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CSO: 1/11/11
DATE 10/31/06IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Criminal Action No. 05-cr-00545-EWN

UNITED STATES OF AMERICA

Plaintiff,

v.

JOSEPH P. NACCHIO,

Defendant.

THIRD SECTION 5 CIPA SUBMISSION
ON BEHALF OF DEFENDANT
(FILED IN CAMERA AND UNDER SEAL WITH THE COURT SECURITY OFFICER)

Defendant Joseph P. Nacchio, by and through undersigned counsel, pursuant to Section 5 of the Classified Information Procedures Act ("CIPA"), 18 U.S.C. App. 3 § 5, and in accordance with leave granted during the sealed proceedings of October 12, 2006, respectfully submits this Third Section 5 CIPA Submission.

I. INTRODUCTION

During the sealed portion of the proceedings of October 12, 2006, the Court granted leave to Mr. Nacchio to make supplemental Section 5 CIPA submissions, in order to provide additional detail as to the classified information which he reasonably expects to disclose or cause to be disclosed at trial. In his first two § 5 CIPA submissions, Mr. Nacchio sought to provide notice of a developing and blossoming relationship with U.S. government clandestine agencies, which

REDACTED

led to lucrative contracts for Qwest and, more to the point of this proceeding, the prospect of lucrative government contracts which Mr. Nacchio reasonably believed would justify the publicly announced guidance during the relevant indictment period.

Mr. Nacchio presented evidence of contacts with four agencies: [REDACTED]

[REDACTED] At the October 12, 2006 Section 6 hearing, after the Court made findings and conclusions (later reduced to writing in its October 24, 2006 "First Memorandum Opinion And Order Pursuant To Section 6(a) Of The Classified Information Procedures Act" (First CIPA Order), the Court acknowledged Mr. Nacchio's need to make supplemental Section 5 submissions as to areas preliminarily found too vague to be admissible and/or based on newly acquired information.

In his Third Section 5 CIPA Submission, Mr. Nacchio seeks to provide the detail concerning [REDACTED] that the Court found wanting and, in addition, submits additional classified information for the Court to determine use, relevance and admissibility. This Third Section 5 Submission comprises all additional potentially classified information which is presently known to the defense and believed to be relevant.

Commencing October 13, 2006, Mr. Nacchio was further interviewed by his counsel, counsel has conducted factual research, counsel has reviewed documents and has conducted such witness interviews it was able to arrange on limited notice. Mr. Nacchio now provides the following additional classified information which he intends to present at trial.

II. [REDACTED]

In the First CIPA Order, the Court ruled that with very limited exception, Mr. Nacchio's

Section 5 proffer concerning [REDACTED] was relevant, admissible and could be used at trial.

However, the Court also directed Mr. Nacchio to provide as much detail as he could about his relationship with all the agencies. Consequently, we provide the following additional details.

In late 1997, Dean Wandry advised Mr. Nacchio that he had received a call from [REDACTED]

[REDACTED] Wandry reported that a general officer wanted to meet

Mr. Nacchio. [REDACTED] showed up two weeks later with a (three star) Lieutenant General and

his aide, a First Lieutenant. The meeting took place in Denver, at 555 17th St. They told Mr.

Nacchio they'd heard about Qwest's new network. Mr. Nacchio described it to them and talked

about his background at ATT, with which they were already familiar. They asked if the General

and Wandry could then meet privately and Mr. Nacchio said yes.

The General and Wandry stepped into a separate conference room. The General told Mr.

Wandry that he ran the largest telecom operation in the world, he had looked at Qwest's network

and he wanted to use it for government purposes. The General also told Wandry that he wanted

Wandry to meet with [REDACTED] within the next week at [REDACTED]. After the

people left that first meeting, Mr. Wandry told Mr. Nacchio that there was a big

opportunity here for Qwest, and that [REDACTED] also wanted Mr. Nacchio to obtain a security

clearance.

When Mr. Wandry arrived at [REDACTED] to meet [REDACTED] the next week, he

learned that he had already been granted security clearance and was "read in" to those programs

relevant to [REDACTED] use of Qwest's network. Mr. Nacchio received his own clearance a short

time later.

¹ Mr. Wandry preceded Mr. Payne as manager of Qwest's government group.

The first Qwest project began with [REDACTED] putting out an industry wide Request for Information ("RFI"). Qwest, through Mr. Wandry, prepared a response to the RFI in an extremely short turn-around time. [REDACTED] quickly concluded that only Qwest had the capability to fulfill the contract requirements, which led to a phone call to Qwest shortly thereafter, informing them they would get the work. Mr. Nacchio then wanted to announce it publicly, but [REDACTED] refused permission. [REDACTED]

Mr. Nacchio understood at the time that this was the beginning of a relationship which had enormous potential for future work. This proved increasingly true as time went on. Indeed, in the Fall of 1999, when Mr. Wandry was leaving Qwest, he advised Mr. Nacchio that the relationship with [REDACTED] if managed correctly, would become extremely lucrative for Qwest.

When Mr. Payne replaced Mr. Wandry in August 1999, [REDACTED] was an still ongoing contract. [REDACTED] kept coming up with "Pearl Harbor" internet scenarios, that is to say, that the system might fail either through natural causes or under attack. These concerns caused the to continue expanding the project, purchasing multiple fiber pairs from Qwest in order to enhance redundancy.

In 1998, even before Mr. Payne took over for Mr. Wandry, [REDACTED] was expanded when [REDACTED]

[REDACTED] came to Qwest with a project known as [REDACTED]

identifies this project by the code name, [REDACTED] This was the construction of a fiber

optic network from Qwest's international gateway at [REDACTED]

[REDACTED] where a local vendor then extended the network

Mr. Wandry told Mr. Nacchio that [REDACTED] had a "big requirement" for a

fiber network to [REDACTED] Although the Court made a determination based only on the prior

submissions that the purpose of this network is not relevant, in this Third Section 5 CIPA

Submission we suggest that the jury must be allowed to hear about the purpose of the network in

terms of its vital role in the national defense, in order to appreciate the close role that Qwest

played with [REDACTED] In other words, [REDACTED]

[REDACTED] and the importance of these projects to national security was, in itself, a further

reason why Mr. Nacchio could reasonably and in good faith expect that promises of similar

future work from [REDACTED] were likely to be kept, particularly as they were for projects of such

importance.

Because of this [REDACTED] contract, Qwest acquired [REDACTED]

[REDACTED] again awarded this contract to Qwest as a sole source

project which might go as high as \$500 million. Although begun on Mr. Wandry's watch, the

project continued following Mr. Payne's arrival, in August 1999.

Our original submissions suggested that [REDACTED] generated revenue in late 1998 or

1999 in the range of \$150-200 million. It may be, however, that the revenue was generated in

1999, 2000 or perhaps even later since, although the project was initiated during Mr. Wandry's

tenure, it was put on hold due [REDACTED] and Senatorial maneuvering and did not get completed

until Mr. Payne was on the scene. We will not be able to be more precise until the return date of our 17(c) subpoena.

██████████ conducted semi-annual award fee ceremonies based on a company report card that rated over 60 parameters. The award fee was a \$1 million bonus. These events would often lead to conversations at a senior level, at which Qwest would be told that it had demonstrated unprecedented success in achieving its goals. Qwest achieved a rating of 96.

Qwest's success with ██████████ was so beyond the norm that Mr. Payne shared with Mr. Nacchio his increasing belief that ██████████ was serious about giving big new business to Qwest in 2001. ██████████ told Qwest that a rating of 96 was highly unusual and that most companies were only rated in the 70s. Indeed, ██████████ would come to Denver once a year and would want to meet personally with Mr. Nacchio. Mr. Payne would attend these meetings. Mr. Payne will testify to the unusually close nature of this relationship.

██████████ discussions with Qwest moved increasingly to work to be done OCONUS (outside continental United States). Mr. Nacchio met with ██████████

██████████ We are unable to give the exact dates of the meetings until the return of our Rule 17(c) subpoena, but we believe that they took place between September 2000 and February 2001. The discussions concerned the extension of the network that Qwest built for

into Europe and the Middle East. ██████████ represented that ██████████ was seriously interested in Qwest doing this project, which he stated would result in Qwest receiving greater revenue than in the prior project.

Qwest's European network ended at Prague, and Mr. Nacchio concluded that he would have to go out and get routes from there down through the Red Sea and into India to create a

fully global network.² Mr. Payne emerged from the meeting very optimistic about the prospect for future work, and he shared this with Mr. Nacchio.

The relationship between [REDACTED] and Qwest was sufficiently important to [REDACTED] that the Agency would constantly monitor Qwest's financial health, particularly after the "dot.com" bubble burst. Mr. Payne would get calls after a fluctuation in Qwest's stock price, seeking reassurance that Qwest remained ready, willing and able to continue performing for the agency. On one occasion, Mr. Payne got a call from [REDACTED] during a time of media speculation over a Deutsche Telecomm bid for Qwest. [REDACTED] expressed concern at the prospect of a Qwest take over by a foreign company. This led to a meeting at which [REDACTED] sought to dissuade Qwest from considering such a merger by assuring Mr. Payne that there was great upside for the future.

III. [REDACTED]

Qwest had a few small contracts with [REDACTED] during Mr. Wandry's tenure at Qwest. In late December 1999, Mr. Payne met with Qwest government group staff members "to discuss the potential opportunity with the Maryland customer," with the expectation of Mr. "Nacchio becoming involved." (See Exhibit A, email from Robert Seidel to James Payne (December 28, 1999).) A follow-up meeting was held in mid-January 2000. A meeting with [REDACTED] personnel was scheduled for Mr. Nacchio's office in Denver for March 8, 2000, but was cancelled due to illness on the [REDACTED] side.

Qwest's serious involvement with [REDACTED] was initiated by its employees, and Mr. Payne was meeting with [REDACTED] headquarters as early as March

² Indeed, it was due to inter-connectivity among the agencies that Qwest's European network extended to Prague. [REDACTED]

2000. On July 6, 2000, Mr. Payne traveled to [REDACTED] to participate in a security briefing held in [REDACTED] (See Exhibit B, James Payne Outlook Calendar entry (July 6, 2000).) At this briefing, Mr. Payne was "read into" the various tickets which would allow them to discuss [REDACTED] programs with the agency. Next, in or around September 2000, as part of contract for an "Army customer" which wanted access to [REDACTED]

Mr. Payne had been working his way into a relationship with the agency. By early 2001, a new NSA project were being sought and had reached the point for Mr. Nacchio to join the effort to obtain the contract. This new NSA project was called "Groundbreaker," and Qwest's portion consisted of a \$50-100 million opportunity, planned for implementation in 2001, to construct a CONUS private fiber network and provide related network services. The contemplated work was similar to what Qwest had already done for [REDACTED]

[REDACTED]

In a March 13, 2001 email from Mr. Payne to a group including Mr. Nacchio, Mr. Payne

wrote:

Attached is a one page "opportunity profile" for the NSA "Groundbreaker" that was profiled in today's Wall Street Journal. Qwest is on the CSC team. On February 27 Joe Nacchio and I met with this agency. General Hayden, the NSA Director was not available but we did meet with the lead NSA official that looks at "Commercialization". Qwest joined the CSC team in early 1999.

In addition to the above team we are "ghosting" NSA Groundbreaker by exploring the utilization of existing Qwest contract vehicles. Network service under Groundbreaker has been delayed until 2002.

(See Exhibit C, email from James Payne to a group including Joseph Nacchio (March 13, 2001)

(Bates No. QDSECAM0867435).)

Qwest was a sub-contractor/member of the Groundbreaker "Eagle Alliance," headed by managing partner Computer Sciences Corporation ("CSC"). The Groundbreaker project grew out of the aftermath from a fire at Ft. Meade which destroyed a large NSA data center. It was thereafter decided to outsource much of this work to private industry. The project was described in a July 31, 2001 press release issued by CSC as providing "secure and non-secure telephony and network services, distributed computing services, and enterprise and security management of the non-mission information technology infrastructure at NSA headquarters and surrounding offices." (See Exhibit D, CSC press release (July 31, 2001)

(<http://www.csc.com/newsandevents/news/1454.shtml>); see also Exhibit E, NSA press release (July 31, 2001) (<http://www.nsa.gov/releases/relea00034.cfm>).)

As the March 13, 2001 email corroborates, Qwest was in active negotiations with NSA during February and March -- the heart of the time period when Mr. Nacchio was trading. Indeed, Mr. Payne's email makes clear that Qwest was "ghosting" the Groundbreaker project, which meant that Qwest was looking for ways to obtain an even greater portion of the work for itself, using "existing Qwest contract vehicles" such as [REDACTED]. We intend to prove that, had Qwest succeeded, it would have received a contract to build a private, fiber optic network for NSA similar to the ones it had already created for [REDACTED].

It was this pending opportunity that lead to Mr. Nacchio's first meeting with NSA, which took place on February 27, 2001 at the NSA Headquarters at Ft. Meade, Maryland. Mr. Nacchio

expected to discuss the \$50-100 million "Groundbreaker" opportunity at this meeting, and he thought great progress was made on the substantive discussions.

Mr. Nacchio

walked out thinking that the NSA \$50-100 million opportunity remained viable.

