

2. The Commission brings this action pursuant to the authority conferred upon it by Section 21 of the Securities Exchange Act of 1934 (“Exchange Act”) [15 U.S.C. § 78u] to impose a civil money penalty to address Defendant Haggerty’s wrongdoing.

3. The Commission seeks an order requiring Defendant Haggerty to pay a \$30,000 civil money penalty pursuant to Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

B. Jurisdiction and Venue

4. This Court has jurisdiction over this action pursuant to Sections 21(d) and 27 of the Exchange Act [15 U.S.C. §§ 78u(d) and 78aa]. Venue lies in this Court pursuant to Section 27 of the Exchange Act.

5. Certain of the transactions, acts, practices and courses of business constituting the violations of law alleged herein occurred within this judicial district.

6. In connection with the transaction, acts, practices, and courses of business described in this Complaint, Defendant Haggerty, directly or indirectly, has made use of the means or instrumentalities of interstate commerce, of the mails, of the facilities of a national securities exchange, and/or of the means and instruments of transportation or communication in interstate commerce.

C. The Defendant

7. Defendant Haggerty, a resident of Walnut Creek, California, was an officer of Qwest from November 1999 until his resignation in May 2003. From November 1999 to December 2000, Haggerty was a regional vice president of “Qwestlink,” Qwest’s construction business unit responsible for building its fiber-optic network in the United States. From December 2000 to May 2003, Haggerty was the senior vice president of Qwestlink.

D. Related Party

8. Qwest, a telecommunications company based in Denver, Colorado, provides broadband Internet communications, data, and multimedia services, as well as wireless services, local telecommunications, telephone directory services, and related services.

9. Qwest's common stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and the company is obligated to file reports on Forms 10-K and 10-Q. Qwest common stock is traded on the New York Stock Exchange.

E. Factual Allegations

10. In the United States, through its Qwestlink business unit, Qwest constructed its fiber-optic network by laying fiber-optic cable around and between major metropolitan cities. In addition to building the network for Qwest's use, Qwestlink sold fiber-optic cable to other telecommunications companies.

11. During 2001, as well as in other time periods, in SEC filings and in public statements, Qwest emphasized its projected revenues and earnings growth, and focused investors on the revenues and growth generated from its nationwide fiber-optic network. In turn, Qwest senior executives placed extraordinary pressure throughout the company to meet or exceed the revenue targets. Qwest could not, however, meet its targets through legitimate means.

12. Therefore, Qwest senior management relied on undisclosed "IRU" sales as a method to make up the difference between Qwest's real revenues and its projected revenue targets. An IRU, or Indefeasible Right of Use, is an irrevocable right to use a specific amount of fiber-optic cable or fiber capacity for a specified time period. Qwest accounted for IRUs as sales-type leases, and recognized revenue upon purported delivery and acceptance of the fiber (i.e., upfront). Qwest senior management commonly referred to IRUs as "gap fillers." IRUs were

further referred to as “heroin,” and Qwest as a drug user, meaning that Qwest was addicted to using IRUs as a means to meet revenue targets.

13. In June 2001, Qwestlink persuaded a purchaser of dark fiber to enter into an IRU agreement ahead of any actual business requirement for the fiber. The purchaser agreed, but only on condition of having the ability to port, or exchange, the fiber purchased for other fiber in the future. Haggerty understood that the IRU transaction would not be executed without an agreement to port. Haggerty also knew or was reckless in not knowing that Qwest’s corporate accountants would deny upfront revenue recognition if the contracts contained any reference to portability. Portability created a future contingency defeating, under GAAP, the upfront revenue recognition sought by Qwest.

14. Haggerty knew that all aspects of an IRU agreement must be contained within the four corners of the contract so that Qwest’s accountants could review the agreements fully. Therefore, in order to circumvent Qwest’s internal accounting controls, Haggerty assisted in providing the purchaser with an undisclosed verbal side agreement to port. Haggerty knew or was reckless in not knowing that providing an undisclosed verbal side agreement, rather than including portability in the IRU agreement, would conceal material facts from Qwest’s corporate accountants.

