

UNITED STATES DISTRICT COURT
DISTRICT OF KANSAS

IN RE SPRINT CORPORATION)
ERISA LITIGATION)
_____)
THIS DOCUMENT RELATES TO:)
ALL ACTIONS)
_____)

Master File No. 2:03-CV-02202-JWL

THIRD CONSOLIDATED AMENDED COMPLAINT

Lead Plaintiffs Fran Lindholm, Anton P. Spanier, LaVonne M. Easter, and Jeffery A. Snethen (“Plaintiffs”), on behalf of the Sprint Retirement Savings Plan (“Savings Plan”), the Sprint Retirement Savings Plan for Bargaining Unit Employees (“Savings Plan BUE”) and the Centel Retirement Savings Plan for Bargaining Unit Employees (“Centel Plan”), together with their predecessor Plans (collectively, the “Plans”), and on behalf of themselves and all other participants similarly situated in the plans (“Participants”), by their attorneys, allege the following for their Third Consolidated Amended Complaint (the “Complaint”):¹

NATURE OF THE ACTION

1. Plaintiffs bring this action for plan-wide relief on behalf of the Plans, and on behalf of a class of all Participants in the Plans for whose individual accounts the Plans purchased and/or held shares of the Sprint FON Stock Fund, the Sprint PCS Stock Fund, the TRASOP² Sprint Stock Fund, the TRASOP Sprint PCS Stock Fund, the Sprint FON CESOP³ Fund and/or the Sprint PCS CESOP Stock Fund (the “Funds”) from June 2, 1998 to the present (the “Class” and the “Class Period,” respectively). Defendants are fiduciaries of the Plans under Section 3(21)(A) of the Employee Retirement Income Security Act of 1974 (“ERISA”), 29

¹ As companies were acquired by Sprint Corporation, the acquired companies’ employee benefit plans were changed so that the Sprint Corporation Company Stock Funds were substituted for the acquired companies’ stock funds, and the various committees comprised of Sprint employees were substituted as plan administrators for the acquired companies’ plan administrators. The acquired companies’ plans were eventually merged with one or more of the Plans. This action includes all predecessor plans now merged with the Plans.

² TRASOP is the Sprint employee stock ownership plan effective January 1, 1976.

³ The Centel Employee Stock Ownership Plan, effective July 1, 1975.

U.S.C. § 1002(21)(A). Excluded from the Class are Defendants herein, directors of Sprint Corporation (“Sprint”), members of their immediate families, and the heirs, successors or assigns of any of the foregoing. This action is brought pursuant to ERISA § 502(a)(2) and (3), 29 U.S.C. § 1132(a)(2) and (3).

2. As more fully set forth below, Defendants were fiduciaries who, rather than acting prudently and solely in the interest of the Plans and their Participants and beneficiaries, did nothing to protect the Plans from huge losses - even though they should have known that massive investment in the Funds was an imprudent investment for the Plans. Defendants breached their fiduciary duties in four ways: (1) they offered the Funds as Plan investment options⁴ permitted the Plans to buy and hold Fund shares when the Funds were imprudent investments, (2) they negligently misrepresented and negligently failed to disclose information necessary for Participants to manage Plan assets and make informed decisions concerning the investment of their individual Plan accounts, (3) Sprint and the Board of Director Defendants failed to monitor the activities of other fiduciaries, and (4) all Defendants, except for the Trustee, are liable for the breaches of the other Defendants as co-fiduciaries.

3. In Claim I, Plaintiffs allege that Defendants Sprint, the Committees, the Committee Members, and the Trustee, each of which is defined *infra*,⁵ breached their fiduciary duties by (1) permitting the Plans to offer the Funds as investment options and (2) permitting the Plans to purchase and hold shares of the Funds when those Funds were imprudent investments. The purpose of the Plans was to provide for employee retirement income security. Plaintiffs allege that it was imprudent for Plans with this purpose to invest more than \$3.5 billion and over 60% of their assets in the Funds which were speculative, high risk investments.

⁴ Plaintiffs make no claim in this Third Consolidated Amended Complaint that Defendants breached their fiduciary duties by virtue of their failure to amend the express terms of the Plan documents to reduce or eliminate investments in Sprint stock.

⁵ Pursuant to the Court’s Memorandum and Order dated May 27, 2004 (the “May 27 Order”), Claim I is not asserted against the Director Defendants, except with respect to the Director Defendants’ co-fiduciary liability. *See* May 27 Order, p. 38, n. 11.

4. The Funds were imprudent investments for at least the following reasons:
 - a. All Defendants should have known the following public information which demonstrated that the Funds were imprudent investments for the Plans:
 - i. Sprint's traditional telephone business - a conservative, proven business - was in decline.
 - ii. Because its telephone business was in decline, Sprint embarked on a speculative, high risk Internet and wireless strategy which in effect transformed Sprint into a "start-up" venture. This change in the essential nature of Sprint's business resulted in the Funds becoming a fundamentally different investment than they had previously been. As the risk profile of the Funds changed from a conservative to a high-risk investment, they became imprudent investments for the Plans.
 - iii. As a result of Sprint's transformation into a "start-up" venture, Sprint incurred massive debt speculating on unproven enterprises.
 - iv. While it transformed itself, Sprint met its short term growth goals by marketing its services to sub-par customers with poor credit - a long term risk that proved disastrous when these customers defaulted. In response to the problem of customer default, Sprint tightened its credit standards, which resulted in a significant reduction in the size of its customer base.
 - b. At the same time, all Defendants other than Fidelity Management Trust Company also should have known of the following non-public information demonstrating that the Funds were imprudent investments for the Plans:
 - i. The MCI/Worldcom, Inc. ("WorldCom") merger that was to be the salvation of Sprint would not likely be approved based on the formal and informal responses Sprint received from government regulators.

