lit fiber. Qwest recognized $19.9 million in revenue on the transaction in the second quarter 2001. Casey never told Qwest's internal accountants about the verbal agreement to port.

g) In June 2001, Qwest sold approximately $101 million of lit fiber to Global Crossing, and recognized nearly $97 million of revenue immediately. Global Crossing requested the ability to exchange at a later date the fiber it purchased at the original purchase price, rather than the fair market value at the time of the porting as provided for in the contract. A Qwest salesperson arranged a telephone conference between Casey and Global Crossing's president to "confirm the gentleman's agreement," regarding the porting and price issues. Casey gave secret verbal assurances beyond the written contract to Global Crossing's president that Qwest would agree to port the lit fiber at the original purchase price. Later, when Global Crossing sought to exchange some of the lit fiber, a Qwest executive stated in e-mail correspondence that our "only option is to allow the trade . . . ." "Our word is our bond." Casey never disclosed the secret side agreement to Qwest's internal accountants.

ANSWER:

Paragraph 105 contains subparagraphs (a) through (g). No response is required with respect to subparagraphs (a) through (d), (f), and (g) as the allegations are directed at other defendants. To the extent that a response is required to those allegations, Mohebbi lacks sufficient knowledge or information of those allegations to admit or deny them, and on that basis denies them. Mohebbi denies the allegations in the introductory portion of paragraph 105 and subparagraph (e) that are directed at him, except that Mohebbi refers to the facts set forth above in Part I.A. of this Answer and hereby incorporates them into his answer to the introductory portion of paragraph 105 and subparagraph (e).

ALLEGATION:

106) In the rush to complete enough IRU transactions by quarter close to make Qwest's revenue targets, Mohebbi, Casey, and Noyes backdated contracts for the explicit purpose of falsely making it appear that immediate revenue recognition was appropriate in a specific quarter. Mohebbi, Casey, and Noyes failed to inform Qwest's internal accountants of this backdating and the revenue was recognized.

a) Qwest sold to Cable & Wireless, a $9.6 million IRU, and recognized $8.2 million in immediate revenue on the transaction in the first quarter 2000. Casey knew that the contract was not executed until April 4, 2000, after the close of the first quarter. The contract falsely appeared eligible for immediate revenue recognition, thereby causing Qwest to recognize improperly approximately $8.2 million of revenue in the first quarter ended March 31, 2000.

b) Qwest entered into a swap transaction with Cable & Wireless recorded in the first quarter 2001, and recognized $69.8 million in immediate revenue. The IRU sale contract was not executed until April 12, 2001. Mohebbi knew that the transaction with Cable & Wireless was not signed in the first quarter. On April 1, 2001, two Qwest executives each called Mohebbi at home to inform him that the IRU agreement had not been signed. On April 12, Casey executed the backdated contract with a false date of March 31, 2001.

c) In the third quarter 2001, Qwest recognized $85.5 million of revenue from the sale of an IRU in a swap transaction with Enron. The agreements negotiated by Noyes had a false date of September 30, 2001, but in fact were not executed by the parties until October 1, 2001, after the close of the quarter.

ANSWER:

Paragraph 106 contains subparagraphs (a) through (c). No response is required with respect to subparagraphs (a) and (c) 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 to admit or deny them, and on that basis denies them. With respect to the introductory portion of paragraph 106 and subparagraph (b), Mohebbi denies the allegations therein that are directed at him, except that Mohebbi states that, in the days prior to the end of the first quarter 2001, he was informed that, although the transaction with Cable & Wireless was complete, i.e., the transaction had been approved and the specific circuits had been delivered to and accepted by Cable & Wireless and Cable & Wireless had made the requisite down payment on them, Cable & Wireless was refusing to deliver the signed contracts for the IRU to Qwest until Cable & Wireless' demands with respect to another transaction were satisfied. Mohebbi denies backdating any document or knowing that any document was backdated.

ALLEGATION:

107) As part of the scheme, Mohebbi, Casey, and Noyes fraudulently purchased lit and dark fiber for Qwest in IRU swaps that Qwest did not need. It was a violation of GAAP for Qwest to recognize revenue from the sale side of the swaps under these circumstances.

ANSWER:

Mohebbi denies the allegations in paragraph 107 to the extent they are directed at him. No response is required with respect to the allegations directed at other defendants. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 107 to admit or deny them, and on that basis denies them.

