

# EXHIBIT B

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## Wiretapping Flap Puts Phone Firms Under Fire

### Questions Arise Over Role Telecom Executives Played In Aiding Bush Directive

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The public debate over the National Security Agency's wiretapping program has focused new attention at some telecommunications companies on how they handle classified business and requests from the government.

While telecom executives aren't willing to talk publicly about any role their companies may have played in helping the NSA monitor electronic communications, senior officials at some big telecom companies say they wouldn't necessarily even be informed about such activities. That is because people who carry out secret work at phone companies at times have federal security clearances that are higher than those of their bosses, the executives say.

That has created a delicate conundrum for some top officials at the biggest telecom companies, who are facing questions in the press, on Capitol Hill and from some plaintiffs' lawyers. The legality of the Bush wiretapping program is in dispute and congressional hearings that began yesterday focused on the matter.

The controversy stems from an NSA program launched following the Sept. 11, 2001, terrorist attacks, when President Bush signed a secret directive allowing the NSA to wiretap certain telephone conversations, without first getting permission from a court. Hundreds of people in the U.S. have been tracked by the program, which monitors conversations between people within the U.S. and people overseas with suspected links to terrorism.



#### <sup>1</sup> THE NUMBERS GUY


What does the public think<sup>2</sup> about the Bush administration's wiretapping program? As a handful of recent polls show, it depends on how you ask the question.

Yesterday, USA Today, citing unnamed telecom executives, reported that **Sprint Nextel Corp.**, **AT&T Inc.** and **MCI** have cooperated with the government in the wiretapping program. The companies have declined to comment on any cooperation they may have had with the NSA.

Internally, however, **Verizon Communications Inc.**, which recently acquired MCI, and the former SBC, which recently acquired and took the name AT&T, have encountered a confusing situation. Workers who hold security clearance at the acquired firms can't always legally talk about details of their work to workers who don't have such clearance at the new parent company, people familiar with the situation say.

The NSA or the Pentagon designates exactly which officials get what clearances, said a member of the U.S. intelligence community investigating the NSA program. The clearances range from Secret, Generic Top Secret and Top Secret SCI (Sensitive Compartmental Information). The official said any telecom

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executives working on any of the NSA domestic spying programs would need to have the highest security clearance and then have specific additional clearances for the parts of the operation they were working on.

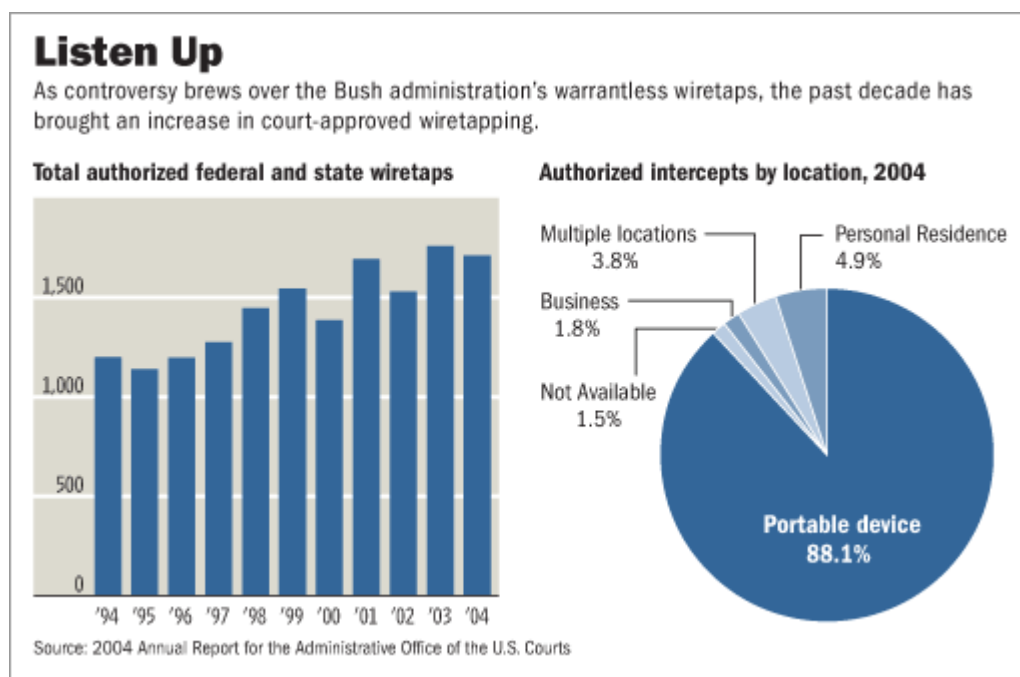
Telecom employees with security clearance have good reason not to respond to questions -- even from their bosses -- as they can be prosecuted if they violate the rules of government security status, telecom executives who have dealt with such situations say.

Some phone employees below the highest ranks have long had security clearance to handle contracts with parts of the government such as the Department of Defense. "There is no hierarchy where people at the top have the highest security clearance," says one telecom executive.

Phone companies have been seeking employees with security clearance in order to be able to sign up such accounts. In May, Verizon Communications placed an online ad reading, "Top Secret? Apply now!" in which it said it was seeking job candidates who have or had top secret clearance. The ad sought switch technicians, network controllers and program managers "with DOD experience."

It remains a question how much top executives at telecommunications companies knew about the Bush administration's warrantless wiretapping efforts.

In cases that involved outsourcing, the government would sometimes direct the company to particular contractors, said one former executive whose company did classified work. The executive declined to say whether the company engaged in the NSA wiretapping.



National security has come up as a central issue in a high-profile criminal case involving former Qwest Communications International Inc. Chief Executive Joseph Nacchio, who has been indicted on insider-trading charges. Mr. Nacchio plans to say he wasn't selling Qwest stock in 2001 while he knew the company was in worse shape than he claimed publicly. Mr. Nacchio's attorneys need security

clearances so their client can explain the details that will build his defense.

Instead, according to court documents, Mr. Nacchio intends to argue that he was optimistic about Qwest's prospects because he had reason to believe Qwest was in line to get secret government contracts that were unknown to other top company insiders. Around that time, Mr. Nacchio was serving on two federal advisory panels that dealt with such issues -- the Network Reliability and Interoperability Council and the National Security Telecommunications Advisory Committee. The nature of any classified work by Qwest hasn't been disclosed, and it is unknown whether the company participated in the NSA program.

Communications companies designate special personnel within their general counsel's offices to handle compliance with government wiretap requests, said Jim Dempsey, an expert on electronic surveillance at the Center for Democracy and Technology, a Washington nonprofit group that focuses on technology policy. Those individuals normally have some background in law enforcement or national security, Mr. Dempsey said.

--Jay Solomon and Almar Latour contributed to this article.

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