ii. Sprint's negligent public comments and negligent nondisclosures concerning the WorldCom merger artificially inflated the price at which the Plans purchased shares in the Funds.

iii. Material conflicts of interest existed between Sprint, Sprint's auditor Ernst & Young, LLP ("E&Y"), and Sprint's two top executives, Chief Executive Officer William T. Esrey ("Esrey") and Vice President Ronald T. LeMay ("LeMay"). These conflicts of interest resulted from tax advice E&Y gave Esrey and LeMay concerning the use of tax shelters in the exercise of stock options. As a result of the use of these tax shelters in 1999 and 2000, Esrey and LeMay realized approximately \$287 million with virtually no tax liability and Sprint was able to realize a tax benefit of approximately \$100 million. Over the course of the Class Period, the Internal Revenue Service ("IRS") questioned the legality of these tax shelters more vociferously. As a result of the back taxes likely due to the IRS from Esrey and LeMay if and when the IRS disallowed the tax shelters, combined with the dramatic fall in the value of Sprint stock, Esrey and LeMay faced potential personal bankruptcy. Despite the requests of Esrey and LeMay, Sprint refused to reverse the exercise of the stock options. This conflict of interest led to the eventual resignation and/or discharge of those executives which damaged Sprint and reduced the value of Fund shares.

5. In Claim II, Plaintiffs allege that Defendants Sprint, the Committees, and the Committee Members⁶ negligently misrepresented and negligently failed to disclose (1) the risk and return characteristics of the Funds as Plan investments; (2) the business and financial performance of Sprint; (3) the prospects of Sprint's merger with WorldCom; and (4) the compensation of Esrey and LeMay and the conflicts of interest relating thereto.

6. In Claim III, Plaintiffs allege that certain Defendants breached their fiduciary duties by failing to appoint fiduciaries with the knowledge and expertise necessary to manage the

⁶ Plaintiffs do not assert Claim II against the Trustee. Additionally, pursuant to the May 27 Order, Claim II is not asserted against the Director Defendants, except with respect to the Director Defendants' co-fiduciary liability. See May 27 Order, p. 38, n. 11.

assets of the Plans, by failing to monitor those fiduciaries properly, and by failing to provide information to the fiduciaries sufficient for them to perform their duties.

7. In Claim IV, Plaintiffs allege that Defendants other than the Trustee are liable as co-fiduciaries for the breaches of the other fiduciaries. Specifically, Plaintiffs allege that the Defendants other than the Trustee are liable for the breaches of the other Defendants because each defendant (a) knowingly participated in, or knowingly undertook to conceal the breaches of the other fiduciaries, (b) by virtue of his own breach of fiduciary duty, enabled the other Defendants to breach their fiduciary duties, and/or (c) had knowledge of the other Defendants' breaches and failed to take reasonable steps to remedy them.

8. Thus, Defendants breached their fiduciary duties to the Plans and the Participants, including those fiduciary duties set forth in ERISA § 404, 29 U.S.C. § 1104, and Department of Labor Regulations, 29 C.F.R. § 2550. As a result of these wrongful acts, pursuant to ERISA § 409(a), 29 U.S.C. § 1109(a), Defendants are personally liable to restore to the Plans the losses stemming from their breaches of fiduciary duty. The Funds lost billions of dollars in value during the Class Period, and the Plans and the Participants were deprived of the value of prudent alternative investments. Plaintiffs also seek equitable relief.

JURISDICTION AND VENUE

9. This Court has jurisdiction over this action pursuant to ERISA § 502(e)(1), 29 U.S.C. § 1132(e)(1).

10. Venue is proper in this District pursuant to ERISA § 502(e)(2), 29 U.S.C. § 1132(e)(2), because this is the district where the Plans are administered, where the breaches took place and where one or more Defendants reside or may be found.

THE PARTIES

Plaintiffs

11. Plaintiff Fran Lindholm is a resident of the State of Arizona and is and was a Participant in the Savings Plan during the Class Period within the meaning of ERISA § 3(7), 29 U.S.C. § 1002(7).

12. Plaintiff Anton P. Spanier is a resident of the State of Nevada and is and was a Participant in the Centel Plan during the Class Period within the meaning of ERISA § 3(7), 29 U.S.C. § 1002(7).

13. Plaintiff LaVonne M. Easter is a resident of the State of Minnesota and is and was a Participant in the Savings Plan during the Class Period within the meaning of ERISA § 3(7), 29 U.S.C. § 1002(7).

14. Plaintiff Jeffery A. Snethen is a resident of the State of Missouri and is and was a Participant in the Savings Plan during the Class Period within the meaning of ERISA § 3(7), 29 U.S.C. § 1002(7).