ALLEGATION:

108) Mohebbi and Casey bought whatever fiber was available to close IRU swap deals without regard to Qwest's actual needs for the assets purchased. Mohebbi, Casey, and Noyes were willing to buy lit and dark fiber Qwest did not need in these swap transactions to achieve immediate revenue recognition on the transaction in order to meet revenue targets. Mohebbi and Casey rarely consulted with Qwest's network planning unit, the group responsible for determining the fiber needed for Qwest's fiber network. As a result, Qwest accumulated a huge amount of lit and dark fiber it did not need. For example:

a) In the first quarter ended March 31, 2001, and the second quarter ended June 30, 2001, Mohebbi and Casey in swaps purchased East Asia fiber cable on four occasions from several customers for a total of approximately $289 million. Qwest did not need at least two-thirds of the East Asia cable it bought, but Mohebbi and Casey agreed to make the purchases for the explicit purpose of selling IRUs to customers in swap transactions to obtain immediate revenue recognition. Qwest recognized approximately $288 million of revenue from these swaps.

b) In the swap transaction between Qwest and Enron falsely backdated to September 30, 2001, Noyes purchased a large amount of dark fiber from Enron for $308 million so that Enron would in turn purchase lit fiber from Qwest. The fiber Qwest purchased was duplicative of routes that Qwest already owned, and was located in areas of low demand. Further, a detailed Qwest analysis done before the transaction was completed described most of the dark fiber to be purchased as having only "scrap value." That analysis concluded that Qwest was paying between $36 and $75 million in excess of fair market value for the IRU. Noyes was aware of this fair market analysis, but disregarded it and prepared his own analysis for, among others, Qwest's accountants that made it appear falsely that Qwest paid market rates for the dark fiber.

ANSWER:

Paragraph 108 contains subparagraphs (a) and (b). No response is required with respect to subparagraph (b) as the allegations are directed at other defendants. To the extent that a response is required with respect to those allegations, Mohebbi lacks sufficient knowledge or information of the allegations to admit or deny them, and on that basis denies them. With respect to the introductory portion of paragraph 108 and subparagraph (a), Mohebbi denies the allegations therein, except that Mohebbi states that he consulted with William Felix of the network planning department on a regular basis regarding a variety of subjects.

ALLEGATION:

109) Another internal analysis conducted in approximately November 2001 showed that Qwest could use only one-third of the billion dollars of international lit fiber it had accumulated. This included lit fiber bought by Mohebbi and Casey in order to close swap deals. Qwest's senior vice president of network planning, engineering, and technology stated, "[i]t just blew my mind when I found how much [international fiber] we had. . . ."

ANSWER:

Mohebbi denies the allegations in paragraph 109 to the extent they are directed at him. No response is required with respect to the allegations directed at other defendants. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 109 to admit or deny them, and on that basis denies them.

ALLEGATION:

110) As part of the overall fraudulent scheme to show revenue and earnings growth every quarter Nacchio, Woodruff, and Szeliga accelerated revenue recognition at Qwest's wholly-owned subsidiary, Qwest Dex, Inc.

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

ALLEGATION:

111) Dex published telephone directories once every twelve months. Qwest recognized all revenue from a Dex directory at the time it began delivering that directory to the public.

ANSWER:

No response is required, as the allegations are directed at Qwest. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 111 to admit or deny them, and on that basis denies them.

ALLEGATION:

112) In August 2000, executives at Dex informed Nacchio, Woodruff, and Szeliga that Dex would not meet its 2000 EBITDA target. The Dex executives presented them with the option of making up the revenue shortfall by publishing Dex's Colorado Springs, Colorado directory in December 2000 rather than January 2001 as scheduled, thereby allowing Qwest to recognize revenue from that directory twice in 2000.

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

ALLEGATION:

113) While presenting that option, one Dex executive expressed his concern that such a schedule change would reduce 2001 revenue and earnings and that, in his view, Qwest probably would be required to disclose the change to the public. The Dex executive made it clear to Nacchio, Woodruff, and Szeliga that he did not favor the schedule change. Nevertheless, Nacchio, in the presence of Woodruff and Szeliga, directed Dex to go forward with the schedule change to meet Dex's EBITDA target.

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

ALLEGATION:

114) Even though Nacchio required the accelerated recognition of $28 million of revenue in 2000, he told the Dex executives that their 2001 revenue targets would remain unchanged.

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

ALLEGATION:

115) By recognizing revenue from the Colorado Springs directory in 2000, Qwest generated $28 million in additional revenue and $18 million in additional EBITDA for the year.

ANSWER:

No response is required, as the allegations are directed at Qwest. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 115 to admit or deny them, and on that basis denies them.

ALLEGATION:

116) Qwest's 2000 10-K annual report filed with the SEC stated that Dex's 2000 revenue increased by almost $100 million due in part to "an increase in the number of directories published." The statement was materially false because it failed to apprise investors that Dex generated more than one-quarter of the revenue increase by publishing its Colorado Springs directory twice in 2000, or that the schedule change could produce a commensurate decline in Dex revenue for the first quarter of 2001.

ANSWER:

No response is required, as the allegations are directed at Qwest. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 116 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 116 for its contents.