It wasn't until July 31, 2001, when Mr. Nacchio saw the public announcement of the Groundbreaker contract with Qwest left off the list of subcontractors, that he realized that his expectation for the work had been frustrated. We intend to prove that Mr. Nacchio's expectations during the period of his trading were reasonable

Classic Qwest refers to the

company prior to the merger with US West.

In a July 26, 2006 Amended Complaint that was filed in

McMurray, et al v. Verizon Communications Inc., et al, Index No. 06 CV 3650 (LBS)

(S.D.N.Y.)³ (see Exhibit F), the following allegations were made:

- "Within eleven (11) days of the onset of the Bush administration, and at least seven (7) months prior to the attacks of September 11, 2001, defendant ATT began development of a center for monitoring long distance calls and internet transactions and other digital information for the exclusive use of the NSA." *Id.*, ¶ 81.

- "The center was put into development by ATT following a proposal by the NSA for the construction and development of a network operations center identical to ATT's own network operations center located in Bedminster, New Jersey for the exclusive use of the NSA." *Id.*, ¶ 82.

- "Such a data center would also enable the NSA to tap into any call placed on the ATT network and to monitor the contents of all digital information transmitted over the ATT network." *Id.*, ¶ 85.

- "Said data center would enable the NSA to tap into any phone line and to monitor any digital transfer of information on ATT's networks including voice telephone calls, facsimile transmission and all internet traffic." *Id.*, ¶ 87.

- "The NSA program was initially conceived at least one year prior to 2001 but had been called off; it was reinstated within 11 days of the entry into office of defendant George W. Bush." *Id.*, ¶ 89. "The NSA program was code-named *Pioneer-Groundbreaker* and was also

³ By August 9, 2006 Order of the Multidistrict Litigation Panel, this matter was among 16 cases transferred to the Northern District of California for coordinated or consolidated pretrial proceedings.

known at ATT Solutions division as GEMS (Groundbreaker Enterprise System)." *Id.*, ¶ 90 (emphasis added).

We have been told by plaintiff's counsel in the *McMurray* matter that these allegations have been confirmed by an AT&T employee who personally saw documents corroborating these facts. We thus intend to corroborate the accounts of Messrs. Wandry, Nacchio and Payne,

[REDACTED]

We recognize that the Court, on the

basis of our earlier Section 5 submission, has found that submission "too vague, conclusory and general to form the basis for any good faith influence that NSA was contemplating any contract with Qwest during the relevant time period." (See First CIPA Order at 22) Our present submission clearly overcomes our previous failure. The interview of Payne and the Payne email (Exhibit C) certainly provide the substantiation the Court found lacking in the earlier submission. Our present Rule 17(c) application, if granted, can provide even more.

So substantiated, this proffer conforms to the Court's observations that a ruling of relevance would depend on the authentication that a contract between Qwest and NSA was more than a "gleam in the eye" or just a supposition. During the October 12, 2006 closed hearing, the

Court stated:

It depends, it really depends. Suppose that the truth is that there was a \$200 million contract that NSA and Payne had been talking about, and Payne is reporting back to Nacchio and saying, we've got this \$200 million contract, it's going to be awarded to us in the next six months. And then Nacchio goes to this meeting in Washington, D.C., thinking he's going to firm up the contract, close the deal, and

[REDACTED]

[REDACTED] as he represents. And he says, no, and the contract suddenly dries up, that's relevant.

(October 12 Transcript, 65:1-13) The Court went on to note:

[REDACTED]

(October 12 Transcript, 66:7-18) Finally, the Court opined:

All right. I understand what is being said now. And the Court believes that it is still relevant. If there was such a contract to be awarded during the relevant time and as a matter of fact that contract was not awarded because of Mr. Nacchio's reactions, then the fact that it was not awarded or that he did not learn of the reasons until after May 29 is something that certainly comes out in front of the jury and can be evaluated by the jury, but it doesn't make it inadmissible.

(October 12 Transcript, 68:9-17)

The evidence is also relevant for another reason. Specifically, the government persists in offering evidence that Qwest did not, in fact, achieve significant revenue in 2001 from classified government contracts, implying that Mr. Nacchio's expectations were unreasonable and his defense is not in good faith. This evidence counters any such inference by demonstrating that Mr. Nacchio's expectation was reasonable and would have become a reality

[REDACTED]

IV. [REDACTED]

Mr. Payne told Mr. Nacchio sometime in 1999 that there was a classified \$500 million world-wide RFI that would be awarded in pieces. [REDACTED]

[REDACTED] Mr. Nacchio knew, from Messrs. Wandry and Payne, that the agencies talked to each other about Qwest's capabilities and Mr. Nacchio understood that Qwest's prior successes for [REDACTED] had likely been conveyed [REDACTED]. Consequently,

Mr. Nacchio had a reasonable expectation that Qwest would receive some portion of this \$500 million contract.

[REDACTED] bid set up

By mid-August 2000, Mr. Payne's staff was working on a [REDACTED] as a one-year contract with four one-year renewal options, the overall value of which could exceed \$50 million. (See Exhibit G, email from Thomas Mallaney to Roger Hoaglund (August 17, 2000) (Bates No. QILL0002154762).) Mr. Payne's key staff person was Joe Canale

[REDACTED]

(See Exhibit H, email from Liza Burns to Chris Howell (January 22, 2001) (Bates No.

QILL0008093640)).

Mr. Payne explained that the contract improved the

communications abilities from the post-World War II era to current technology, and that [REDACTED] was enthusiastic about it.

[REDACTED]

From [REDACTED]

September 2000

through 2001, Mr. Payne shared with [REDACTED]

Mr. Nacchio that there was a high probability that [REDACTED]

wanted to extend what Qwest did in [REDACTED]

[REDACTED] Europe to other parts of the world, including South America. [REDACTED] was extremely pleased with the concept of private [REDACTED] networks, and asked Mr. Payne if Qwest could do in South America what it was doing in Europe.

[REDACTED]

Indeed, Mr. Payne knew that five or six agencies were all trying to solve problems in Europe, the Middle East and elsewhere, and they were talking about the possibility of giving it all to Qwest.

Mr. Nacchio recalls the prospect of [REDACTED] business from the South America project, over which Mr. Payne was in discussions [REDACTED] from the latter part of 2000 right through the first half of 2001. These discussions prompted Mr. Nacchio to order and purchase capacity in South America. [REDACTED] told Qwest it wanted a continental backbone capacity in South

America and back to Washington, D.C., [REDACTED] (See Exhibit I, email from William Heil to James Payne (September 27, 2001) (Bates Nos. QDSEC0563612/QILL0005317321).) This would be the same type of network as

which were up-front capital intensive and could "easily" be in the \$100-200 million range.

"Most likely" access cities [REDACTED]

were: [REDACTED]

"Good to have" cities [REDACTED]

were: [REDACTED]

(Id.)

Accordingly, discussions [REDACTED] over the award of a South American network continued unabated, although the project was "not coming together" as quickly as Qwest had expected in the early part of the year. (See Exhibit J, email from Roger Hoaglund to Dan Nimitz

dated July 3, 2001) That Qwest was frustrated at delays in July 2001 actually corroborates Mr. Nacchio's recollection that, during the relevant period of the indictment, he had reason to believe that this contract would be forthcoming during 2001. The breadth of the expected contract is further corroborated by a July 9, 2001 email, which noted that "[m]any of the RFPs will require both CONUS and OCONUS circuit pricing." (Exhibit K, email from Richard Fernandez to Roger Hoaglund (July 9, 2001). In other words, the network would extend from the United States (CONUS) into South America (OCONUS). The constant inter-connectivity between

agencies is illustrated by the question in the email, "[w]hy can't we get it cheaper from [REDACTED]

[REDACTED] of course, was the Qwest code name for [REDACTED]

to the [REDACTED]

network [REDACTED]

V. DISA

When [REDACTED] entered into its contract with Qwest for the network which became known as [REDACTED] it included an option for another clandestine agency to build its own private fiber optic network. Impressed by [REDACTED] success and upon the recommendation of [REDACTED] [REDACTED] took advantage of this and exercised the option. Dean Wandry informed Mr. Nacchio that DOD wanted to have Qwest build a CONUS fiber network, as Qwest had done for [REDACTED]. This was necessarily prior to August 1999, when Payne succeeded Wandry.

[REDACTED] was so successful that, at some point, a DISA representative told Mr. Payne that it would prefer that Qwest didn't do anything but classified work in the area of private fiber networks.

Accompanied by Mr. Payne, Mr. Nacchio met twice with General Raduege in his DISA capacity, first in June 2000 and again in September 2000 (Mr. Nacchio also met with General Raduege as part of their joint participation in NSTAC). The June 2000 meeting was at an army base in northern Virginia. [REDACTED] was already well under way and Mr. Nacchio knew this was an outgrowth from Qwest's earlier success with [REDACTED]. They discussed business opportunities with DISA.

The second meeting occurred in the fall of 2000. It was attended by Messrs. Nacchio and Payne, the latter having had earlier meetings with General Raduege. Mr. Nacchio knew that [REDACTED] was still expanding in CONUS, and there was now interest further expanding the network OCONUS, to Europe. Mr. Nacchio left the second meeting confident that significantly more business would be forthcoming from DISA. General Raduege was responsible for all DOD telecommunications contracts. Ferrari and Moby Dick are each different internal Qwest code

names for this effort. Payne had been led to believe that DISA could probably justify sole sourcing this to Qwest and avoid public bidding, which confirmed Mr. Nacchio's expectations for significant DISA revenue in 2001.

Indeed, within a month of the September 2000 meeting, Mr. Payne's staff was estimating a \$100 million opportunity and preparing a "White Paper" and pricing for presentation to DISA for dark fiber to replace the existing DOD network throughout the UK, Belgium, Germany and

Italy. (See Exhibit L, email from Tom Legare to Penny Bosse (October 29, 2000) (Bates Nos. QWSEC0005138/QILL0005815158).) There are a series of key documents which track the evolution of DISA's negotiations with Qwest. In a January 15, 2001 email that both lays out the

DISA opportunity and once again illustrates the inter-connectivity among the agencies, Mr.

Payne stated:

[A] brief summary of a \$100+M IRU opportunity my team is presently negotiating. This new IRU is indirectly linked to the [REDACTED] program.

* * *

I am in negotiations with another agency that is looking closely at [REDACTED] and intends to transact a [sic] IRU that could exceed \$100+M in revenue *this year* (see below). ... Perhaps because of the [REDACTED] program award, the DOD has suddenly awoken to the fact that their costs and strategic investments in a broader world network is not where it should be. My team has been working with the DOD customer and various classified agencies to move quickly to implement a world wide network using existing Qwest contract vehicles. With the new Bush Administration's emphasis on increased investments in DOD infrastructure, the timing on the IRU is good.

* * *

As you can see this is a very large opportunity that could scale up or down due to the new Administration and the various political maneuvering associated with a program of this size. Timing and speed are key factors in this IRU strategy. ... I can only repeat that this program is the wedge that opens all of the other

agencies to Europe. All of my current and potential customers are looking intensely at [REDACTED]

(See Exhibit H (emphasis added).)

Mr. Payne's reference in January 2001 is to DISA's intention to award Qwest in excess of \$100 million revenue in 2001. He also explains the possibility that Qwest can accomplish this work in a variety of ways "using existing Qwest contract vehicles," i.e., by expanding DISA's own [REDACTED] network OCONUS, or by piggy-backing on the [REDACTED] European network Qwest was building at that very moment [REDACTED]

[REDACTED] This, again, establishes the inter-connectivity of the agency contracts and work.

As talks progressed through the first half of 2001, DISA began expanding the breadth of the work it wanted done. It decided to have Qwest install [REDACTED] provide connectivity to U.S. bases." (Exhibit M, email from George Johnston to Liza Burns (February 27, 2001) (Bates No. QILL0008093655).) In other words, DISA wanted a redundant network, which would significantly increase up-front costs (and therefore revenue) beyond the \$100 million plus to which Payne had referred the month before. Mr. Payne's staff was of the opinion that, "[b]ottom line is that this will be BIG and will require faster response time than we have experienced on [REDACTED] with local tail providers." (*Id.* (emphasis in the original)) Qwest was focusing on "what sections we can sell the Government today." (See Exhibit N, email from Mike Mannion to Roger Hoaglund (May 11, 2001) (Bates No. QILL0002119686).)

As time went on, Mr. Payne's group continued to raise its internal projection of project "Ferrari" revenue from \$100 plus million to more than \$200 million (See, e.g., Exhibit O, email from Frank Lukas to Roger Hoaglund (June 21, 2001) (Bates No. QILL0002124737).) Indeed, although DISA "originally ... expected the number to come in at around \$120 M," Mr. Payne's

staff was contemplating that revenue from the project would be fully \$246.3 million, and only be kept that low by excluding Italy. (Exhibit P, email from Frank Lukas to Jeffrey Hackman (June 18, 2001) (Bates No. QILL0002123744).)

Significantly, despite the fact that Mr. Payne's team discussed project strategy and ways in which the contract could be implemented with non-classified personnel at Qwest, none of these projected revenues were included by Payne in his budget forecasts, and certainly not in the public guidance which had first been issued on September 7, 2000.

