

CtW Investment Group

May 9, 2008

James A. Unruh
Chair, Compensation and Human Resources Committee
Qwest Communications International Inc.
c/o Corporate Secretary
1801 California Street
Denver, Colorado 80202

Dear Mr. Unruh:

Qwest's use of excessive perquisites, of which the \$1.8 million house subsidy paid to newly-hired CEO Edward Mueller is the most egregious example, undermines the Board of Directors' efforts to restore its credibility in the post-Nacchio era. As Chair of the Compensation and Human Resources Committee, we call on you to personally step forward at Qwest's May 22nd annual meeting to describe the actions the Board intends to take to recover the lion's share of this unjustified subsidy and put an end to excessive perks at Qwest going forward.

The CtW Investment Group works with pension funds sponsored by unions affiliated with Change to Win, a federation of unions representing nearly 6 million members, to enhance long-term shareholder value through active ownership. These funds have over \$200 billion in assets and are substantial long-term Qwest shareholders.

In our view, paying Mr. Mueller for reasonable relocation costs is appropriate. Buying his former home for \$1.2 million above its apparent market value, however, and paying an additional \$600,000 in related transaction costs is neither reasonable nor appropriate. We find the \$1.2 million overpayment especially objectionable and believe it violates the spirit and intent of Mr. Mueller's Employment Agreement. It also highlights the compensation committee's failure to rein in excessive perquisites for Qwest executives. We detail our concerns further below.

The differential between the Company's purchase price of Mr. Mueller's home in California and the final sale price calls into question the integrity of the valuation and sales processes.

Qwest's 2008 proxy discloses that it purchased Mr. Mueller's Tiburon, California house in September 2007 for \$8.9 million, which was its "then-prevailing value determined by the average of two independent appraisals." Less than four months later, in December 2007, the company sold Mr. Mueller's house for proceeds of only \$7.1 million (net of closing costs and commissions). In less than four months of ownership, Qwest spent \$43,644 to maintain the property, resulting in a total incremental cost to the company of more than \$1.8 million.

Based on our review of Marin County property records, we believe Qwest sold the house for \$7.5 million in December 2007 before closing costs and commissions.¹ Clearly, the prevailing

¹ According to Marin County property records, Mr. Mueller and his wife sold their California home directly to a Mr. and Mrs. Goldstein for \$7.5 million on September 13, 2007 and the sale was recorded on December 28, 2007. We are unable to reconcile this with Qwest's proxy, which discloses that the company purchased the house in September 2007 and sold it, presumably to the Goldsteins, in December 2007.

value of the house did not tumble 15% in less than four months; California may be in a severe housing downturn, but we estimate that Marin County home prices slid only 2.5% in fourth quarter 2007 based on Office of Federal Housing Enterprise Oversight data for surrounding areas. Instead, it appears the two appraisals—which have not been disclosed to shareholders—yielded a value far in excess of actual market value, which we estimate to have been roughly \$7.7 million in September 2007 (equal to 2.5% above its December 2007 sales price).

Qwest's \$1.2 million overpayment for Mr. Mueller's house violates the spirit and intent of his Employment Agreement and should therefore be returned to the corporation.

The terms of Mr. Mueller's Employment Agreement indicate that the Board intended to pay—and Mr. Mueller expected to receive—the prevailing market value for his California house. It appears, however, that the compensation committee failed to structure a process with adequate safeguards (e.g. a cap on the net cost to company after resale) that would ensure this outcome. As a result, Qwest paid roughly \$1.2 million above market value for Mr. Mueller's home in September 2007, and Mr. Mueller kept these funds even after it became evident that they were the consequence of a flawed valuation process.

Consistent with the intent and spirit of his Employment Agreement, the Board should seek to recoup these monies from Mr. Mueller. Likewise, Mr. Mueller should respect the intent of the Agreement and demonstrate his commitment to responsible pay practices by returning this unexpected and unjustified windfall. By returning the \$1.2 million to the company, Mr. Mueller will still have received \$600,000 in perquisites in connection with the sale of his home, an amount we still find excessive.

Qwest's continued use of excessive perquisites threatens to undermine investor confidence in a Board and compensation committee seeking to rebuild their credibility.

Qwest's Board has made significant progress restoring its credibility since *Business Week* named it one of the ten worst boards in October 2002. At the time, *Business Week* pointed out that “The compensation committee—described as “comatose” by one expert—awarded ex-CEO Joseph Nacchio an \$88 million pay package in 2001, one of the worst years in the company's history.” As you know, Mr. Nacchio resigned as Qwest's CEO in June 2002 and was eventually convicted of 19 counts of insider trading in April 2007.

However, Qwest's excessive use of perquisites, including personal use of the corporate jet by the CEO and his family, tax gross-ups and other forms of secondary compensation threaten to undermine the Board's progress. Despite ongoing attempts by institutional investors to reform Qwest's poor pay practices (e.g. by sponsoring proposals seeking to link equity awards to performance and giving shareholders an advisory vote on pay), Qwest's compensation committee continues to approve these stealth payments to its executives which drain valuable corporate assets and fail to promote the principle of pay-for-performance that is a hallmark of sound corporate governance.

As result, Institutional Shareholder Services, while not recommending that shareholders vote

James A. Unruh
Page 3 of 3
May 9, 2008

against the compensation committee at this year's annual meeting, said it "is likely to recommend such vote if personal use of corporate aircraft remains high and/or tax gross-ups continues to be provided for executives." Similarly, The Corporate Library assigned a "D" rating to the Qwest Board due to concerns about executive compensation, specifically citing the perquisites granted to former CEO Richard Notebaert.

Summary

By stepping forward before the election of directors at Qwest's May 22 annual meeting, you can not only assure shareholders that the Board intends to recover at minimum the \$1.2 million that Qwest overpaid for Mr. Mueller house. You can also send the message that the Board is ready to strengthen the link between pay and performance by eliminating excessive perquisites.

We are sending a representative to your annual meeting and look forward to your report.

Sincerely,

A handwritten signature in black ink, appearing to read "William Patterson". The signature is written in a cursive, somewhat stylized font.

William Patterson
Executive Director

cc: Edward A. Mueller, Chairman and CEO
Frank P. Popoff, Lead Director