

# What did Joe know?

**Joe Nacchio's Qwest booked hundreds of millions in bogus deals. He says that's news to him. A FORTUNE investigation suggests otherwise. by Mark Gimain**

IT'S HARD TO IMAGINE SOMEBODY LESS SUITED TO testifying in front of an ornery congressional committee than Joe Nacchio, a man who stood at the center of the telecom boom, ran a company once worth \$86 billion, and left it on the brink of insolvency, walking away with \$260 million. The people who like him tend to say he is the most competitive person they've ever met. The people who don't like him say more or less the same thing, but occasionally in unprintable language. In a smaller room, in a more social setting, your first impression of Nacchio might be that he is tightly wound, but amid the scale and ceremony of a congressional hearing, his prickliness and general agitation turn into something bigger, a riveting display of defiance.

When I saw him last fall in Washington, D.C., Nacchio, 53, had been out of a job for three months, having been forced out by Qwest's board in the wake of a multibillion-dollar accounting scandal. He had been called to testify before a congressional panel that was trying to determine whether Qwest and another fallen giant, Global Crossing, sold stuff they didn't need to each other and to other telecom companies so that they could boost their revenues and meet Wall Street's quarterly targets—enabling executives to continue making money by selling off their shares to the public.

Gary Winnick, the former chairman of bankrupt Global Crossing, submitted to the expected public tongue-lashing with placid equanimity. He admitted mainly to knowing shockingly little about his own company (from which he personally profited to the tune of \$735 million), saying at one point that while he did talk to his CEO on most days, "it wasn't always about business." Qwest's brand-new CFO, RESEARCH ASSOCIATE *Dora Birlik*

Oren Shafer—part of the present management, which is supposed to be turning the company around—delivered a rambling speech in which he explained that Qwest was earning \$1.5 billion of revenue from Nacchio's tenure because the company *had not found the ledger* justifying Qwest's accounting for more than a billion dollars in deals.

Nacchio, by contrast, could not keep his mouth from curling into its characteristic sneer. He is a powerful physical presence, with an aging athlete's restless energy and a tendency to look obviously bored or brooding when he does not have the floor. His lawyer, Charles Stillman, often leaned in so close behind him that his head appeared to touch Nacchio's shoulder, seemingly trying to exert a calming influence by mere proximity. Nacchio did not play the game of pretending not to understand his own business. He told the committee bluntly that had he known of any swap designed to artificially boost Qwest's revenues, he would have killed it. He displayed a chart of Qwest's network and challenged the members of the committee: "You can ask me [about] any route, I will tell you the business purpose, I will tell you what budget it was in, and I will tell you at what board meeting we reviewed it," he boomed. "Had I been aware of any proposal for Qwest to purchase capacity solely to induce a contemporaneous sale, to inflate revenues, I would have vetoed it."

It was this whistling-kettle anger that persuaded me to write about Nacchio and Qwest. It was startling, after a procession of neatly-mouthed nabobs, to hear Nacchio's outrage. His readiness to jump out of his skin was a challenge to anyone who doubted him and a dare to the government to make his case.

Six months later, it still has not. In February the Attor-



Joe Nacchio  
and his wife  
in 1997

PHOTOGRAPH BY MICHAEL O'NEILL

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