VI. NSTAC

We have not yet been able to interview Mr. Clarke. Nonetheless, we do have additional materials for this submission. As we have previously submitted, during the first half of 2001 Mr. Nacchio understood that GovNet was to be a "fast tracked" \$2 billion project that would be implemented in six months. This is substantiated by contemporaneous public documents. In October 2001, *OMB Watch* quoted Mr. Clarke as saying that "planning for GOVNET actually started as far back as December 2000." (See Exhibit Q, relevant pages from *OMB Watch*, vol. 2 No. 21 (October 21, 2001) (<http://www.ombwatch.org/articleprint/961/-1/137>).)

Mr. Clarke introduced himself to Qwest in late 1999 or early 2000, visiting Mr. Payne at Qwest's offices. He revealed to Mr. Payne his knowledge about the classified work the company had already done for various agencies, and impressing Mr. Payne with his vision for a future private network that would be impervious to cyber-warfare and government-wide, sweeping up both classified and non-classified agencies. This vision became known as GovNet. Mr. Payne arranged for Mr. Clarke to tour Qwest's "CyberCenter" in Sterling, Virginia on June 22, 2000.

Qwest's relationship with Mr. Clarke continued to improve, and Mr. Payne was urging Mr. Nacchio's appointment to NSTAC in place of former US West CEO Sol Trujillo. As early as June 2000, Mr. Payne was explaining the importance of Mr. Nacchio's participation on NSTAC: "Though no one 'sells' anything at the NSTAC there is certainly ample opportunity to position Qwest for even greater classified and [sic] programs in the DD but it also elevates Qwest's general status in my marketplace." (Exhibit R, email from James Payne to Michael Tarpey (June 23, 2000) (Bates No. QDSECAM0867457).) In January 2001, Mr. Payne learned that Mr. Nacchio's nomination to NSTAC had been upgraded to "Vice-Chair." Mr. Payne was encouraged because a new administration was coming in, such a position was highly regarded in the DOD community, and Gen. Raduege was the senior DOD interface with NSTAC. Messrs. Payne and Nacchio had already met twice privately with the General on DISA business, in June and September 2000.

The March 7, 2001 meeting in the White House Situation Room was attended by Condoleezza Rice, Richard Clarke, General Raduege, Messrs. Nacchio and Payne, and also representatives from Raytheon and GTE. At this meeting, Mr. Clarke asked the group if it was possible to create a network, then proceeded to describe [REDACTED] Mr. Payne hadn't known that Mr. Clarke had the "need-to-know" that would have allowed him to know the details of this project.

After describing his "hypothetical" network, Mr. Clarke asked the group what kind of company could do this. Everyone said no one could, it couldn't be done. Mr. Nacchio, instead of saying "I already built this network twice, once for [REDACTED] and once for DISA," instead simply described how it could be done. Later, Paul Kurtz (a NSC staffer) told Mr. Payne that Mr.

Clarke did this because he wanted to see Mr. Nacchio's response. Their conclusion was that Mr. Nacchio handled it appropriately, and this cemented Mr. Clarke's decision to move Mr. Nacchio into the NSTAC chairmanship.

Like [REDACTED] what Mr. Clarke had in mind for GovNet was an "airgap network," impervious to outside attack. The network was driven by IRUs in order to create a private government intranet. At the March 7, 2001 meeting, Mr. Clarke talked about the vulnerabilities of the internet, the "Pearl Harbor" scenario. This led the Qwest representatives to conclude that substantial work was in the offing.

In the first half of 2001, Mr. Clarke had repeated conversations with Mr. Nacchio and other Qwest employees about plans for GovNet. Mr. Clarke asked Mr. Nacchio how quickly could the network be implemented. Mr. Nacchio said in six months. Indeed, as has been shown, when the RFI finally came out it called for exactly that and Mr. Clarke was later criticized for believing it could be done in that short a time frame. It was Mr. Clarke who told Mr. Nacchio it would run about \$2 billion, based on Mr. Clarke's knowledge of the agencies involved. This seemed reasonable to Mr. Nacchio because he knew about the agencies he had worked with, their budgets and their spending.

Mr. Clarke asked Mr. Payne to arrange a follow-up meeting with Mr. Nacchio, in Denver. Part of the trip was an inspection of Qwest's operational facilities. Scheduling difficulties resulted in the meeting taking place at the Anschutz Ranch on May 9, 2001.

Things had advanced to the point where a meeting was scheduled for Mr. Payne to brief Assistant Secretary of Defense Wolfowitz at the Pentagon on NSTAC developments. Messrs.

Nacchio and Payne attended a June 5, 2001 NSTAC dinner, which was followed by a June 6, 2001 breakfast at the White House and then a working session, and things continued to go well.

As we have previously noted, it was only subsequently that Mr. Payne learned that Mr. Clarke's efforts would not bring the immediate results he and Mr. Nacchio had been led to expect, and the entire landscape changed after the events of September 11, 2001.

VII. EXECUTIVE SECURITY CLEARANCES

Messrs. Nacchio and Payne held top secret clearances during the relevant period. Dean Wandry did so for the earlier period. Mr. Mohebbi had no security clearance of any kind during the entire period relevant to this case. We will prove that his application for "top secret" clearance, made in 1999, was shelved until July 16, 2001. Even after obtaining that clearance,

Mr. Mohebbi was not "read in" to any of the programs for which Qwest was doing classified work until February 25, 2002. And he was never authorized with the "need to know" which would have allowed him access to the details of the classified work Qwest was doing for the various agencies. In sum, during the period of August 2000 to September 2001, Mr. Mohebbi was not allowed to know anything about the prospective classified work referred to in the Section 5 CIPA submissions.

It will be recalled that, following the November 2 and 17, 2000 letters from Mr. Nacchio's counsel to the Department of Justice, explaining that Mr. Nacchio had classified financial information not in the public guidance that was relevant to the impending "inside trading" charge contemplated by the Department of Justice, Mr. Mohebbi was hurriedly interviewed by the government on November 14, 2005. According to his 302, he advised the government that he "had a top secret clearance while he was employed at Qwest

Communications International, Inc." and he further stated that when he "was giving his warnings to Joseph Nacchio about the company, he took into account all business, classified or not." He also is reported to have assured the government that "all federal contracts which were potential were identified on the initiative sheets."

These statements are not correct and the government's assertion -- based on the government's interviews with Mr. Mohebbi and other Qwest personnel who also lacked any security clearances -- that all of the prospective classified contracts were incorporated in both the annual guidance and the quarterly budgets is not correct. And we wish to introduce the material in our CIPA submissions to prove the basis of Mr. Nacchio's good faith belief in the validity of the guidance, in spite of Mr. Mohebbi's contrary views, and those of others who were unaware of the contents of these CIPA submissions.

VIII. CONCLUSION

For the foregoing reasons, Mr. Nacchio respectfully requests that: the Court find that the facts set forth herein are relevant, admissible and may be used at trial in this matter.

Respectfully submitted this 31st day of October, 2006.

s/Herbert J. Stern

Herbert J. Stern

Jeffrey Speiser

Edward S. Nathan

Alain Leibman

Stern & Kilcullen

75 Livingston Avenue

Roseland, New Jersey 07068

(973) 535-1900

(973) 535-9664 (facsimile)

s/John M. Richilano

John M. Richilano

Marci A. Gilligan

Richilano & Gilligan, P.C.

633 17th Street, Suite 1700

Denver, CO 80202

(303) 893-8000

(303) 893-8055 (facsimile)

CERTIFICATE OF SERVICE

I hereby certify that on this 31st day of October, 2006, a true and correct copy of the foregoing THIRD-SECTION 5 CIPA SUBMISSION ON BEHALF OF DEFENDANT (with Exhibits A-E) was filed and served by hand delivering same, in Washington, D.C., to the Court Security Officer appointed by the Court in this within matter.

s/Edward S. Nathan

Edward S. Nathan

EXHIBIT A

From: Seidel, Robert W
Sent: Tuesday, December 28, 1999 2:50 PM
To: Payne, James; Peed, David; Cole, Donald
Cc: Terwilliger, Melissa
Subject: Maryland Opportunity Meeting Email

I'd like to get the four of us together next week to discuss the potential opportunity with the Maryland customer. Don and I had a very informative meeting last week and I met with Rand Allen and Scott McCaleb, Wiley, Rein & Fielding, today to discuss this issue. They will be looking at the issue from a more legal perspective (assumption of liability, etc.), but there are operational issues that need to be examined. Don's counsel in this regard was invaluable. Especially with Nacchio becoming involved, we need to fully examine all of the potential risks and rewards associated with pursuing this endeavor. Melissa, can you coordinate the various calendars to schedule the meeting?

Thanks.

Skip Seidel

Only the named recipient(s) should read this e-mail. If you are not a named recipient or received this e-mail by mistake, please notify me immediately by reply e-mail and delete the message.

EXHIBIT B

J. Specter

Updated: Security Briefing

ct:
ion:

Thu 7/6/2000 8:30 AM
Thu 7/6/2000 11:30 AM
Out of Office

v Time As:

(none)

rrrence:

Accepted

ting Status:

We need to be there by 8:30 at the latest. I will coordinate with you so we can carpool.

Tks.

n/George,

You have been scheduled for your security briefing on July 06, 2000 at 8:30 a.m. You need to be badged through exit off of the [redacted] You should report to [redacted] This exit ramp (this is their main visitor control center at [redacted]) no later than 8:10. You can get to [redacted]

At the first traffic light, turn right and look for someplace to park your car. Parking can sometimes be a problem and you may have to walk a little bit. Please ensure that you have a picture ID to present to the security officer. A visit cert was sent in for you to attend this briefing. Once badged, you need to proceed to [redacted] The on-site security guard can provide you directions to the briefing room. The briefing starts promptly at 8:30 a.m. and concludes at approximately 11:15 am. They will not accept anyone who is late.

Please let me know whether you have any questions or concerns.

Dave
4809

EXHIBIT C

From: Payne, James
12 May 20

From: Payne, James
Sent: Tue, 13 Mar 2001 15:16:14 GMT
To: Tom W. Nacchio, Joe, Jacobs

From: Payne, Sam
Sent: Tue, 13 Mar 2001 15:16:14 GMT
To: Hall, Tom W; Nacchio, Joe; Jacobsen, Stephen
Howard, Johnston, George; Hallett, Au

CC: Seeger, Howard; Johnston, George; [REDACTED]
David Folderauer, Kenneth M [REDACTED]

CC: Seeger, M
BCC: Peed, David; Folderauer, Kenneth
Subject: WSJ Article on NSA "Groundbreaker"

Attached is a one page "opportunity profile" for the NSA "Groundbreaker" that was profiled in today's Wall Street Journal. Qwest is on the CSC team. On February 27 Joe Nacchio and I met with this agency. [redacted] the NSA Director was not available but we did meet with the lead NSA official that [redacted] the CSC team in early 1999.

In addition to the above team we are "ghosting" NSA Groundbreaker by exploring the utilization of existing Qwest contract vehicles. Network Services under Groundbreaker has been delayed until 2002. Qwest is the current DIA provider for NSA and we are pressing NSA to work a CyberCenter solution possibly independent of the above contract.

James F. X. Payne

James F. [redacted]
Senior Vice President
[redacted]

~~Senior Vice President~~
~~Government Systems~~

2000 Federal Computer Week

Federal 100 Winner

703/363-3376 - Direct

703/ 363-3378 - Fax

james.payne@qwest.com

Qwest

Qwest
"10 Hot Companies to Watch in Federal Market"
Week October, 1999

"10 Hot Companies to Watch in 1999"
Federal Computer Week October, 1999

EXHIBIT D



Newsroom

News Release -- July 31, 2001

CSC-LED JOINT VENTURE WINS NATIONAL SECURITY AGENCY (NSA) GROUND INFORMATION TECHNOLOGY CONTRACT

750 NSA Employees to Transition to the Private Sector

EL SEGUNDO, Calif., July 31 -- Computer Sciences Corporation (NYSE: CSC) today announced that a CSC-led joint venture, the Eagle Alliance, has been awarded the Groundbreaker contract by the National Security Agency (NSA). CSC is the managing partner of the Eagle Alliance, which was formed in partnership with Logicon, a Northrop Grumman company. The contract is estimated to be valued by NSA in excess of \$2 billion if all options are exercised. The contract has a potential duration of 10 years.

The Eagle Alliance and its subcontractor companies will provide secure and non-secure telephony and network services, distributed computing services, and enterprise and security management of the non-mission information technology infrastructure at NSA headquarters and surrounding offices. When the contract takes full effect in November, CSC will assume responsibility for transitioning approximately 750 NSA employees into the Eagle Alliance and begin a modernization of the agency's information technology infrastructure.

The Eagle Alliance was created for and dedicated to NSA and the Groundbreaker program. It will provide a cost-effective model for fulfilling NSA's requirements and provides a single framework for the delivery of services by all Eagle Alliance members. With full financial backing of CSC and Northrop Grumman, the Eagle Alliance provides a single point of accountability -- the senior executive, Timothy J. Sheahan. In his new position, Sheahan will report to Tom Robinson, president of the Defense Group within CSC's Federal Sector and chairman of the alliance.