Defendants

15. Defendant Sprint Corporation is incorporated in Kansas with its corporate headquarters at 2330 Shawnee Mission Pkwy., Westwood KS 66205 and is and was at all relevant times the Administrator of the Plans within the meaning of ERISA §3(16)(A), 29 U.S.C. § 1002(16)(A). Sprint allocates its assets and liabilities into two groups - the FON Group and the PCS Group. There are two classes of common stock of Sprint - FON common stock and PCS common stock. FON common stock tracks the FON Group and PCS stock tracks the PCS Group. However, FON stock and PCS stock do not represent a direct legal interest in the assets and liabilities allocated to either group, but rather represent a direct equity interest in Sprint's assets and liabilities as a whole.

16. Defendants Sprint Investment Trusts Committee, Sprint Pension and Savings Trusts Committee, Sprint Savings Plans Committee, Sprint Employee Benefits Committee,

Sprint Investment Committee and Sprint Savings and Retirement Plans Committee (“Committees”) are entities comprised of Sprint employees which participated in the administration of the Plans.

17. Gene M. Betts (“Betts”), Kevin E. Brauer (“Brauer”), Antonio E. Castanon (“Castanon”), Robert J. Dellinger (“Dellinger”), J. Richard Devlin (“Devlin”), R. Michael Franz (“Franz”), Thomas A. Gerke (“Gerke”), James G. Kissinger (“Kissinger”), Arthur B. Krause (“Krause”), Randall T. Parker (“Parker”), Keith D. Paglusch (“Paglusch”), William C. Prout (“Prout”), M. Jeannine Strandjord (“Strandjord”), I. Benjamin Watson (“Watson”) and John Does 1-30 (“Committee Members” and, collectively with the Committees, “Committee Defendants”) were individual members of one or more of the Committees. Betts, Dellinger, Devlin, Gerke, Kissinger, Krause, Strandjord and Watson served on the Pension and Savings Trusts Committee. Brauer, Castanon, Dellinger, Devlin, Franz, Gerke, Kissinger, Krause, Paglusch, Prout, and Watson served on the Employee Benefits Committee. Upon information and belief, the Committee Members were senior Sprint employees who should have known all material public and non-public information concerning Sprint’s business and operations relevant to the appropriateness of the Funds as Plan investments. Liability is alleged herein against the Committee Members for the periods of time during which the Committee Members served on the Committees or otherwise exercised authority with respect to the Plans and their assets.

18. In addition to their positions on the Committees, the Committee Members held the following positions:

a. Betts was the Senior Vice President, Treasurer of Sprint Corporation from 1998 to the present. From 1990 to 1998, he was the Senior Vice President, Financial Services and Taxes for Sprint. Betts also signed the Plans’ Form 11-K annual reports as a member of the Investment Trusts Committee and the Pension and Savings Trusts Committee.

b. Brauer was the President of Sprint’s National Integrated Services from 1998 to 2000. During that time, he also served as President of Sprint Business. From 1997-

1998, he was the Senior Vice President of Sprint Corporation. Brauer was a primary factor in the development of Sprint's Integrated On-Demand service prior to leaving the Company in May 2002.

c. Castanon was the Senior Vice President of Customer Solutions for Sprint PCS. Customer Solutions was an integral part of Sprint PCS, responsible for the design, implementation and delivery of customer service to PCS customers, including account management and collection of accounts receivable.

d. Dellinger was the Executive Vice President, Chief Financial Officer of Sprint from 2002 to the present. As of June 10, 2003, Dellinger was appointed Chairman of Sprint's Pension and Savings Trusts Committee.

e. Devlin was the Secretary, Executive Vice President, General Counsel and External Affairs from 2002 to 2003. From 1989 to 2002, he was Executive Vice President, General Counsel and External Affairs for Sprint.

f. Franz was the President of Sprint Business from 1998 to 2001. Under Franz, Sprint Business was the long distance business-to-business unit of Sprint. Franz oversaw all aspects of the Business division's operations. From 1996-1998, he was the President of Sprint's Wholesale Services Group.

g. Gerke was the Executive Vice President/General Counsel and External Affairs for Sprint from 2003 to the present. From 2002 to 2003, he was Vice President-Business Development, Strategic Planning and Alliances for the Global Markets Group. The Global Markets division includes oversight of domestic and international long distance communications and broadband fixed wireless services. From 1999 to 2002, he served as corporate secretary and associate general counsel for Sprint. From 1997 to 1999, he was the Vice President-Legal Corporate Transactions.

h. Kissinger was the Senior Vice President, Human Resources of Sprint from 2003 to the present. From 2000 to 2003, he was Vice President-Human Resources Operations

for Sprint PCS. As of June 10, 2003, Kissinger was appointed Chairman of Sprint's Employee Benefits Committee.

i. Krause was the Executive Vice President, Chief Financial Officer of Sprint from 1992 to 2002. From at least 1996 until 2002, Krause was the Chairman of Sprint's Pension and Savings Trusts Committee and a member of the Employee Benefits Committee.

j. Paglusch was Senior Vice President of Network Engineering and Operations for Sprint PCS, where he oversaw the design, buildout and maintenance of the Sprint PCS nationwide network, in addition to having responsibility for technology development, prior to becoming the Senior Vice President of Operations for Sprint PCS from 1999-2000. In 2000, he became the President of Internet Markets for Sprint PCS, which, at the time, was a division of the Global Business Markets Group, a unit responsible for Sprint's growth of business services. Paglusch was responsible for driving Sprint's growth in the Internet marketplace.

