

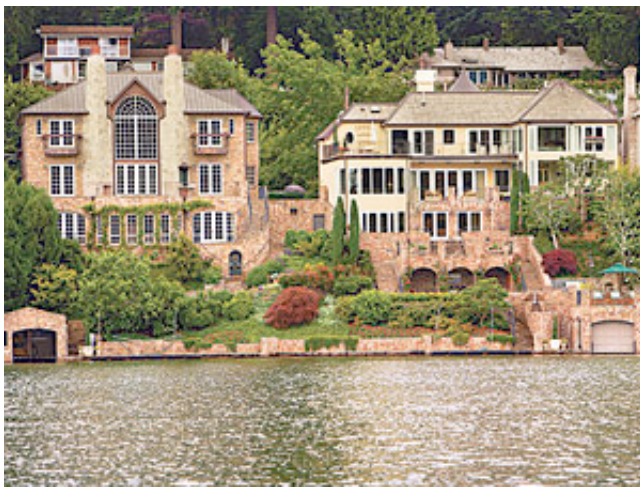
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Companies Take Big Hits on Relocation As Executives' Homes Languish on Market

Qwest Loses \$1.8 Million on CEO's House; Angry Shareholders Are Seeking Recourse

By JOANN S. LUBLIN
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Disgruntled investors at **Qwest Communications International** Inc. vow to air a litany of complaints at the annual meeting next week. Among them: the \$1.8 million that Qwest lost on the former Tiburon, Calif., home of Chief Executive Edward Mueller.



The Hasson Co. Realtors

Cadence Design Systems' CEO, who has two homes for sale, is getting housing allowances from the company.

Employers have long paid relocation expenses for top executives. But the prolonged housing slump is pushing costs higher, while tougher disclosure rules force companies to divulge more details. About 68% of 203 surveyed companies reimburse some or all of a staff member's loss on a home sale, concludes a March survey by Weichert Relocation Resources Inc., Morris Plains, N.J. Not surprisingly, top managers are most likely to receive the perk.


Qwest promises to buy the residence of any transferred employee at the vice-president level and above if the home remains unsold for 60 days. In a May 9 letter to Qwest, Mr. Patterson, the pension-group official, said the company bought Mr. Mueller's home for about \$1.2 million above its market value. The CEO kept that windfall despite "a flawed valuation process," Mr. Patterson added in his letter to James A. Unruh, chairman of the Qwest board's compensation committee. Pension funds sponsored by CtW unions own about 9.2 million Qwest shares.

Certain Qwest retirees also intend to criticize the home purchase at the annual meeting. The significant loss from the sale of Mr. Mueller's house "is another example of poor decision making by the company," says Nelson Phelps, executive director of a retiree association and a former human-resources manager. "Many retirees are angry over this move," he says.

Nicholas Sweers, a Qwest vice president, says the company based the purchase price on two independent appraisals, which valued the home at between \$8.8 million and \$9 million. Amid a soft housing market, "it was in our best interests to sell the home quickly," he says. Mr. Sweers declines to comment on the shareholder concerns and says Mr. Mueller declines to comment.

Some companies are still paying for executives who have moved on after moving. Dessa M. Bokides quit as chief financial officer of

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ProLogis in March 2007. But ProLogis, a Denver industrial real-estate manager, still owns her former Darien, Conn., home, which it bought for \$5 million in September 2006. The latest proxy says the house has cost ProLogis about \$590,000 so far, including upkeep and expected sales commissions. The tab could rise: The home is listed for sale at \$4.5 million.

ProLogis lost money on the former Florida residence of CEO Jeffrey H. Schwartz, which it bought for \$3.125 million in March 2007 and sold in November for \$2.52 million. The executive perk helps "to attract top-tier talent," says Melissa Marsden, senior vice president of investor relations.

Cadence Design Systems Inc. confirms it has paid \$1.16 million in housing allowances and related tax payments to CEO Michael Fister since it recruited him from Intel Corp. in 2004.

The apparent reason: Mr. Fister has been unable to sell his two adjacent homes in Lake Oswego, Ore. A three-level lakefront home, featuring a wine cellar, billiard room and three-car garage, is listed for \$7.5 million. A larger, 7,500-square-foot "guest house" next door is listed for \$6.3 million.

Adolph Hunter, a vice president for the San Jose, Calif., electronics-design software specialist, declines to discuss the housing allowance, beyond Cadence's regulatory filings.

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