The Eagle Alliance also includes Strategic Alliance Partners -- key members of the delivery team from the beginning, who are committed to the success of Groundbreaker: General Dynamics for telephony and networks, Keane Federal Systems for distributed computing and enterprise management support, as well as Omen Inc (a small business) to fully integrate the members of the Eagle Alliance Small Business Consortium. Other companies, such as ACS Defense, BTG, CACI, Compaq, TRW, Windermere, Fiber Plus, Verizon and Superior Communications make up the team of Technology and Service Delivery Partners.

"We are committed to supporting NSA in this landmark opportunity to use our Tier 1 outsourcing credentials to modernize and streamline their operations and reduce costs," said Van B. Honeycutt, CSC's chairman and chief executive officer. "This award represents a continuation of the trend among government agencies to utilize best commercial practices and employ information technology to help meet operational objectives while making better use of IT budgets."

"We will support the requirements of the National Security Agency in a second-to-none secure environment," said Paul Cofoni, CSC's Federal Sector president. "Our team understands the task at hand, and together we will provide strong information

James P. Sullivan
Director,
Communications
Federal Sector
703.641.2588
[> Email](#)

Frank Pollare
Director, Public
Information
Corporate
310.615.1601
[> Email](#)

Bill Lackey
Director, Investor
Relations
Corporate
310.615.1700
[> Email](#)

10/20/2006

CSC: CSC-LED JOINT VENTURE WINS NATIONAL SECURITY AGENCY CONTRACT

technology expertise, proven best commercial practices and large-scale systems management to meet NSA's objectives."

CSC will leverage its global capabilities to bring the full power of the company in supporting NSA.

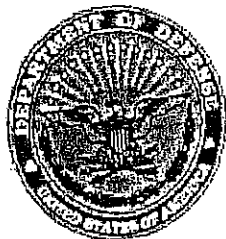
"Our overall solution for NSA capitalizes on CSC's experience in developing strategies, implementing technologies and achieving service delivery levels for large, global clients," added Sheahan. "The combination of our extensive outsourcing experience, information security expertise, and 40-year heritage of supporting the federal government ideally positions us to understand the overall needs of the National Security Agency and deliver the results they require."

About CSC

Computer Sciences Corporation, one of the world's leading consulting and information technology (IT) services firms, helps clients in industry and government achieve strategic and operational results through the use of technology. The company's success is based on its culture of working collaboratively with clients to develop innovative technology strategies and solutions that address specific business challenges.

Having guided clients through every major wave of change in information technology since 1959, CSC combines the newest technologies with its capabilities in consulting, systems design and integration, IT and business process outsourcing, applications software, and Web and application hosting to meet the individual needs of global corporations and organizations. With nearly 68,000 employees in locations worldwide, CSC had revenues of \$10.5 billion for the twelve months ended March 30, 2001. It is headquartered in El Segundo, California. For more information, visit the company's Web site at www.csc.com

EXHIBIT E



NATIONAL SECURITY AGENCY
CENTRAL SECURITY SERVICE
FORT GEORGE G. MEADE, MARYLAND 20755-6000

NSA PRESS RELEASE
31 July 2001

For further information, contact:
NSA Public and Media Affairs,
301-688-6524

National Security Agency Outsources Areas of Non-Mission Information Technology to CSC-Led Alliance Team

The National Security Agency (NSA) has established an official government-industry partnership for Information Technology Infrastructure (ITI) services within the areas of Telephony, Distributed Computing, Enterprise Management, and Networks by awarding a prime contract on 31 July 2001 to the CSC-led Alliance Team. Today's acquisition, known as Project GROUNDBREAKER, concludes an extensive procurement process, following a 15-month Feasibility Study, announced in a June 2000 Press Release, and a managed competition among industry leaders, announced in a March 2001 Media Update. The winning Alliance Team, self-named as Eagle Alliance, is a CSC-led joint venture in partnership with Logicon, a Northrup Grumman company. Additionally, the team comprises strategic alliance partners that include General Dynamics for telephony and networks, Keane Federal Systems for distributed computing and enterprise management support, and Omen, Inc., a small business that will integrate the Eagle Alliance small business consortium. Technology and Service Delivery Partners for this Alliance Team include ACS Defense, BTG, CACI, Compaq, TRW, Windemere, Fiber Plus, Verizon, and Superior Communications.

As an agency in transition, NSA continues to address the technology explosion of the past decade by leveraging the expertise of the commercial marketplace through an aggressive reformed acquisition strategy. The Eagle Alliance Team will be responsible for redefining and implementing new ITI processes and end-to-end solutions under a contract that has a potential duration of 10 years with a potential value that exceeds \$2 billion.

"The ability of NSA to perform its mission depends on an efficient and stable ITI, one that is secure, agile, and responsive to evolving mission needs in balance with the requirements to recapitalize and refresh technology," NSA Director Lieutenant General Michael V. Hayden, USAF, said. "This outsourcing partnership for these four ITI areas supports our transformation efforts. It allows us to refocus assets on the Agency's core missions of providing foreign signals intelligence and protecting U.S. national security-related information systems by turning over several ITI services for industry's purview."

This government-industry partnership will result in service quality improvements, continuous modernization of NSA's ITI, as well as a cost avoidance for the Agency over the duration of the contract. It is also an employee-friendly approach to redefining NSA's internal corporate structure in that the contractors will receive monetary incentives to hire a significant number of Agency employees, and offer them comparable or better pay, benefits, and opportunities. Over the contract duration, Eagle Alliance will manage the selective ITI areas while undergoing continuous governance and monitoring by NSA based on Service Level Agreements that identify the performance levels required. NSA will continue to provide transition services (e.g., career counseling, resume preparation, and seminars) for employees interested in moving to the private sector under this contract.

The contract is expected to be fully operational in November 2001, 2 months ahead of the original schedule.

America's Colonizers and Codebreakers
##

EXHIBIT F

Carl J. Mayer (CM-6589)
66 Witherspoon Street - Suite 414
Princeton, New Jersey 08542
609-921-0253

Bruce I. Afran (BA-8583)
10 Braeburn Drive
Princeton, New Jersey 08540
609-924-2075

Attorneys for Representative Plaintiffs

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

REV. JOE McMURRAY; REV CHARLENE MANN;
DR. MICHAEL REUSCH; DR. TRUDY BOND;
PROF. ROBERT NEWBY;
SERGE POPPER; THOMAS S. DWYER;
JAMES VAN ALSTINE; MICHELE ROSEN;
THEODORE JONATHAN MORRIS; SHARON
ANN MORRIS; HARRIS SONDAK,
MERRILYN ROME; BRAD MARSTON;
GREG L. SMITH; MICHAEL BROOKS;
MICHAEL S. ROTHMEL;
ILENE PRUETT; ANTHONY BARTELEMY
LINDA GETTIER; STEPHANIE MEKET;
THOMAS MICHAEL FAIN; BARBARA LANGER;
PAM HADDON; VERN HADDON;
DONALD HERRON; RAY ANDERSON, COLLIN BABER;
MARK BAKER; JOHN BARRETT; WILLIAM BETZ;
FRAN BLAMER; SHANE AND KRISTEN BRINK;
MICHAEL BROOKS;
PAUL BRUNY; PETER CATIZONE; STEVE
CHRISTIANSON; JOHN CLARK; KINGSLEY CLARK;
THOMAS M. CLEAVER; PETER B. COLLINS; KRIS AND
MARK COSTA; JULIE DAVIS; SHARON L. DAVIS;
DIANE GAVLINSKI; TONI DIDONA, THERESA R. DUFFY;
SHAWN FITZGIBBONS; JOHN FITZPATRICK;
JENNIFER FLORIO; MARGARET FRANKLIN; DAWN
FURLER; C. GARIFO; JOSEPH GEHRING; JANE AND
MARK GENTILE-YOUD; LINDA J. AND G. LAWRENCE
GETTIER; JIT GILL; MIKE GILMORE; JAYSON GLEASON;
MARC GOLDSTONE; TODD GRAFF; JANET GRANJA;
SUSAN GROSSMAN; STEPHANIE GUSTAVE AND
KEVIN SHAWLER; DON AND DONNA HAWKINGS;
JOSE V. HEINERT; LAMAR HENDERSON; CAROLYN R.
AND DOUGLAS S. HENSLEY; JENNIFER HONTZ;
JOYCE JACKSON; ANDREW JAFFE; RANDEL JAMES;

MICHAEL JOHNSON; DIANE JULIANO; FAY KAISER,
RAJENDRAM KRISHNAN; MICHAEL LAVO; FRED LEAK;
KEN LEHA; BEN LINDSEY; LISA LOCKWOOD,
NANCY K. LOREY AND GERARD P. CLERKIN;
MICHAEL T. LYDA; ELEANOR M. LYNN ESQ.;
TERRY MANCOUR; JON PAUL McCLELLAN;
ALICIA McCOLLUM; JAMES McGRATTAN;
CLYDE MICHAEL MORGAN; MS. LODGE; SHERI A. MUELLER;
FRAN NOBILE; CHRIS VON OBENAUER; DAEDRIA
FARMER-PAELLMAN; DAN PATTON; RAY PENNA;
CONSTANCE PHILLIPS; MARK PLANTE; JEREMY PUHLMAN;
MARTIN RAZO; DANIEL REIMANN; MARK RICHARDS;
LINDA RITHKIS; WILLIAM ROBINETTE; FRED AND
DARLENE ROGERS; KATHLEEN ROGERS; WILLIAM J.
ROMANSKY; BRONSON ROSIER; JOSH SEEFRIED;
ANNA F. SHALLENBERGER; ROYCE SHEPARD;
ROBERT SIDEN; GREGORY L. SMITH; CHRISTIAN
STALBERG; MICHAEL L. STEPHAN; ROBERT STEWART;
DONNA A. STONE; PAUL AND REGINA SUNDBERG;
WILLIAM R. SWEENEY, JR.; DAVID TAYLOR; APRIL
TIPE; ALLEN T. TRADER III; BARRY W. TRIBBLE;
FRED TRINKOFF; THOMAS VILAR; VICKIE VOTAW;
LEON DWIGHT WALLACE; ACHIENG WARAMBO
AND ULRICH GEISTER; DAVID AND BETH WHITE; JANE WINSTON;
KEVIN WRIGHT; JOEL ANGER; CAROL COSE; DEBORAH
DOUGHERTY; JAMES FLYNN; IRENE KING; PAUL KRAFT;
GINA DE MIRANDA; CATALINA R. THOMPSON;
MARY LEAH WEISS; ELIZABETH T. ARNONE;
ELEANOR LYNN; JAY H. ROWELL; DANIEL REIMANN;
VIVIAN PHILLIPS; JEFFREY G. MARSOCCI; BRIDGET
IRVING; JAMES HALL, JOHN McINTYRE;
on behalf of themselves and all others similarly situated,

Plaintiffs,

v.

VERIZON COMMUNICATIONS INC.;
CELLCO PARTNERSHIP;
BELL SOUTH CORPORATION;
AT&T CORPORATION; AT&T INC.;
GEORGE W. BUSH, individually in
his executive capacity and as representative
of the UNITED STATES OF AMERICA;
and NATIONAL SECURITY AGENCY,

Defendants.

INDEX NO.:
06 CV 3650 (LBS)

Amended Complaint

Jury Demand

recipient to have unfettered and unrestricted access to all Verizon Wireless data and voice content.

78. Upon information and belief the line to Quantico fed Verizon Wireless data to a U.S. government agency situated in or near Quantico, Virginia.

79. Unlike all other transmission lines at the data center, the "Quantico" line was not connected to any firewall that would have restricted access to Verizon's records and the "Quantico" recipient was thereby enabled by Verizon to access all calls, calling histories and content placed on the Verizon Wireless network.

80. Upon information and belief, and based upon the foregoing, Verizon in or about 2003, and upon further information and belief at other times, gave unlimited, unrestricted and unfettered access to all wireless call data, information and contents to a government agency situated in Quantico, Virginia.

Defendant ATT's Construction of a Call Monitoring Center
for the Exclusive Use of the NSA.

81. Within eleven (11) days of the onset of the Bush administration, and at least seven (7) months prior to the attacks of September 11, 2001, defendant ATT began development of a center for monitoring long distance calls and internet transmissions and other digital information for the exclusive use of the NSA.

82. The center was put into development by ATT following a proposal by the NSA for the construction and development of a network operations center identical to ATT's own network operations center located in Bedminster, New Jersey for the exclusive use of the NSA.

83. The NSA proposal was accepted by the ATT sales division and referred to ATT Solutions, an ATT project development division situated in Florham Park, New Jersey.

84. The NSA proposal sought construction of a duplicate ATT Network Operations Center for the exclusive use of the NSA with the capacity to monitor all calls and internet traffic placed on the ATT long distance network, as well as ATT's wide area, fiber optic, T-1, T-3, T-5 and high speed data networks.

85. Such a data center would also enable the NSA to tap into any call placed on the ATT network and to monitor the contents of all digital information transmitted over the ATT network.

86. The project was described in the ATT sales division documents as calling for the construction of a facility to store and retain data gathered by the NSA from its domestic and foreign intelligence operations but was to be in actuality a duplicate ATT Network Operations Center for the use and possession of the NSA that would give the NSA direct, unlimited, unrestricted and unfettered access to all call information and internet and digital traffic on ATT's long distance networks.