k. Parker was the Director, Corporate Benefits of Sprint Corporation. He also signed the Plans' Form 5500 annual returns filed with the DOL and IRS.

l. Prout was the Senior Vice President - Customer Service Operations, Local Telecommunications Division from 2000 to the present. From 1998 to 2000, he was Senior Vice President-Broadband Local Networks in the Local Telecommunications Division. According to Sprint, the Broadband Local Networks unit leveraged Sprint's 100 year old local telephone heritage with the advantage of building new networks with broadband and Sprint ION-ready hardware.

m. Strandjord was the Senior Vice President and Chief Integration Officer for Sprint from September 2003 to the present, where she is responsible for overseeing the integration of divisions throughout the Company. From January, 2003 to September 2003, she was Senior Vice President-Financial Services. From 1998-2003, she was the Senior Vice President, Finance for Global Markets Group, Long Distance Division, where she had

responsibilities that included billing, accounting, budgeting, financial policy, financial systems, operational analysis, receivables management and decision support.

n. Watson was the Senior Vice President, Human Resources of Sprint from 1993 to the present. From 1990 to 1993, he was the Vice President, Finance and Administration of Sprint (then called “United Telephone Company”). From at least 1996 to 2003, Watson was the Chairman of Sprint’s Employee Benefits Committee. Watson also signed the Plans’ Form S-8 registration statements as a member of the Sprint Savings Plan Committee.

o. John Does 1-30 were members of the Committees during the relevant time whose names are not currently known.

19. Fidelity Management Trust Company (the “Trustee”) is incorporated under the laws of Massachusetts and maintains its corporate headquarters at 82 Devonshire Street, Boston, Massachusetts, and is, and was at all relevant times, the trustee for the Plans authorized to receive contributions and provide custody and investment services for all trust assets.

20. Sprint’s Board of Directors was, at all relevant times, responsible for appointing and monitoring members of the Committees and the Trustee. Upon information and belief, the individual members of Sprint’s Board of Directors during all or portions of the Class Period were:

a. William T. Esrey (“Esrey”), who was also the Chief Executive Officer and Chairman of the Board of Directors of Sprint;

b. Ronald T. LeMay (“LeMay”), who was also the President/Chief Operating Officer;

c. Arthur B. Krause, who was also a Senior Vice President and the Chief Financial Officer;

d. John P. Meyer, who was also a Senior Vice President and Controller;

e. Dubose Ausley;

f. Warren L. Batts;

- g. Michel Bon;
- h. Ruth M. Davis;
- i. Irvine O. Hockaday, Jr.;
- j. Linda Koch Lorimer;
- k. Charles E. Rice;
- l. Ron Sommer;
- m. Stewart Turley;
- n. Harold S. Hook; and
- o. Louis W. Smith.

The persons named in this paragraph are hereinafter referred as the “Director Defendants.” Liability is asserted herein against the Director Defendants during the periods during which the Director Defendants served on Sprint’s Board of Directors or otherwise exercised authority with respect to the Plans and their assets.

CLASS ACTION ALLEGATIONS

21. Plaintiffs bring this action in part as a class action pursuant to Rules 23(a) and (b)(1) and (3) of the Federal Rules of Civil Procedure on behalf of a class consisting of all Participants in the Plans for whose individual accounts the Plans purchased and/or held shares of the Funds from June 2, 1998 to the present. Excluded from the Class are Defendants herein, directors of Sprint, members of their immediate families, and the heirs, successors or assigns of any of the foregoing.

22. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe there are, at a minimum, thousands of members of the Class. The Savings Plan’s Form 11-K for the period ending December 31, 2002 stated that there were 54,649 Participants whose individual accounts

were invested in the Sprint FON Stock Fund through the Savings Plan and 54,771 Participants whose individual accounts were invested in the Sprint PCS Stock Fund through the Savings Plan.

23. Common questions of law and fact exist as to all members of the Class and predominate over any questions affecting solely individual members of the Class. Among the questions of law and fact common to the Class are:

- a. whether Defendants were fiduciaries to the Plans and/or the Participants;
- b. whether Defendants breached their fiduciary duties;
- c. whether the Plans and the Participants were injured by such breaches; and
- d. whether the Class is entitled to damages and injunctive relief.

24. Plaintiffs' claims are typical of the claims of the members of the Class, as Plaintiffs and members of the Class sustained injury arising out of Defendants' wrongful conduct in breaching their fiduciary duties and violating ERISA as complained of herein.

25. Plaintiffs will fairly and adequately protect the interests of the members of the Class. Plaintiffs have retained competent counsel. Plaintiffs have no interests antagonistic to or in conflict with those of the Class.

26. Prosecution of separate actions by members of the Class would create a risk of inconsistent adjudications with respect to individual members of the class which would establish incompatible standards of conduct for Defendants. Additionally, adjudications with respect to individual members of the Class would, as a practical matter, be dispositive of the interests of the other members not parties to the adjudications or substantially impair or impede their ability to protect their interests.