ALLEGATION:

117) Nacchio signed the 2000 10-K, Woodruff reviewed the 10-K and Szeliga reviewed and signed the 10-K. Nacchio, Woodruff, and Szeliga signed false management representation letters to Qwest's outside auditors about the 10-K.

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 117 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 117 for its contents.

ALLEGATION:

118) For 2001, Nacchio and Szeliga established an unrealistic EBITDA target for Dex. Dex executives met with Szeliga in March 2001 to discuss "gap-closing" alternatives for the first two quarters of 2001. One alternative proposed by the Dex executives was advancing the publication dates of several directories, thereby allowing Dex to recognize revenue in earlier quarters, and lengthening the lives of other directories from 12 to 13 months, thereby allowing Dex to bill each advertiser for one additional month of advertising fees. Szeliga instructed the Dex executives to implement the proposed changes.

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

ALLEGATION:

119) Later in 2001, Dex executives met with Szeliga and informed her that Dex would again need to implement directory schedule changes to meet its third and fourth quarter financial targets. Szeliga directed that the schedule changes take place.

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

ALLEGATION:

120) During 2001, in accordance with the plan, Dex advanced the publication dates or extended the lives of 34 directories, and those schedule changes produced $42 million in additional revenue and $41 million in additional EBITDA for Qwest.

ANSWER:

No response is required, as the allegations are directed at Qwest. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 120 to admit or deny them, and on that basis denies them.

ALLEGATION:

121) Qwest's 10-Q quarterly reports filed with the SEC for the first three quarters of 2001 stated that period-over-period changes in Dex's revenue were attributable in part to changes in the "mix" and/or "lengths" of directories published. Like the 2000 10-K annual report, the statements in those reports were materially false because they failed to apprise investors that Qwest had manipulated its directory publishing schedule to meet financial targets.

ANSWER:

No response is required, as the allegations are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information of the allegations in paragraph 121 to admit or deny them, and on that basis denies them, except that Mohebbi respectfully refers the Court to documents publicly filed by Qwest referred to in paragraph 121 for their contents.

ALLEGATION:

122) Qwest maintained a liability for unused employee vacation. When improper revenue recognition alone was insufficient to meet EBITDA growth targets, Szeliga improperly reduced vacation liabilities to artificially inflate earnings. This is because, when a liability is decreased, earnings are increased. In doing so, for the year ended December 31, 2001, Szeliga improperly increased EBITDA by $71.3 million, an amount that was material and was in violation of GAAP.

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

ALLEGATION:

123) Szeliga's first arbitrary and improper adjustment reduced the June 30, 2001, vacation liability by 50 percent resulting in a $44.5 million decrease to Qwest's second quarter expenses and an equal increase in earnings.

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

ALLEGATION:

124) Szeliga's second improper and arbitrary adjustment was made to Qwest's December 31, 2001, financial statements and improperly reduced the liability by an additional 50 percent resulting in Qwest's expenses being reduced by an additional $23.5 million, increasing earnings by an equal amount.

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

ALLEGATION:

125) Szeliga's third improper and arbitrary adjustment occurred in early 2002, when she reduced Qwest's December 31, 2001 vacation liability by another $5 million, thereby increasing earnings by an equal amount.

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

ALLEGATION:

126) Szeliga failed to disclose her arbitrary change in accounting for vacation liabilities and the resulting 2001 financial impact of this change in its filings with the SEC in its 10-Q for the quarters ended June 30, 2001, and September 30, 2001, and its 2001 10-K. This failure to disclose was material and a violation of GAAP. Further, the lowering of the reserve was a violation of GAAP.

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 126 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 126 for their contents.

ALLEGATION:

127) Starting in 1999, there was a complete break-down concerning accounting practices relating to IRU revenue recognition generally and immediate revenue recognition in particular. In fact, Qwest's IRU revenue recognition failed to meet several GAAP rules and Woodruff, Szeliga, Kozlowski, and Noyes each caused Qwest to improperly recognize revenue in IRU transactions. Moreover, by 2001, most IRU sales were swaps and Qwest's revenue recognition on those transactions was also improper.

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

ALLEGATION:

128) Woodruff, as CFO, was responsible for all of Qwest's accounting. It was his duty to insure that Qwest accounted for revenue, including IRU transactions, properly and reported those financial results according to GAAP. The improper immediate recognition of revenue from IRU transactions began at Woodruff's direction and continued throughout the time he was CFO. All of Qwest's publicly released financial statements fraudulently included revenue from IRU transactions during the period he was CFO. Woodruff was responsible for these fraudulent financial statements distributed to the public by Qwest.