87. Said data center would enable the NSA to tap into any phone line and to monitor any digital transfer of information on ATT's networks including voice telephone calls, facsimile transmission and all internet traffic.

88. Such project was in development not later than February 1, 2001, within eleven (11) days of the onset of the Bush Administration.

89. The NSA program was initially conceived at least one year prior to 2001 but had been called off; it was reinstated within 11 days of the entry into office of defendant George W. Bush.

90. The NSA program was code-named Pioneer-Groundbreaker and was also known at ATT Solutions division as GEMS (Groundbreaker Enterprise System).

91. International Business Machines Corporation (IBM) was one of the parties working with ATT and the NSA to develop the monitoring center and IBM personnel participated in meetings with ATT and NSA officials in the development of the monitoring center.

92. Among the purposes of the Pioneer-Groundbreaker project was the storing and monitoring of all phone call information coming across ATT's networks; by means of this program NSA sought to duplicate all of the phone call information that came across ATT's networks for real time, contemporaneous analysis or, alternately, for downloading and later use by the NSA.

93. The proposed project was to be a storage entity modeled on ATT's network operations center in Bedminster, New Jersey, and would have the capability to monitor all data and traffic that came across ATT lines, including ATT traffic and traffic originating from other carriers that used ATT lines or that sent calls to ATT customers.

94. The NSA was seeking to duplicate the ATT network operations center and sought by means of the Pioneer-Groundbreaker program the ability to monitor all traffic coming across ATT's network.

95. The contact list for the Pioneer-Groundbreaker project consisted of a minimum of 35 ATT employees dedicated in whole or in part to the Pioneer-Groundbreaker program.

96. An ATT Solutions logbook reviewed by counsel confirms the Pioneer-Groundbreaker project start date of February 1, 2001.

97. The ATT Solutions logbook confirms the dates and transmissions of copies of ATT, IBM and NSA e-mails setting forth the existence of the Pioneer-Groundbreaker program; said e-mails remain in the custody, possession and control of ATT, IBM and NSA.

98. Said logbook was maintained pursuant to ATT Solutions policy in the regular course of business by telecom engineers at ATT Solutions.

99. Counsel have been informed of the foregoing information by several informants who had direct knowledge or who have received direct admissions by ATT personnel as to the foregoing facts.

100. ATT has not denied any of the allegations in the media disclosures of May 11, 2006.

101. Accordingly, defendant carrier ATT was engaged in active and knowing participation and conspiracy to violate 18 U.S.C. 2702, et seq., in concert with the United States not later than February 1, 2001.

Admissions Against Interest of Defendant Carrier BellSouth

102. In the reports of May 11, 2006, Defendant BellSouth was directly and specifically accused of disclosing its subscriber calling information and histories to the United States government without warrant or subpoena.

103. Despite such direct and specific accusations BellSouth has refused to and failed to deny that it gave subscriber telephone records or subscriber calling information or histories to the United States government without warrant or subpoena.

IN THE UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CARL J. MAYER and BRUCE I.
AFRAN, on behalf of themselves and all
others similarly situated,

Plaintiffs,

v.

VERIZON COMMUNICATIONS INC.,
NATIONAL SECURITY AGENCY and
GEORGE W. BUSH,

Defendants.

No. 1:06-cv-03650-PKC-AJP

NOTICE OF ORDER BY THE
JUDICIAL PANEL ON
MULTIDISTRICT LITIGATION

(electronically filed)

On August 9, 2006, the Judicial Panel on Multidistrict Litigation ("Panel") issued an order (attached as Exhibit 1) transferring this case and the 16 other cases that were identified in Verizon Communication Inc.'s Motion for Transfer and Coordination in *In re National Security Agency Telecommunications Records*, MDL Docket No. 1791, to the Northern District of California for coordinated or consolidated pretrial proceedings.

Respectfully submitted,

Dated: August 15, 2006

/s/ John A. Rogovin

John A. Rogovin (JR 6077)
Wendy A. Harris (WH 9233)
WILMER CUTLER PICKERING
HALE AND DORR LLP
1875 Pennsylvania Ave., NW
Washington, D.C. 20006
Tel. (202) 663-6000
Fax (202) 663-6363

Attorneys for Defendants Verizon Communications
Inc. and Cellco Partnership

EXHIBIT G

From: Mallaney, Thomas G
 Sent: Thursday, August 17, 2000 9:05 AM
 To: Hoaglund, Roger
 Subject: FW: Revised Business case
 Importance: High

Roger, Attached is a B-Case (ppt.) and P&L for [REDACTED]. I wanted to bring it to your attention as the overall value here could exceed \$50M. Its a one - year contract with 4 - one year options its expected the customer would keep the service a full five years but because of the way they are funded (annually) can only make a hard commitment to a single year. This proposal is to provide diverse DS3s to [REDACTED] locations throughout Europe and US [REDACTED] in Europe, [REDACTED] in US), with option pricing for transatlantic [REDACTED] connectivity. The offering is predominantly KPNQwest as there are only two domestic locations.

Here is a financial summary based on an expected five year term...

Contract Evaluated Price =	\$56.3 M
Project GM =	25.60%
Project CM =	15.00%
CM \$ =	\$ 8.5 M
IRR % =	214%
Capital Requirements:	673 K

KPNQwest has agreed to fund all Capital. Bob Stemer is running it through the CFO org but I don't believe there will be any issues. The bid is due Mon. the 21st. Let me know if you have any questions.

Tom

-----Original Message-----

From: Mannion, Mike
 Sent: Wednesday, August 16, 2000 5:55 PM
 To: Mallaney, Thomas G
 Subject: FW: Revised Business case
 Importance: High

-----Original Message-----

From: Welton, Anthony M
 Sent: Tuesday, August 15, 2000 2:24 PM
 To: Stemer, Bob
 Cc: Johnston, George; Peed, David; Mannion, Mike
 Subject: Revised Business case
 Importance: High

Bob,
 as discussed this morning, the attached case provides the latest cost information we have to date. Any costs estimates are noted in the power point presentation.

QILL 0002154762
 CONFIDENTIAL

EXHIBIT H

From: Burns, Liza
 Sent: Monday, January 22, 2001 9:57 AM
 To: Howell, Chris M
 Subject: FW: [REDACTED] Update

please print

-----Original Message-----
 From: Hall, Tom W
 Sent: Tuesday, January 16, 2001 4:09 PM
 To: Burns, Liza; Wilks, Lew
 Subject: FW: [REDACTED] Update

More info on Federal initiatives with KPNQ.

Tom

-----Original Message-----
 From: Payne, James
 Sent: Monday, January 15, 2001 2:08 PM
 To: Jacobsen, Stephen
 Cc: Hall, Tom W
 Subject: [REDACTED] Update

Steve:
 Per our conversation attached is an update of the [REDACTED] program from my perspective and a brief summary of a \$100+M IRU opportunity my team is presently negotiating. This new IRU is indirectly linked to the [REDACTED] program.

[REDACTED] PROGRAM - Overview

The [REDACTED] program was awarded to Qwest on September 15, 2000. This was a joint effort with K/Q that connects [REDACTED] hub cities in Europe in a private line service. [REDACTED] is valued at \$27M over five years. Though Qwest is booking \$27M, \$20M goes to K/Q and \$7M goes to Qwest for equipment and program management. This year the billing was expected to be close to \$6M. This contract has four delivery "CLINS". The first CLIN due date was December 29 with the remaining CLINS due by close of first quarter 2001.

In addition to the above four CLINS, [REDACTED] intends to compete more locations worldwide as well as augment the existing program that Qwest has won.

[REDACTED] PROGRAM - Status

The new date for the first [REDACTED] CLIN is the end of February. This date was pushed out for two additional months due to a variety of issues. The K/Q northern ring was not completed as planned by end of '00. No new date has yet been given. The local loops to the [REDACTED] cities is taking more time than anticipated. Key elements of the Network Control Center design are still being debated. I am very aware of the high level of effort K/Q is putting into [REDACTED] Weekly conference calls and written updates are provided to all parties. However, in spite of the best intentions, the program is where Qwest committed it would be. As a result of this my division loses in several ways. First, I need the revenue, as committed, to make my plan. Second the additional [REDACTED] revenue that could be realized is at risk since I have not met my initial obligations. Finally I am in negotiations with another agency that is looking closely at [REDACTED] and intends to transact a IRU that could exceed \$100+M in revenue this year (see below). Obviously my lack on performance in [REDACTED] impacts this likelihood of closing the IRU.

DOE IRU

00110008093640

Perhaps because of the [redacted] program award, the DOD has suddenly awoken to the fact that their costs and strategic investments in a broader world network is not where it should be. My team has been working with the DOD customer and various classified agencies to move quickly to implement a world wide network using existing Qwest contract vehicles. With the new Bush Administration's emphasis on increased investments in DOD infrastructure, the timing on this IRU is good. The problem we face is that the visibility to the above [redacted] program is demonstrating that Qwest is having a difficult time meeting government requirements. This is in stark contrast to the success that Qwest GSD has had in the domestic US when our network was equally new and incomplete.

As more [redacted] slippage takes place, it is my concern that this will affect the momentum we have created to book this IRU this year. Frankly without this IRU my entire year is at risk.

The revenue for this IRU application is actually expanding since more than one agency is looking at consolidating their requirements. The breakdown in revenue presently is about \$60M in K/Q fiber and \$40M in equipment. Qwest will bill but K/Q gets the fiber and I get the equipment sale. In addition there will be program management \$4-5M/yr (Qwest revenue) and another \$12M/yr for tail circuits.

SUMMARY

As you can see this is a very large opportunity that could scale up or down due to the new Administration and the various political maneuvering associated with a program of this size. Timing and speed are key factors in this IRU strategy. My team is putting a large amount of effort into the matters that we can control stateside. Qwest is having its own challenges with the [redacted] program, however, in my recent trip to Amsterdam I was briefed on a number of the issues described above and can only repeat that this program is the wedge that opens all of the federal agencies to Europe. All of my current and potential customers are looking intensely at [redacted] My team has negotiated a new [redacted] delivery schedule (Feb. 29) but I am not certain that the K/Q teams sees this as anything more than a target.

James F.X. Payne
Senior Vice President
Government Systems

2000 Federal Computer Week
Federal 100 Winner

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703/ 363-3378 - Fax
james.payne@qwest.com

Qwest

"10 Hot Companies to Watch in Federal Market"
Federal Computer Week October, 1999



James F. X. Payne
(E-mail).vcf...

EXHIBIT I

From: Heil, William (Bill)
 Sent: Thursday, September 27, 2001 9:35 PM
 To: Payne, James
 Cc: Lau, Ross/Nhin, Lan; Mohebbi, Afshin/Dieterle, Pam-Denver, Casey, Greg/Hawkins, Julie
 Subject: Gov't systems requirements

Jim.....based on several days discussions and emails, I want to confirm what the Gov't systems forecasted global needs are. We are about to commit to acquisitions in the Americas Region, to [REDACTED]
 I have received forecasts from Jamie Starr and Joseph Canale as summarized below.

From Jamie

LOCATION	CAPACITY	ACTIVATION DATE
[REDACTED]	STM1	Dec-01
[REDACTED]	STM4	Dec-02
[REDACTED]	STM1	Dec-02
[REDACTED]	STM4	Dec-01
[REDACTED]	STM1	Dec-02
[REDACTED]	STM1	Dec-02

Also, there may be additional requirements beyond the aforementioned timeframe (possibly a 10 GB requirement in the 03 timeframe).

From Joe
 We anticipate that our customer will want an architecture of a protected ring at the [REDACTED] rate, configuration with an add/drop capability at each location. We would need Continental backbone capacity in South American and back to Washington and local access of [REDACTED] STM-1 [REDACTED] at each location

List of Potential Locations for SCAN

Most Likely:

[REDACTED]

Good to Have:

[REDACTED]

William Heil

(303) 992-2368 off
 (303) 834-8172 cel

EXHIBIT J

From: Hoaglund, Roger
 Sent: Tuesday, July 03, 2001 11:17 AM
 To: Nimtz, Dan
 Subject: FW: Pacific Rim Pricing Problems
 Importance: High

-----Original Message-----

From: Payne, James
 Sent: Tuesday, July 03, 2001 10:08 AM
 To: Hall, Tom W; Hoaglund, Roger
 Cc: Fernandez, Richard X; Johnston, George; Seeger, Howard
 Subject: FW: Pacific Rim Pricing Problems
 Importance: High

This deal is not coming together. Attached is a summary of activities to date. The customer will sole source this to us and we are valuing this at about \$30M.

The underlying issue is the process. My team is convinced that there is a deal to be made with existing available fiber. We want to work with the process but please note the firm July 9 date. We are forcing the customer to go out for bid [REDACTED]. I really need this deal.

-----Original Message-----

From: Curtis, Bill (Government Systems)
 Sent: Tuesday, July 03, 2001 11:48 AM
 To: Payne, James; Johnston, George
 Cc: Peed, David; Seeger, Howard; Folderauer, Kenneth M; Starr, Jamie C
 Subject: Pacific Rim Pricing Problems
 Importance: High

Jim/George - As you are aware we have been working on a proposal for [REDACTED] and [REDACTED] services to [REDACTED] along with an [REDACTED] service to [REDACTED]. The original date to submit this proposal to the customer was 21 June 01. We have requested an extension to 9 July 01 since we were unable to get pricing for these services. Parts of the service requirement was provided to the customer in our [REDACTED] Proposal submitted Dec 2000. The customer elected to take the Oconus requirements out of the [REDACTED] proposal due to additional requirements that were pending and to obtain a better price.