27. A class action is superior to other available methods for the fair and efficient adjudication of the controversy since joinder of all members of the Class is impracticable. Furthermore, because the injury suffered by the individual Class members may be relatively small, the expense and burden of individual litigation makes it impracticable for the Class

members individually to redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

28. There are one or more putative or certified securities class action cases pending in this District against Sprint and certain other Defendants, including State of New Jersey and Its Division of Investment v. Sprint Corporation, et al., Civil Action No. 2:03-CV-02071-JWL. The claims herein are under ERISA and related principles of federal common law and are not being asserted by the plaintiffs in those other class actions. The named plaintiffs in those class actions do not adequately represent the Plaintiffs or the Class herein with respect to ERISA claims, and may be subject to defenses, stays of discovery, heightened pleading requirements and limitations of liability under the Private Securities Litigation Reform Act, 15 U.S.C. § 77z-1(b), and other statutes and rules that do not apply to the claims asserted herein. Furthermore, the shareholder plaintiffs in the securities actions lack standing under § 502(a) of ERISA, 29 U.S.C. § 1132(a) to bring an action on behalf of the Participants of the Plans for allegations of fiduciary breaches.

DESCRIPTION OF THE PLANS

29. The Plans are employee benefit plans within the meaning of ERISA §§ 3(3) and 3(2)(A), 29 U.S.C. §§ 1002(3) and 1002(2)(A).

30. The Plans are “defined contribution” or “individual account” plans within the meaning of ERISA § 3(34), 29 U.S.C. § 1002(34), in that the Plans provide for individual accounts for each Participant and for benefits based solely upon the amount contributed to the Participant’s account, and any income, expenses, gains and losses, and any forfeitures of accounts of other Participants which may be allocated to such Participant’s accounts. Consequently, retirement benefits provided by the Plans are based solely on the amounts allocated to each individual’s account.

31. The Plans are “401(k)” voluntary contribution plans whereby Participants direct the Plans to purchase investments from among the investment options selected by the fiduciaries, and these investments are allocated to Participants’ individual accounts.

32. The Plans provide several options for investment of Participant contributions, including the Funds.

33. The Plans also provide that Sprint will make matching contributions in an amount equal to a percentage of the employee's contributions and salary. These contributions were to be invested primarily in the Funds under the terms of the Savings Plan and the Savings Plan BUE. These contributions were invested in accordance with each individual Participant's designation for his or her own contributions under the terms of the Centel Plan.

34. In particular, the Plans operate under the terms as described below.

a. The Sprint Retirement Savings Plan: The Savings Plan is a defined contribution pension plan that provides retirement benefits to more than 50,000 Sprint employees, retirees, and their beneficiaries. Under the terms of the Savings Plan, Participants could contribute up to 16% of their eligible compensation to the Savings Plan and allocate the contributions to a variety of investment funds, including the Funds. In addition, Sprint made matching employer contributions to the Savings Plan, subject to limits specified in the Savings Plan's governing documents. The Savings Plan provided that employer contributions must normally be invested in the Funds, and the employer contributions would be held in a separate account called a Company Contribution Account. Subject to some limited exceptions, the balances in a Participant's Company Contribution Account were to remain invested in the Funds. All dividends on the Funds received by the Trustee were to be invested in the Funds.

b. The Sprint Retirement Savings Plan for Bargaining Unit Employees: The Savings Plan BUE is substantially similar to the Savings Plan. Under the terms of the Savings Plan BUE, participants could contribute a percentage of their eligible compensation to the Savings Plan BUE based on the applicable collective bargaining agreement, and allocate the contributions to a variety of investment funds, including the Funds. In addition, Sprint made matching employer contributions to the Savings Plan BUE Participants subject to limits specified in the respective Participant's collective bargaining agreement. The Savings Plan provided that

employer contributions must normally be invested in Sprint stock. Subject to some limited exceptions, the balances in a Participant's Company Contribution Account were to remain invested in the Funds. All dividends on the Funds received by the Trustee were to be invested in the Funds.

c. The Centel Retirement Savings Plan for Bargaining Unit Employee: The Centel Plan is substantially similar to the Savings Plan and the Savings Plan BUE. Under the terms of the Centel Plan, participants could contribute up to 16% of their eligible compensation to the Centel Plan, and allocate the contributions to a variety of investment funds, including the Funds. In addition, Sprint made matching employer contributions to the Centel Plan Participants' accounts subject to limits set forth in the Plan documents. The Centel Plan provided that employer contributions would be invested in the same manner as each individual assigned his or her contributions among the investment options. All dividends on the Funds received by the Trustee were to be invested in the Funds.

FIDUCIARY DUTIES UNDER ERISA

35. ERISA imposes strict fiduciary duties upon plan fiduciaries. ERISA 404(a), 29 U.S.C. 1104(a), states, in relevant part, that:

[A] fiduciary shall discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries and . . . for the exclusive purpose of providing benefits to participants and their beneficiaries; and defraying reasonable expenses of administering the plan; with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like aims; by diversifying the investments of the plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and in accordance with the documents and instruments governing the plan insofar as such documents and instruments are consistent with the provisions of this title and Title IV.

A. The Duty Of Loyalty

36. ERISA imposes on a plan fiduciary the duty of loyalty – that is, the duty to “discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries . . . for the exclusive purpose of . . . providing benefits to participants and their

beneficiaries” The duty of loyalty entails a duty to avoid conflicts of interest and to resolve them promptly when they occur. A fiduciary must always administer a plan with an “eye-single” to the interests of the participants and beneficiaries, regardless of any other interests, including those of the fiduciaries themselves or the plan sponsor.