15. Because the IRU sale wrongly appeared eligible for upfront revenue recognition, Haggerty aided and abetted Qwest’s improper recognition of \$11.5 million of revenue in the second quarter ended June 30, 2001.

FIRST CLAIM FOR RELIEF
(Section 10(b) of the Exchange Act and Exchange Act Rule 10b-5)

16. Plaintiff repeats and realleges paragraphs 1 through 15 above.

17. Qwest, directly or indirectly, with scienter, in connection with the purchase or sale of

securities, by the use of means or instrumentalities of interstate commerce, the mails, or any facility of a national securities exchange, employed devices, schemes, or artifices to defraud; made untrue statements of material fact or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; or engaged in acts, practices, or courses of business which operated or would operate as a fraud or deceit upon any person; in violation of Section 10(b) of the Exchange Act [15 U.S.C. § 78j(b)] and Rule 10b-5 thereunder [17 C.F.R. § 240.10b-5]. By engaging in the conduct described above, Haggerty is liable as an aider and abettor pursuant to Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)].

SECOND CLAIM FOR RELIEF
(Section 13(a) of the Exchange Act and
Exchange Act Rules 12b-20, 13a-1, 13a-11 and 13a-13)

18. Plaintiff repeats and realleges paragraphs 1 through 17 above.
19. Qwest violated Section 13(a) of the Exchange Act [15 U.S.C. § 78m(a)] and Rules 12b-20, 13a-1, 13a-11 and 13a-13 [17 C.F.R. §§ 240.12b-20, 240.13a-1, 240.13a-11 and 240.13a-13]. By engaging in the conduct described above, Haggerty is liable as an aider and abettor pursuant to Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)].

THIRD CLAIM FOR RELIEF
(Section 13(b)(2)(A) of the Exchange Act)

20. Plaintiff repeats and realleges paragraphs 1 through 19 above.
21. Qwest violated Section 13(b)(2)(A) of the Exchange Act [15 U.S.C. § 78m(b)(2)(A)]. By engaging in the conduct described above, Haggerty is liable as an aider and abettor pursuant to Section 20(e) of the Exchange Act [15 U.S.C. §78t(e)].

FOURTH CLAIM FOR RELIEF
(Rule 13b2-1 Under the Exchange Act)

22. Plaintiff repeats and realleges paragraphs 1 through 21 above.
23. Qwest's books, records and accounts were subject to Section 13(b)(2)(A) of the Exchange Act, and Defendant Haggerty, directly or indirectly, caused to be falsified Qwest's books, records and accounts.
24. Defendant Haggerty violated Rule 13b2-1 under the Exchange Act [17 C.F.R. § 240.13b2-1].

FIFTH CLAIM FOR RELIEF
(Section 13(b)(5) of the Exchange Act)

25. Plaintiff repeats and realleges paragraphs 1 through 24 above.
26. Defendant Haggerty knowingly circumvented a system of internal accounting controls and knowingly failed to implement a system of internal accounting controls, and knowingly falsified books, records, or accounts described in Section 13(b)(2) of the Exchange Act.
27. Defendant Haggerty violated Section 13(b)(5) of the Exchange Act [15 U.S.C. § 78m(b)(5)].

PRAYER FOR RELIEF

WHEREFORE, the Commission respectfully requests that this Court order Defendant Haggerty to pay a civil money penalty in the amount of \$30,000 under Section 21(d)(3) of the Exchange Act [15 U.S.C. § 78u(d)(3)].

Dated: _____, 2004

Respectfully submitted,

Katherine S. Addleman
Mary S. Brady
Ian S. Karpel

Attorneys for Plaintiff
Securities and Exchange Commission
1801 California Street, Suite 1500
Denver, CO 80202
Phone: (303) 844-1000
Fax: (303) 844-1010