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

ALLEGATION:

129) Before Szeliga became CFO she supervised Kozlowski who was responsible for IRU accounting and the immediate recognition of revenue from IRU transactions. When she became CFO, Szeliga was responsible for all of Qwest's accounting. It was her duty to insure that Qwest accounted for revenue, including IRU transactions and reported those financial results according to GAAP. The improper immediate recognition of revenue from IRU transactions continued through 2001. All of Qwest's publicly released financial statements included fraudulently recognized revenue from IRU transactions through 2001. Szeliga was responsible for these fraudulent financial statements distributed to the public by Qwest.

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

ALLEGATION:

130) Kozlowski devised and implemented Qwest's fraudulent immediate recognition of revenue from IRU transactions. He was responsible for authorizing revenue recognition on virtually all of Qwest's IRU transactions until September 2000.

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

ALLEGATION:

131) Noyes assisted Kozlowski in implementing Qwest's fraudulent immediate recognition of revenue from IRU transactions. Also, he specifically approved and authorized revenue recognition on many IRU transactions from April 1999 until September 2000.

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

ALLEGATION:

132) Qwest's recognition of revenue immediately from IRU sales transactions was a violation of the requirements of GAAP because, among other reasons:

a) The lit fiber sold in the IRU transactions was classified as Plant, Property, and Equipment ("PP & E") and not inventory for sale.

b) The earnings process must be complete, including that assets sold must remain fixed and unchanged. Qwest failed to meet these requirements in many IRU sales because Qwest either gave IRU purchasers the ability to port or exchange the fiber, or groomed the fiber it had previously sold.

c) The seller must have firm evidence that it will be able to transfer ownership of the fiber to the buyer. At the time Qwest recognized revenue in IRU transactions it had no such firm evidence, often because of the very nature of the fiber it was selling. This was due to, among other things, the fact that Qwest was required to maintain the network and therefore had a substantial continuing involvement with the fiber it sold.

d) Qwest wrongly treated its IRU sales as having several separate revenue elements for which a fair market value could be determined.

ANSWER:

No response is required, as the allegations are not directed at Mohebbi. To the extent that a response is required, Mohebbi lacks sufficient knowledge or information to admit or deny the accuracy of the statements made in paragraph 132, and on that basis denies them.

ALLEGATION:

133) In late 1998, Woodruff directed Kozlowski to determine if immediate revenue recognition on IRU sales was proper. Kozlowski determined, without reasonable basis, that Qwest could recognize revenue immediately from IRU 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 133 to admit or deny them, and on that basis denies them.

ALLEGATION:

134) In late 1999, Qwest's outside auditor advised Woodruff to ask the SEC about whether Qwest's accounting for IRU transactions was proper. Woodruff refused.

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

ALLEGATION:

135) Woodruff, Szeliga, Kozlowski, and Noyes all knew that Qwest had no lit fiber designated as inventory. As a consequence, they each knew that Qwest sold lit fiber designated as PP&E, and therefore, that Qwest improperly recognized revenue immediately.

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

ALLEGATION:

136) Woodruff, Szeliga, Kozlowski, and Noyes decided, without adequate factual support, that the IRU revenue was recorded using fair market value.

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

ALLEGATION:

137) Szeliga, Kozlowski, and Noyes learned of Qwest's practice of porting, which they knew prohibited immediate revenue recognition. For example:

a) In February 2000, Szeliga, Kozlowski, and Noyes received an e-mail alerting them that a Qwest executive committed to port an IRU. The e-mail referred to a $140 million fourth quarter 1999 IRU sale where Qwest committed to buy back $104 million of fiber sold and re-sell to the customer an additional $162 million. Specifically, the e-mail stated, "I want everyone to be aware of the outstanding commitment that requires us to buyback circuits for upgrade purposes."

b) By mid-2001, Szeliga and Noyes knew that Qwest allowed customers to port at least ten percent of their IRU purchases. Concerned that this level of porting prevented immediate revenue recognition, Szeliga twice warned Qwest executives involved in IRU transactions that porting "jeopardized" immediate revenue recognition. She stated in a voice mail that IRUs that allowed porting, "[i]f reviewed by the SEC, that would be overturned as inappropriate revenue recognition. We would be forced to restate our financial statements, and it would be made public. And we're not going there."

c) From September 2001 through November 2001, Noyes received several emails alerting him that in past IRU sales, Qwest had told customers they would be allowed to port.

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

ALLEGATION:

> 138) In August or September 2001, Qwest's outside auditor told Szeliga that she should ask the SEC about the propriety of Qwest's accounting for IRU transactions. Szeliga refused stating "f_ no. Last time I went to the SEC – I ended up writing off $3 billion [of assets]."

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

ALLEGATION:

> 139) In October 2001, a senior Qwest accounting executive told Szeliga that Qwest should re-examine its immediate revenue recognition on past IRU sales transactions. Szeliga refused.

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