B. The Duty Of Prudence

37. Section 404(a)(1)(B) also imposes on a plan fiduciary the duty of prudence – that is, the duty “to discharge his duties with respect to a plan solely in the interest of the participants and beneficiaries and . . . with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims”

C. The Duty To Inform

38. The duties of loyalty and prudence include the duty to disclose and inform. These duties entail: (1) a duty not to misinform; (2) an affirmative duty to inform when the fiduciary knows or should know that silence might be harmful; and (3) a duty to convey complete and accurate information material to the circumstances of participants and beneficiaries. These duties to disclose and inform recognize the disparity that may exist, and in this case did exist, between the training and knowledge of the fiduciaries, on the one hand, and the Participants, on the other.

39. Pursuant to the duty to inform, fiduciaries of the Plan were required under ERISA to furnish certain information to Participants. For example, ERISA §101, 29 U.S.C. §1021, requires the Plan’s Administrator to furnish a Summary Plan Description (“SPD”) to Participants. ERISA §102, 29 U.S.C. §1022, provides that the SPD must apprise Participants of their rights and obligations under the Plan. The SPD and all information contained or incorporated therein constitutes representations in a fiduciary capacity upon which Participants are entitled to rely in determining the identity and responsibilities of fiduciaries under the Plan

and in making decisions concerning their benefits and the investment and management of Plan assets allocated to their accounts:

The format of the summary plan description must not have the effect of misleading, misinforming or failing to inform participants and beneficiaries. Any description of exceptions, limitations, reductions, and other restrictions of plan benefits shall not be minimized, rendered obscure or otherwise made to appear unimportant. Such exceptions, limitations, reductions, or restrictions of plan benefits shall be described or summarized in a manner not less prominent than the style, captions, printing type, and prominence used to describe or summarize plan benefits. The advantages and disadvantages of the plan shall be presented without either exaggerating the benefits or minimizing the limitations

29 C.F.R. § 2520.102-2(b).

D. The Duty To Investigate And Monitor Investment Alternatives

40. With respect to pension plans such as the Plans, the duties of loyalty and prudence also entail a duty to conduct an independent investigation into, and continually to monitor, the merits of the investment alternatives in the Plans, including employer securities, to ensure that each investment is a suitable option for the Plans.

E. The Duty To Monitor Appointed Fiduciaries

41. Fiduciaries who have the responsibility for appointing other fiduciaries have the further duty to monitor the fiduciaries thus appointed. The duty to monitor entails both giving information to and reviewing the actions of the appointed fiduciaries. In a 401(k) plan such as the Plan, the monitoring fiduciaries must therefore ensure that the appointed fiduciaries:

- a) possess the needed credentials and experience, or use qualified advisors and service providers to fulfill their duties;
- b) are provided with adequate financial resources to do their job;
- c) are provided with adequate financial resources to do their job;
- d) have adequate information to do their job of overseeing the Plan investments with respect to company stock;
- e) have access to outside, impartial advisors when needed;

f) maintain adequate records of the information on which they base their decisions and analysis with respect to Plan investment options; and

g) report regularly to the monitoring fiduciaries.

The monitoring fiduciaries must then review, understand, and approve the conduct of the hands-on fiduciaries.

F. The Duty To Disregard Plan Documents

42. A fiduciary may not avoid his fiduciary responsibilities by relying solely on the language of the plan documents. While the basis structure of a plan may be specified, within limits, by the plan sponsor, the fiduciary may not blindly follow the plan document if to do so leads to an imprudent result. ERISA 404(a)(1)(d), 29 U.S.C. 1104(a)(1)(D).

DEFENDANTS WERE FIDUCIARIES OF THE PLANS

43. ERISA requires every plan to provide for one or more named fiduciaries, who will have “authority to control and manage the operation and administration of the plan.” ERISA § 402(a)(1), 29 U.S.C. S 1102(a)(1). Under ERISA, a person is a fiduciary if he is designated a “named fiduciary” under ERISA § 402(a)(1), 29 U.S.C. § 1102(a)(1)). Additionally, to the extent that a person is delegated responsibilities under the plan or a procedure specified in the Plan, he is a named fiduciary under ERISA § 402(a)(2), 29 U.S.C. § 1102(a)(2).

44. A person can also be a de facto fiduciary as a result of his authority or control over the plan under the very broad definition of “fiduciary” set forth in ERISA at § 3(21)(A), 29 U.S.C. § 1002(21)(A). A person or entity is a fiduciary even if the plan does not name him as such or by its terms assign fiduciary duties to him where, by his conduct, he engages in fiduciary activities. Thus, those who have discretionary authority in the administration or management of the Plans or who exercise authority or control over the Plans’ assets are fiduciaries regardless of the labels or duties assigned to them by the language of the Plans.

A. Sprint Was A Fiduciary Of The Plans

45. As set forth on the Plans' Forms 5500 filed with the Department of Labor ("DOL") and the Internal Revenue Service ("IRS"), Sprint was the Administrator of the Plans within the meaning of ERISA § 3(16)(A), 29 U.S.C. § 1002(16)(A).

46. Sprint was also the Administrator of Savings Plan and the Savings Plan BUE pursuant to the Plan Documents.

47. Sprint was also a fiduciary because it was responsible for disseminating to Participants the Summary Plan Descriptions (individually and collectively, "SPD").