We have been informed on numerous occasions that we in GSD have not followed the appropriate Qwest process in obtaining/requesting this information. For this proposal we have followed the Qwest process and have made no progress. We can not get pricing from Roger Hoagland Strategic Pricing because Qwest is not willing to offer a service offering/product to [REDACTED].

We have worked with Jamie Kennedy and Brian Horen (International Product Mgt) to identify our requirements. We were also informed that Qwest was working a fiber swap with [REDACTED] which would provide us an STM-16 on this cable system. However this deal suddenly fell apart and our requirements were left unfulfilled. We were also informed that the Japan/US cable system is planned to be operational by the fourth quarter of this year. However, we have been unsuccessful in getting a price on this system.

Mike Mannion and Wendy Fields have been trying to work through these issues and provide costs that will meet our requirements. They have essentially circumvented the system to be able to provide our customer a solution. The price they have given us is [REDACTED] Surf/URL price which is also above the cost we provided the customer in the original [REDACTED] proposal. In addition, Wendy and Mike have not been able to provide an STM-4 [REDACTED] price.

The following is the price comparison between [REDACTED] and Qwest.
 Surf price; 5 x STM-1 = \$5.6M

- Price provided to us for Proposal is 5 x STM1 = \$7.5M)

We are still missing pricing for the [REDACTED] to [REDACTED]. Wendy and Mike has requested this information from Roger Hoagland organization but has had no success.

We are consistently being criticized for not following the Qwest norm, but unfortunately Qwest Product Mgt and Strategic Price has not been able to deliver. July 9th is Monday and I'm not in a good position to ask for another extension unless I can have some reassurance that Qwest is willing to provide both cost and service.

For us in Government Systems to be a viable and successful business unit, we must be able to quote our customer prices in a short timeframe.

William (Bill) Curtis
Senior Director
Qwest Government System Division
Operation & Engineering
WK: 703-460-7552
FAX: 703-460-7549
MB: 703-980-8477

EXHIBIT K

From: Fernandez, Richard X
 Sent: Monday, July 09, 2001 2:37 PM
 To: Hoaglund, Roger
 Cc: Nimitz, Dan
 Subject: RE: Pacific Rim Pricing Problems

Roger,

This quote was provided by Jamie Starr, an AE who reports to Dave Peed, who requested it from the carriers. This pricing challenge highlights the international provisioning issue and RFP compliance. Many of the RFPs will require both CONUS and OCONUS circuit pricing and we have a choice of responding to the entire RFP, or not responding at all. In most cases we cannot respond with CONUS pricing only. We need a resource that we can go to for provisioning and pricing of OCONUS circuits. This doesn't mean that Qwest needs to own the asset, but rather that we can be a reseller of other carriers services.

FYI - The pricing was completed last week for submission today. I will follow-up on [REDACTED] quote.

Richard

-----Original Message-----

From: Hoaglund, Roger
 Sent: Sunday, July 08, 2001 8:25 PM
 To: Fernandez, Richard X
 Cc: Nimitz, Dan
 Subject: RE: Pacific Rim Pricing Problems

Why can't we get it cheaper from [REDACTED]

-----Original Message-----

From: Fernandez, Richard X
 Sent: Friday, July 06, 2001 1:25 PM
 To: Johnston, George
 Cc: Seeger, Howard; Hall, Tom W; Payne, James; Hoaglund, Roger; Fields, Wendy M
 Subject: RE: Pacific Rim Pricing Problems

George,

To follow-up our conversation and to provide a status to the others, the pricing on the [REDACTED] and [REDACTED] to [REDACTED] are going to be cost (SURF quote) plus the standard 10% G&A and 7% profit mark-up (mark-up limited by current contract vehicle). The Backhaul portion is being researched to determine whether the 10/25/00 IRU quote is below cost since there is a significant difference in the current price quote. The [REDACTED] to [REDACTED] price is still being developed with the assistance of Kendra Keller. Resolution of the Backhaul and [REDACTED] to [REDACTED] price is expected today.

Richard Fernandez
 (303) 308-5368

-----Original Message-----

From: Johnston, George
 Sent: Friday, July 06, 2001 11:40 AM
 To: Hoaglund, Roger
 Cc: Fernandez, Richard X; Seeger, Howard; Hall, Tom W; Payne, James
 Subject: RE: Pacific Rim Pricing Problems
 Importance: High

QILL 0001505958
 CONFIDENTIAL

Roger,

We are desperate on this pricing. Here is the situation to date:

Current pricing from SPR is \$7.5M for 5 STM-1s wet-link
SURF price is \$5.6M for 5 STM-1s wet-link

The customer is aware of the SURF pricing and would expect us to be able to meet or beat that.

No response from SPR on pricing request.
SURF price is \$4.032M.

Backhaul from [redacted] from SPR:

		7/5/01 IRU	10/25/00 IRU
	7/5/01 5-yr Lease		
	\$ 5k (waiverable)	\$ 500k	\$ 150k
Upfront	\$ 15k	\$ 10k	\$ 9k
O&M Annual			
	\$ 10k (waiverable)	\$1.5M	\$ 600k
Upfront	\$ 35k	\$ 40k	\$ 30k
O&M Annual			

The customer was provided the 10/25/00 prices in our earlier proposal. The customer chose not to act on the offer at that time, but is very cognizant of the falling prices in the telco industry. We need to meet or beat the 10/25 offer.

No response from SPR on pricing request.

We also have a current request for pricing for an [redacted] to the [redacted] for the same customer. Here is a comparison of the results thus far:

SPR Price	MRC	\$1.4M
	NRC	\$ 877k
Existing Circuit	MRC	\$ 108k
	NRC	\$ 41k

The [redacted] is priced about 12-times the [redacted] they have in place today. This obviously won't fly. While this proposal is not due Monday, it is due soon. We are trying to use the pricing to prevent the customer from going competitive on this bid. This customer is one of the top ten in Qwest, with a growing need for global connectivity.

Please bear in mind we have been working this proposal with the SPR group since 5/25 and have escalated more than once. We have already asked for an extension of our due date to the customer, and the new deadline is Monday. I need some good pricing today so we can pull this proposal together.

I will be in Denver Thursday afternoon. If you have some time, I would like to meet to see if we can improve things on both sides to avoid situations like this. Thanks for your help.

QILL 0001505959
CONFIDENTIAL

George Johnston
 Vice President
 Govt Systems Opns & Engrng
 Qwest Communications
 (703) 460-7575
 (703) 460-7549 (fax)
 (703) 623-9930 (mobile)
 << File: Johnston, George.vcf >>

Original Message

From: Hoaglund, Roger
 Sent: Tuesday, July 03, 2001 1:27 PM
 To: Hall, Tom W; Payne, James
 Cc: Fernandez, Richard X; Johnston, George; Seeger, Howard
 Subject: RE: Pacific Rim Pricing Problems

We didn't close the deal with [REDACTED] so we're chasing alternatives. [REDACTED] was supposed to give us that capacity which we would flip to Fed.

I am also confused on price. I thought we pitched the \$7.5M. Is that now an issue too? If the target is down to \$5.6M we'll need to know.

Roger

Love this guys attitude. Richard, what's up with him now knowing that Mike is my group. Why does he think that he's been giving the green light numerous times to do his own thing?

Original Message

From: Hall, Tom W
 Sent: Tuesday, July 03, 2001 10:34 AM
 To: Payne, James; Hoaglund, Roger
 Cc: Fernandez, Richard X; Johnston, George; Seeger, Howard
 Subject: RE: Pacific Rim Pricing Problems

I'll get with Roger to help close this gap. What Bill needs to appreciate is that Roger and team worked around the clock (literally) the last week to close the quarter and opportunities that required special work that weren't part of Q2 revenue didn't get much focus. Yes he needs to follow process. I would suggest escalating even earlier. I had thought we did respond with a price when previously requested.

Tom

Original Message

From: Payne, James
 Sent: Tuesday, July 03, 2001 10:08 AM
 To: Hall, Tom W; Hoaglund, Roger
 Cc: Fernandez, Richard X; Johnston, George; Seeger, Howard
 Subject: FW: Pacific Rim Pricing Problems
 Importance: High

This deal is not coming together. Attached is a summary of activities to date. The customer will sole source this to us and we are valuing this at about \$30M.

The underlying issue is the process. My team is convinced that there is a deal to be made with existing available fiber. We want to work with the process but please note the firm July 9 date. We are forcing the customer to go out for bid [REDACTED] I really need this deal.

Original Message
 From: Curtis, Bill (Government Systems)

QILL 0001505960
 CONFIDENTIAL

Sent: Tuesday, July 03, 2001 11:48 AM
 To: Payne, James; Johnston, George
 Cc: Peed, David; Seager, Howard; Folderauer, Kenneth M; Start, Jamie C
 Subject: Pacific Rim Pricing Problems
 Importance: High

Jim/George - As you are aware we have been working on a proposal for [redacted] and [redacted] services to [redacted] along with an [redacted] service to [redacted]. The original date to submit this proposal to the customer was 21 June 01. We have requested an extension to 9 July 01 since we were unable to get pricing for these services. Parts of the service requirement was provided to the customer in our [redacted] Proposal submitted Dec 2000. The customer elected to take the Oconus requirements out of the [redacted] proposal due to additional requirements that were pending and to obtain a better price.

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We have worked with Jamie Kennedy and Brian Horen (International Product Mgt) to identify our requirements. We were also informed that Qwest was working a fiber swap with [redacted] which would provide us an STM-16 on this cable system. However this deal suddenly fell apart and our requirements were left unfulfilled. We were also informed that the Japan/US cable system is planned to be operational by the fourth quarter of this year. However, we have been unsuccessful in getting a price on this system.

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The following is the price comparison between SSC and Qwest.

- [redacted] Surf price; 5 x STM-1 = \$5.6M
- Price provided to us for Proposal is 5 x STM1 = \$7.5M)

We are still missing pricing for the [redacted] to [redacted]. Wendy and Mike has requested this information from Roger Hoagland organization but has had no success.

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For us in Government Systems to be a viable and successful business unit, we must be able to quote our customer prices in a short timeframe.

William (Bill) Curtis
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 MB: 703-980-8477

QILL 0001505961
 CONFIDENTIAL

EXHIBIT L

From: Legare, Tom [Tom.Legare@kpnqwest.com]
 Sent: Sunday, October 29, 2000 6:43 PM
 To: Bosse, Fenny; Zaal, Rene
 Cc: Rajmakers, Anja; Tadema, Cor; 'greg'; Schreuder, Jan; Hagley, Kathy; Corvi, Pete; Hagley, Mike
 Subject: US Activity Report for Week Ending 27 October

Here is the activity report for the US Team for the week ending 27 October.
 I compiled the report on behalf of Mike Hagley this week and will be happy
 to make any additions or corrections if necessary.

Regards,

Tom Legare

Greg Walsh

Attended private De-Briefing on BFP win by Janice Freeman bid manager.
 Worked with Qwest Government team to prepare "White Paper" and pricing for
 Defense Information Systems Agency (DISA) for Dark Fibre and Colour Services
 to replace European network throughout UK, Belgium, German and Italy. White
 paper final

due Tuesday, October 31st. Potential sale value \$100 Million.

Had conference call with Jan Louwes, Nico Korving, Neil Hamilton, and David
 Peed, Janice Freeman and Jeff Backman from Q Government Systems regarding
 the scope and pricing of the Colour Service for the disa Project. Also,
 received all pricing back from Francios Malterre this morning. Will have
 budgetary quote for Colour and equipment by COB 11-01-00.

Scheduled meeting next week to meet with QBPP account team in Owens Mills,
 MD to meet and review KQ portfolio and capabilities.

Discussed updated status on AOL contract with SNAM. US Team still awaiting
 final contracts from KQ UK sales group in order to have Qwest US team sign
 the deal. Value \$ 7.1 Million

Sent out Global email regarding KQ Growth Markets, National Accounts, and
 Government Systems on KQ Q3 Revenue achievement.

Covered for Pete during his week in Holland. Took many calls and inquiries
 from Qwest account teams on Hosting and co-location service opportunities.

Finalizing all details on Holland trip the week of November 4th.

Large Opportunities

AOL - Still waiting on formal contracts to be sent to Qwest National Account
 team from KQ UK sales team in order to formally finalize deal. Value: \$ 7.1
 Million IRU's. Sale through - National Accounts

US Government - Sale- Contract for OC-3 circuit from New York to

QWSEC0005138

QILL 0005815158

CONFIDENTIAL

landing station. All orders are being inputted into Qwest system.. Deal value: \$45,000 Euros/ month, \$540,000 Euro total deal value. Sold by - Government Systems

Lexus Nexus - Sale- IPL sold this week. \$57,816.00 2 year term sold by - National Accounts

Smaller Opportunities

Hyperion Software - Account team awaiting for client to give the go ahead to sign this ATM deal and begin then provisioning process. All indications are that deal will go through. deal. Deal value \$ 207,405 for a 3 year term.