48. Sprint was also a fiduciary because it was responsible for disseminating to Participants the Plans' prospectus (individually and collectively, "Prospectus") which purported to describe the investment characteristics of Plan investment options. The Prospectus and all information contained or incorporated therein constitutes a representation disseminated in a fiduciary capacity upon which Participants were entitled to rely in making decisions concerning their benefits and investment and management of Plan assets allocated to their accounts.

49. The SPD incorporated by reference Sprint's most recent annual report on Form 10-K and any subsequent SEC filings. For example, the SPD for the Savings Plan which was in effect as of January 1, 2003 stated:

Sprint files annual, quarterly, and special reports, proxy statements and other information with the SEC. You can inspect and copy the Registration Statements on Form S-8 of which this Information Statement is a part, as well as reports, proxy statements, and other information filed by Sprint...

....

The SEC allows this Information Statement to "incorporate by reference" certain other information that we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this Information Statement, and information that we file later with the SEC will automatically update and replace this information. We incorporate by reference such documents as Sprint's most recent annual report of Form 10-K and any quarterly reports (Form 10-Q) or current reports (Form 8-K) filed by Sprint since its most recent 10-K filing.

In addition, we incorporate by reference (1) the description of FON Stock contained in Sprint's Registration Statement on Form 8-A filed May 30, 2000, (2) the description of FON Group Rights contained in Sprint's Registration Statement

on Form 8-A filed August 4, 1999, (3) the description of PCS Stock contained in Sprint's Registration Statement on Form 8-A filed May 30, 2000, and (4) the description of PCS Group Rights contained in Sprint's Registration Statement on Form 8-A filed July 26, 1999.

(Emphasis added).

50. The Prospectuses for the Plans also incorporated by reference Sprint's SEC filings.

51. Sprint's SEC filings were part of the the SPD and the Prospectus. Sprint exercised discretion over the contents of the SPD and the Prospectus it disseminated which were intended to communicate to Participants information necessary for Participants to manage their retirement benefits under the Plans. Sprint was not required to cause the Plans to offer the Funds as investment options under the Plans or to incorporate all of Sprint's SEC filings into the Plans' documents, but once it elected to do so, it made the disclosures in those documents in a fiduciary capacity.

52. Sprint was also a fiduciary to the extent that its employees served on the Committees within the scope of their employment. The Savings Plan Committee, the Pension and Savings Trusts Committee, the Investment Committee, the Investment Trusts Committee, the Employee Benefits Committee, the Savings and Retirement Plans Committee and their members were Sprint's agents because the Committees' members acted on behalf of Sprint. On information and belief, all Committee members were Sprint employees who served at the pleasure of the Sprint Board without additional compensation. For example, the five members of the Pension and Savings Trusts Committee, Betts, Devlin, Dellinger, Strandjord and Watson, were all employees of Sprint. Moreover, pursuant to the Plans, Committee members were indemnified by Sprint for any obligations they incurred in connection with their service on the Committees. Based on these facts, Sprint had control over the actions of the Committees and their members and is liable for their actions.

53. Sprint was also a fiduciary during the Class Period because its Board of Directors was a fiduciary during that time, as alleged *infra* at 79-82, and the Board is, by definition, an agent of the corporation.

54. Sprint was also a fiduciary because it made direct representations to Participants relating specifically to investment options of the Plans, the business and financial condition of Sprint and the merits of investing Plan assets in the Funds which were intended to communicate to Participants information necessary for Participants to manage their retirement benefits under the Plans. For example, Sprint was a fiduciary with respect to the representations made by Esrey to Participants, as alleged below, in that Esrey was acting in the course of his employment.

B. The Committee Defendants Were Fiduciaries Of The Plans

**The Pension and Savings Trusts Committee
And Its Members Were Fiduciaries Of The Plans**

55. The Pension and Savings Trusts Committee was a fiduciary of the Plans because it was designated as an administrator of the Plans in the Forms 11-K beginning with the fiscal year ended December 31, 2000. Members of the Pension and Savings Trusts Committee signed the Forms 11-K beginning with the Form 11-K filing for the fiscal year ended December 31, 2000.

56. According to the Trust Agreement, the Pension and Savings Trusts Committee had the duty to monitor continually the Investment Trusts Committee and the suitability of acquiring and holding the Funds under the fiduciary duty rules of ERISA § 404(a)(1) (as modified by § 404(a)(2) of ERISA). Trust Agreement § 4(e)(ii).

57. The Pension and Savings Trusts Committee, including members Betts, Devlin, Dellinger, Watson and Strandjord, were fiduciaries of the Plans because they established investment options under the Plans, and they were responsible for establishing and determining the investment policy and objectives and the number and type of investment funds for the Trust Fund. The Pension and Savings Trust Committee was also responsible for reviewing the performance of the investment funds, appointing or removing the investment managers for the

funds, and for eliciting from Sprint information necessary for the proper administration of the Plans sufficient to permit Participants to make proper investment decisions with respect to the investment options. For example:

a. According to the Investment Policy Statement for the Sprint Retirement Savings Plans Included in the Sprint Savings Trust (“Policy Statement”):

Sprint’s Pension and Savings Trusts Committee...has the responsibility for establishing the investment policy for the Savings Trust. The Committee recognizes its responsibility to act in a fiduciary manner with respect to investing the Plan’s assets solely in the interest of the Plan’s participants and their beneficiaries, and in accordance with the “Prudent Man” and diversification standards stated in the Employee Retirement Income Security Act of 1974, as amended (ERISA).