Tom Legare

Tom Legare attended a staff meeting with Qwest Nationals Central Region new RVP, Art Johnson. Art Johnson is from the former US West company and is not familiar with KPNQwest and Qwest's international portfolio, and has asked Tom to come to Minneapolis within the next month to train the Qwest sales people and kick off KPNQwest with the team of former US West employees there.

TMP Worldwide has scheduled an account team review meeting that Tom Legare will be participating in November 14th and 15th. TMP has budgeted \$1.5 million per month for telecom spend in 2001, of which over 90% will be international. Much of this is planned to be spent in CyberCentres.

On Friday Tom Legare had a day of vacation.

Legare Hot Opportunities .

[REDACTED]

Pete Corvi

Activities/Issues

Meetings in Hoofddorp all week.

Speedera Coordinated account team engagement

Sabre Group - KQUK meeting in London was satisfactory and Pete will debrief with Q account team for customer feedback

Equifax initial dialog on collo at UK Megacybercenter

Large Opportunities

[REDACTED]

QOS European IRU 3 Million list price. This opportunity is being handled by Q GB. Pete and account team will meet with customer on Nov 1 to review opportunity. Q wholesale markets would be better positioned to provide competitive pricing.

[REDACTED]

Insignia/BSG - DS3 access in UK to ATM with 4 MB PVC back to customer's Qwest Cyber Center in Virginia. Worth \$150,000 per year for 3 years. SPR is complete and delivered to customer. Decision in November

[REDACTED]

Citigroup - Web hosting/housing services in UK and Germany (initially 15 cages each). Q account team was provided information on which services are available now they are developing plan to migrate to full service megacybercenters. Please note this is a current Q customer. Looks like a 60

day fuse

Schlumberger/OMNES - 30 day window to make first cut Backbone Omnes has now requested pricing for OC 12 and OC3 capacities. This was delivered to team Oct 26. Local loop pricing is still required for all service capacities. OC 48 pricing was delivered on Oct 18 to satisfy account teams initial requirement. Local loop pricing still required. Strategic relationship deal for big pipe Euro IP network. SPR in process for response by Oct 18 Account requirements have changed and KQ opportunity is for OC48 to 5 European locations (2 UK, 1 Scot, 1 France, 1 Norway). Account team working on strategy to address solutions for remote locations in Norway and Scotland. Account team believes additional customer requirements for Rim and South America will not be an obstacle to providing US and Europe services.

Sorry OC3 to the UK. Early stages of account development. Customer perception is we are overpriced. (we need a better process for larger deals rather than present list price.

Non Stop Networking OC3 NY-London. Account team is working with customer to establish price point to win.

Naaj Rajmakers

National Accounts:

This week I tried to get more involved in the National Accounts, by talking to the AM's about their customers or maybe potential customers. I still have to meet half of them in the coming week for the NY office.

I have now a cubicle in the NA office as well and will spend about 2 days a week there.

I had a conference call with Q AM and Reuters about TA capacity for their voice traffic. They are also interested in a solution for their data traffic in a later phase.

I went to the Fall IW Conference for which we were invited by Qwest. It is a retail conference. I participated actively on this conference and had also duty in the Qwest booth. There were several questions related to the European portfolio.

Wholesale:

We updated the funnel this week quite a bit and I spoke to the AM's about the progress. There are many new leads in the funnel.

The pricing process is improving, but at the moment quite confusing. With the meeting of Kendra Keller and Martha Pye in The Netherlands, the pricing process should be much faster and the prices should have been improved for the retail and the wholesale.

Product Marketing in Denver asked me to help them in a market investigation

on prices for TAT14 backhaul, for which I approached the different carriers for pricing.

The operational procedures for the wholesale customers is still an issue. I am working with Bill Hopkins on this and in the mean time I am trying to get all the information we need in NL for the network management center. For this I need to fill in a Customer Information Guide for the 8 customers we signed contracts with. So, not only for Flag and Globix, but all contracts we signed up till now.

Worldlink sent us an order 4 weeks ago. I have been working with the Q AM to get the order processed within Q. I looks like the order will be in NL next week.

Cor Tadema

Monday u/i Wednesday, meetings in Hoofddorp and The Hague with KQ and Qwest regarding [REDACTED] contract

Thursday travel day

Friday, cleanup, handle stream of messages and calls and trying to complete the DISA information before proceeding on my 2 weeks of vacation on Monday

EXHIBIT M

From: Johnston, George
 Sent: Tuesday, February 27, 2001 7:40 AM
 To: Burns, Liza
 Cc: Payne, James; Hall, Tom W; Graham, Grant; Treanor, Stephen; Hutchins, Doug; Seeger, Howard
 Subject: RE: KPNWQwest

Liza,
 The capacity heads in Europe are still vague. The customer wants [REDACTED] to provide connectivity to U.S. bases. Actual capacities and whether they will want leased services to the backbone or construction will be on a ICB and is yet to be determined. Bottom line is this will be BIG and will require faster response time than we have experienced on [REDACTED] with local tail providers. Anything you can do to grease the skids for when the requirements are finalized will be appreciated. Dedicated support will be essential to success.

Regarding the equipment, that has been the KQ position all along. We contend that they agreed to buy the equipment (period). Paying them back for it was never in our business case.

Revenue recognition and transfers still need to be worked out by the financial folks. Steve Treanor should be taking the lead on this.

Thanks for the help.

gj

-----Original Message-----
 From: Burns, Liza
 Sent: Tuesday, February 27, 2001 5:08 AM
 To: Payne, James
 Cc: Hall, Tom W; Graham, Grant; Treanor, Stephen; Hutchins, Doug; Seeger, Howard; Johnston, George
 Subject: RE: KPNWQwest

Makes sense to me. Can you please send me the list of circuits you require so I can check capacity. I have a meeting with Ray Walsh tomorrow who heads up network so it would be great if you can forward today.

By the way, got agreement from KQ for Qwest to recognize all revenues for [REDACTED] Did you already work out a transfer from them?

As for the equipment, my understanding is that Phatt Williams has agreed that KQ will purchase and they will invoice Qwest for it. They are confirming for me today.

Liza Burns
 Vice President
 Global Business Markets Strategic Alliances
 Qwest
 555 17th Street, 15th Floor
 Denver, CO 80202
 303-992-2850 (office)
 303-992-3351 (fax)
 303-570-7279 (cell)
 lburns@bellsouth.com (pager)
 303-992-3311 (Assistant: Chris Howell)

-----Original Message-----
 From: Payne, James

QILL0008093655

Sent: Saturday, February 24, 2001 7:29 AM
To: Burns, Liza
Cc: Hall, Tom W; Graham, Grant; Treanor, Stephen; Hutchins, Doug; Seeger, Howard; Johnston, George
Subject: KPN/Qwest

Lisa:

I understand that you are visiting Amsterdam next week. My team is exploring a large KPN/Qwest IRU for second quarter. We are close enough to the final proposal to the customer that we would like to confirm capacity at KPN/Qwest. I would like your help in confirming the availability of capacity that we will be committing to the customer.

My team knows who to talk to at KPN/Qwest to get the preliminary answer, however, my experience to date has shown that these commitments are unreliable. Apparently there is a high turnover at KPN/Qwest and we are often told when mistakes are made it was done by a previous employee. Pardon my skepticism but can you help us get sign off such that I can be assured that the capacity is there before we go the customer.

James F.X. Payne
Senior Vice President
Government Systems

2000 Federal Computer Week
Federal 100 Winner

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703/ 363-3378 - Fax
james.payne@qwest.com

Qwest

"10 Hot Companies to Watch in Federal Market"
Federal Computer Week, October, 1999

<< File: James F. X. Payne (E-mail).vcf >>

EXHIBIT N

From: Mannion, Mike
 Sent: Friday, May 11, 2001 8:32 AM
 To: Hoaglund, Roger; Fernandez, Richard X
 Subject: FW: Ferrari

Current status on Ferrari -
 • (Dave Peed is the Sales Director for DOD/Special Programs)
 • ("LAP" is local access provider)

Original Message

From: Peed, David
 Sent: Friday, May 11, 2001 9:50 AM
 To: Seeger, Howard
 Cc: Mannion, Mike; Wellen, Anthony M.; Cole, Donald
 Subject: Ferrari

Gentleman,
 I know all of you managers are interested for info on the Ferrari project. As you all know, I have just returned from the Netherlands and this is where we stand.

We had been waiting for three critical items from KQ they are:
 1. Build schedule i.e., what sections we can sell the Government today. This looks to be completed need to work through formatting issues. (putting it in a format consistent with Government standards. Due date of May 25th.
 2. Equipment evaluation. This has been completed, Noriel was selected by KQ. Need to do engineering of network (whether to provide a OC-48 or 192 Backbone). Also need written documents from KQ on how they made the selection. Due date May 18th.

3. LAP connectivity. No info provided. Information need is:
 a. Current providers at the 21 locations
 b. Current availability
 c. Alternate providers
 d. Potential construction providers.
 e. ROM construction cost.

Due date 6/1/01.
 4. Complete a business case for the customer for submission. Due 6/2/01
 If we would have had the LAP issues resolved by our meeting on 5/9/01, we would have been able to schedule meetings with the customer earlier. Now it looks like making this a second quarter event is nearly impossible. Secondly, the customer is very concerned with the issues we are having with the [redacted] program. They are watching that very closely, I believe they will wait until that program stabilizes before they make a decision. Our main competitor [redacted] fueling this fire with both customers. The install date for CLIN's 2-4 on [redacted] are scheduled for the end of May. The government will like to see that operation up and running for several months.

Please call with any questions.

Dave

QILL 0002119686
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EXHIBIT O

From: Lukas, Frank
Sent: Thursday, June 21, 2001 7:58 PM
To: Hoaglund, Roger; Fernandez, Richard X; Mogendorff, Ewoud; Williams, Rhett; McMaster, Jack;
'jeff.vondeylen@kpnqwest.com'; Payne, James; Johnston, George; Kaplow, Wes; Seeger, Howard; Peed,
David
Cc: 'Keating, Brendan'; 'mike.manion@qwest.com'; Burns, Liza; Hall, Tom W; Gilmore, Shann; Becker,
Jim; Mohébbi, Afshin
Subject: RE: Ferrari

I agree we are getting close and the attached sheets are summarized below.
We are in agreement on the cost model and the pricing methodology.

Clearly everything is ROM at this point. Other key points: (i) The build line items for Phase 1 (not Phase 2 at this point) contain 20% additional hedge factors for negotiation purposes; (ii) The cost plus contains +10% G&A, and +20% Fee - we know that we may have to settle for less than the +20% fee, perhaps +15% for example; (iii) The equipment costs should be a little lower because we did not apply the full discount that KQ gets from Nortel at this time - also no price declines for equipment over time were assumed.

~~We are in agreement about taking these prices to the customer. (The account team will decide exactly how much to share and what caveats to provide - it is ROM pricing and the goal is to "hook" the customer and get them to agree to go ahead with the On Net backbone as a first step in the Program)~~

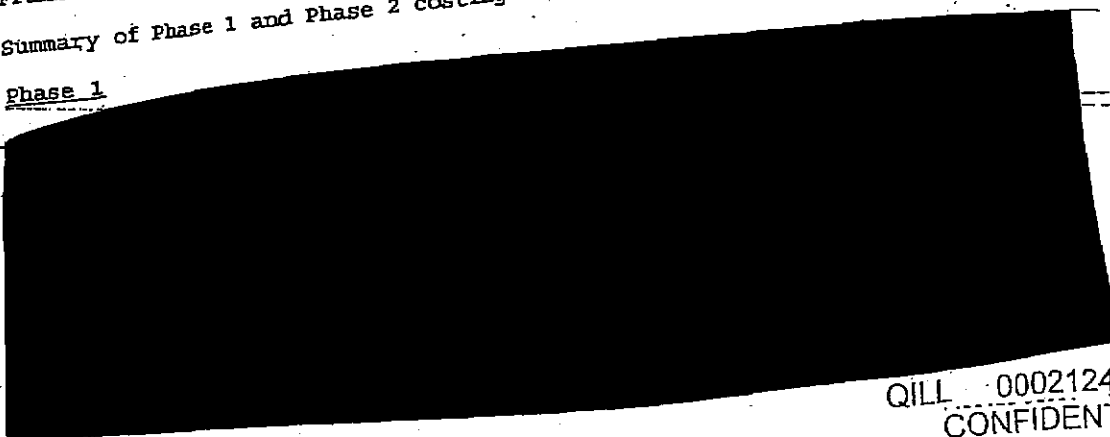
We have to reach agreement on the KQ/Q split of the Gross Margin. Ewoud submitted the KQ proposal that the Distributor Agreement covers On Net only so only the On Net line item should have a KQ/Q split -- to be decided upon. All other line items would be 100% KQ margin. Qwest would simply pass them through to the customer.

We need to negotiate this immediately with help from senior management. We have gotten past the margin on margin issues. Now we have to figure out who gets what and how all the accounting implications play themselves out.


Frank.

Summary of Phase 1 and Phase 2 costing and pricing models follow:


Phase 1



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Phase 2



-----Original Message-----
From: Hoaglund, Roger
Sent: Thursday, June 21, 2001 6:52 PM
To: Fernandez, Richard X; Mogendorff, Ewoud; 'Williams, Rhett';
McMaster, Jack
Cc: 'Keating, Brendan'; Lukas, Frank; 'mike.manion@qwest.com'; Burns,
Liza; Hall, Tom W; Gilmore, Shaun
Subject: RE: Ferrari

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Richard and team, sounds like we're getting close. However, there seems to be a disconnect on customer ownership and revenue flows. Let me give my perspective. Customer shall be Qwest's, where KPNQ charges Qwest and Qwest charges customer. This is in line with the bi-lateral wholesale we are negotiating between our companies. Do we have a disconnect on this structure?

Roger

-----Original Message-----

From: Fernandez, Richard X

Sent: Thursday, June 21, 2001 2:41 PM

To: Mogendorff, Ewoud

Cc: Keating, Brendan; Lukas, Frank; 'mike.manion@qwest.com'; Fernandez, Richard X; Hoaglund, Roger

Subject: Ferrari

Team,

As we discussed, attached is the worksheet (Phase I) that incorporates your proposal and provides a high level view of the customer pricing and the related margins. As we discussed, the margin division between Qwest and KPN Qwest will be escalated for resolution.

Please let me know if you have any questions.

Richard Fernandez
(303)308-5368
(303)638-9625

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EXHIBIT P

From: Lukas, Frank
 Sent: Monday, June 18, 2001 3:43 PM
 To: Hackman, Jeffrey; Peed, David; Jain, Kushal; Polk, Robert; Stewart, James; 'Mallerre, Francois';
 Tadema, Cor; 'Walsh, Gregory'; Fernandez, Richard X; Hoaglund, Roger; Mannion, Mike;
 Mogendorff, Ewoud; Keating, Brendan; 'Kamp van der, Sandra'; 'Ulrich, Nick'; 'Pieper, Wouter';
 Burns, Liza; Bennett, Gail; Kaplow, Wes; Cole, Donald; Johnston, George; Seeger, Howard;
 Cc: Payne, James; Becker, Jim; Lukas, Frank
 Subject: Ferrari Update and calls tomorrow am

We have received wholesale pricing from KPNQwest and have had a series of internal Qwest meetings.
 We have to work on getting an agreement between ourselves on what to bid to the customer.

Cost	KQ Wholesale to Q	Qwest Price to Customer

Originally the customer expected the number to come in at around \$120 M. Based on no other data from the US it seems that getting under \$200 M will be important. Italy is a whole other story on top of this.

Tomorrow at 8 am EDT, 6 am MDT, 14:00 CET, we will have a discussion on any open questions regarding the spreadsheets.

At 9 am EDT, 7 am MDT, 15:00 CET we would like a smaller team to convene regarding the pricing dilemma. Attending this call should be:

From KQ: Brendan, Ewoud, and Jeff (CFO) if possible
 From Qwest: Jeff, David, Kushal, Richard, Mike, and Roger.
 Other Senior people from Qwest and KQ are welcome as well.

We will be forwarding some additional material that is still being prepared by Mike Mannion and Jeff Hackman.

Bridge number remains the same:

Domestic: 1-888 334 7925
 Int'l: 1-630 705 8820
 Passcode: 88599728

Thanks,
 Frank

Frank Lukas
 VP, International & Govt. Systems
 Network Operations
 (703) 363-3725 work
 (703) 622-2469 mobile
 frank.lukas@qwest.com

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EXHIBIT Q

OMB Watch

Home: Publications: The Watcher: OMB Watcher Vol. 2: 2001:

Published on 10/15/2001
<http://www.ombwatch.org/article/articleview/961/1/137>

Vol. 2 No. 21 October 15, 2001

In This Issue

Role of Federal Gov't at the Center of Post-September 11 DebatesEconomic Stimulus PackageCharitable Giving Incentives May Be In Economic Stimulus BillWill There Be a Stimulus Package that Actually Does?Nonprofit SectorIRS Publishes Guidelines For Election Year ActivitiesIRS FY 2002 Workplan Targets Audits, IssuesAgencies Behind In Developing Uniform Application ProceduresMcConnell Introduces Bill On Fraudulent SolicitationsFederal BudgetAppropriations Round-UpInformation Policy and TechnologyRight-to-Know ReconsideredNARA Electronic Records Management RuleGOVNETNPTalk: Web Animation -- Is it right for you?Reader ResponsesRight-to-Know and Terrorists; Economic Stimulus and EnergySIDE BAR: Budget: CTJ - Stimulus Package Tax Cuts Would Nearly Double Bush Tax Cut;
Economic Stimulus Hearing; Progressive LA ConferenceRole of Federal Gov't at the Center of Post-September 11 Debates

There is no dispute that feelings of national unity since the September 11 terrorist attacks have been strong. For example, there is widespread support in Congress for an economic stimulus bill and for overhauling airport security. Yet just beneath the surface lies fundamental differences about the role of government that will likely make it difficult to achieve the objectives voiced with national unity, particularly with regard to these two pieces of legislation.

The Gallup Organization released the results of a poll on October 12 that showed six out of 10 Americans now say they trust their government, a level not seen since 1968, and half want the government to do more to solve the country's problems. This percentage is the highest it has been in the nine years that Gallup has been asking the question. On the eve of the terrorist attacks, Gallup found 36% who wanted the government to do more. Whether the sharp uptick is temporary, however, only time will tell. However, it is consistent with public opinion research done before the attacks that found the public wanted to see the government invest more in the future of the country with federal resources.

10/20/2006

(Public Citizen).

The notice fulfills a promise NARA made in January to solicit comment on two of the three proposed changes presented in the Public Citizen petition. The petition requested that NARA amend rules concerning the management, scheduling and preservation of text documents created in electronic form, including the provisions of General Records Schedule 20 concerning word processing and e-mail.

One proposal under consideration concerns the requirement that record-keeping systems need to preserve the content, structure and context of a record. The other proposal requested that NARA mandate that before approving new electronic information systems or enhancements to existing systems that produce, use, or store text documents, agencies must conduct an initial appraisal of the records associated with the system and incorporate disposition instructions for such records into the electronic information system's design.

NARA will accept comments until January 8, 2002, and will use the feedback to decide whether any regulatory amendment or other changes are necessary.

Comments must be sent to:
Regulation Comments Desk (NPOL)
Room 4100, Policy and Communications Staff
National Archives and Records Administration
8601 Adelphi Road
College Park, MD 20740-6001.

They may also be faxed to 301-713-7270 or sent via the Internet to comments@nara.gov.

For further information contact: Nancy Allard at 301-713-7360, ext. 226.

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GOVNET

On September 10, 2001, President Bush's recently appointed cyberspace security advisor Richard Clarke announced plans for a new online government communications network called GOVNET, which would be separate from the Internet. The General Services Administration (GSA) has issued a Request for Information (ROI) for industry players to propose ideas for actually building and implementing the system. Though the announcement and issuing of the ROI was made almost one month after the September 11, 2001 terrorist attacks, Clarke has stated that planning for GOVNET actually started as far back as December 2000, when he served as President Clinton's National Security Council coordinator for infrastructure and counter-terrorism protection.

GOVNET would be built upon existing Internet protocols. While it would not support all government communications, it would provide a unified messaging medium -- combining Internet telephony, fax, e-mail, and video among other content -- through which critical government communications among agencies could be distributed. GOVNET would not be tied to any other public, private, or Internet-related networks, including the academic/researcher-built Internet 2. The system, which for now would only

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stretch across the 48 contiguous states, also emphasizes security and encryption controls on par with those recommended by the National Security Agency (NSA).

Skeptics and critics alike, however, stress that no system is foolproof. Vendors would have to design their products with respect to the overall systems in place, rather than simply submitting existing turnkey or "off-the-shelf" approaches. The federal government would have to own the telecommunications infrastructure, rather than simply lease telecommunications services, in order to control security. In order to ensure the tightest possible security, all staff and vendors involved would have to be thoroughly screened and monitored themselves to ensure that nothing is compromised throughout the design, implementation, and operating phases. This requires a delicate balancing act between determining the base of necessary information personnel across agencies and fulfilling public information needs, without making such a system ultimately difficult for government users.

Proposals for GOVNET are due by November 21, 2001, but there will also be an information exchange meeting for potential respondents to discuss particulars around the ROI.

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NPTalk: Web Animation -- Is it right for you?

Web animation is witnessing a growth among nonprofit organizations. While potentially able to attract and engage larger numbers than traditional direct mail and e-mail campaigns, there are still questions as to whether it is useful and cost-effective for organizations. NPTalk recently spoke with firms behind some of the most popular nonprofit animation campaigns on the Web, to help groups determine if animated campaigns are right for their needs.

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Reader Responses

RE: A Post-September 11 Attack on Right-to-Know

Being the rabid patriot that I am, I believe all Americans have the "right to know," especially when it comes to chemical plants and industries in their communities. I applaud your efforts. However, I do believe this information should not be randomly posted on a web site for access by every individual.

Information about a company's practices and chemical uses and pollution abatement (or non-abatement for that matter) should be available to all "citizens" through a process that protects that information from getting into the wrong hands. I don't know what that process might be, but I am certain that we can collectively work together to develop a system that both provides the information we all need to know and yet deters (maybe not completely) individuals who seek that information for more sinister or terrorist plans.

America is an open society and that is how we enjoy our freedom. But we cannot be blinded by that right and fail to see that some measures of protection have to be implemented. It is absolutely necessary for us to limit access to certain information, or have a better way of

10/20/2006

EXHIBIT R

From: Tempest, Drake
Sent: Tue, 15 Aug 2000 03:19:55 GMT
To: Payne, James
CC: Nacchio, Joe
BCC:
Subject: RE: NSTAC Paper

Would you like to join instead of Joe?

-----Original Message-----

From: Payne, James
Sent: Monday, August 14, 2000 12:12 PM
To: 'DaveJH@USWest.Com'
Cc: Tempest, Drake
Subject: FW: NSTAC Paper

-----Original Message-----

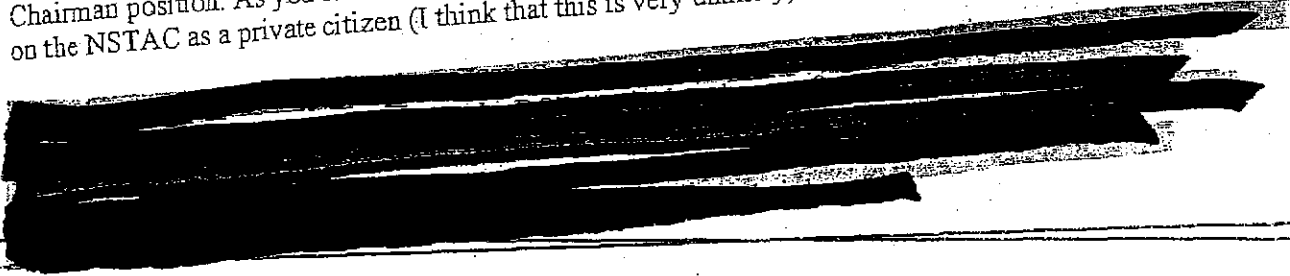
From: Payne, James
Sent: Friday, June 23, 2000 7:50 PM
To: Tarpey, Michael P.
Cc: Gilmore, Shaun
Subject: FW: NSTAC Paper

Mike:

This is a follow-up to a conversation regarding the National Security Telecommunications Advisory Commission (NSTAC) a Presidential committee on which Sol T. presently serves. The NSTAC issue came up recently in front of Joe during a DOD customer meeting that I arranged in Denver. In light of the imminent merger this should be addressed.

Attached is a brief White Paper on NSTAC. The White Paper gives you the mission, the objectives and the current list of CEOs that are on NSTAC. As you will see there is a Federal Agency and a separate private sector Presidential committee that addresses National Security/Emergency Preparedness (NS/EP) requirements worldwide. The agencies send the top decision-makers. Companies generally lobby to be represented on the NSTAC for not only the prestige but more importantly to participate in key public policy areas that directly affect their businesses. Considering Qwest's current leadership in the classified arena this is entirely appropriate for Joe to assume a spot on NSTAC.

As you will see Sol is the Vice-Chairman of NSTAC. As Vice-Chairman he would have automatically ascend to Chairman next spring. I am told that even though there is a merger Joe does not automatically get on the NSTAC. Additionally even if Joe does get approved he would also not assume the Vice-Chairman position. As you can tell this is very political. I am also told that Sol may be invited to remain on the NSTAC as a private citizen (I think that this is very unlikely).



In order to get Joe into the NSTAC club the shortest route would be a Sol T. recommendation to the NSTAC. If that is not likely I can work this through my channels. My customers very much want Joe at NSTAC. Wiley Jones asked me about the NSTAC issue. Perhaps Wiley wants to weigh on this.

I recommend we proceed but we first need to assess if this is something Joe wants to do.

-----Original Message-----

From: Johnston, George

Sent Friday, June 23, 2000 12:04 PM

To: Payne, James

Cc: Cole, Donald

Subject: NSTAC Paper

<< File: NATIONAL COMMUNICATIONS SYSTEM.doc >>

George Johnston

Vice President

Govt Systems Opns & Engrng

Qwest Communications

(703) 460-7575

(703) 460-7549 (fax)

(703) 623-9930 (mobile)

<< File: Johnston, George.vcf >>