Policy Statement at I.

b. According to the Policy Statement, the Pension and Savings Trusts Committee had the duty to review and monitor the investment policy, compliance with the policy, the investment performance statistics of each investment option and each investment vehicle, and to review for “significant revisions to the expected long-term risk and reward spectrum for the Asset Class Funds.” Policy Statement at IX - X.

58. Just as Sprint was, the Pension and Savings Trusts Committee was also a fiduciary because it was responsible for disseminating to Participants Summary Plan Descriptions.

59. Just as Sprint was, the Pension and Savings Trusts Committee was also a fiduciary because it was responsible for disseminating to Participants Prospectuses for the Plans.

60. The Pension and Savings Trusts Committee members were also a fiduciary because they operated the Pension and Savings Trusts Committee and were responsible for all acts of the Pension and Savings Trusts Committee.

**The Savings Plan Committee
And Its Members Were Fiduciaries Of The Plans**

____ 61. The Savings Plan Committee was a “named fiduciary” for the Savings Plan and the Savings Plan BUE. Savings Plan ¶ 16.22; Savings Plan BUE ¶ 15.22.

_____62. The Savings Plan Committee was a plan administrator as defined by ERISA with the authority to control and manage the operation and administration of the Savings Plan and the Savings Plan BUE because Sprint delegated that authority to the Savings Plan Committee.⁷ Savings Plan ¶ 16.1; Savings Plan BUE ¶ 15.1.

_____63. The Savings Plan Committee had the authority to establish rules for the administration of the Savings Plan and the Savings Plan BUE, to make decisions and to take action with respect to the construction and interpretation of the Plans and the Trust Agreement. Such decisions and actions were final and binding on the Participants. Savings Plan ¶ 16.6; Savings Plan BUE ¶ 15.6._____

_____64. According to the Savings Plan SPD, the Savings Plan Committee was responsible for:

- a. interpreting and construing the Plan;
- b. determining any questions concerning an employee's eligibility for participation and benefits under the Plan;
- c. appointing local administrators;
- d. determine the amounts of Plan benefits;
- e. prescribing Plan administrative procedures;
- f. requiring any person to furnish information it requests as a condition to receiving benefits under the Plan;
- g. preparation of the Plan reports; and
- h. the authority to delegate administrative responsibility in connection with the Plan.

⁷ Under the terms of the Centel Plan, "The general administration of the Plan and the responsibility for carrying out its provisions on behalf of the Company and each Employer will be vested in a Committee designated by the Board." Centel Plan ¶ 25. As such, the Centel Plan documents do not identify which committee was designated as the administrator of the Centel Plan. On information and belief, the administration of the Centel Plan was handled by the Savings Plan Committee.

_____65. Just as Sprint was, the Savings Plan Committee was also a fiduciary in that it was responsible for disseminating to Participants Summary Plan Descriptions.

_____66. Just as Sprint was, the Savings Plan Committee was also a fiduciary in that it was responsible for disseminating to Participants Prospectuses for the Plans.

_____67. The Savings Plan Committee members were fiduciaries because they operated the Savings Plan Committee and were responsible for all acts of the Savings Plan Committee.

**The Investment Committee
And Its Members Were Fiduciaries Of The Plans**

_____68. The Investment Committee was a fiduciary because it had the responsibility and authority to determine the objectives, policies and guidelines for the investment of the Trust Fund and each investment fund established as a part thereof, including the Funds. The Investment Committee also had the authority to direct the Trustee to obtain loan funds for the purpose of purchasing Company Stock for the benefit of Participants, to direct the Trustee to acquire or dispose of Company Stock, and to select, appoint, monitor or discharge Investment Managers. Savings Plan ¶ 16.14, Savings Plan BUE ¶ 15.13. The Investment Committee had the authority and discretion to direct the Trustee to enter into a loan to fund the purchase of Company Stock on behalf of Participants. Savings Plan ¶ 11.1. It also had the discretion to direct the Trustee to buy Company Stock from, or sell Company stock to, any person. Savings Plan ¶ 11.7(a) . The Investment Committee had the authority to direct the Trustee to invest up to 100% of the assets in the Trust Fund in qualifying employer securities, as defined in ERISA § 407(d)(5), 29 U.S.C. § 1107(d)(5). Savings Plan ¶ 17.3; Savings Plan BUE ¶ 16.3.

_____69. The Investment Committee members were fiduciaries because they operated the Investment Committee and were responsible for all acts of the Investment Committee.

**The Employee Benefits Committee
And Its Members Were Fiduciaries Of The Plans**

_____70. The Employee Benefits Committee was an Administrator of the Plans within the meaning of ERISA § 3(16)(A), 29 U.S.C. § 1002(16)(A), because it was so designated on the

Forms 11-K for the fiscal year ending December 31, 2002 for the Savings Plan, the Savings Plan BUE, and the Centel Plan. For example, the Form 11-K filed for the fiscal year ending December 31, 2002 states, “The Centel Retirement Savings Plan for Bargaining Unit Employees is administered by the Employee Benefits Committee of Sprint.”

_____71. The Employee Benefits Committee was a fiduciary to Centel Plan Participants because it had authority to administer the Centel Plan, including:

- a. interpreting and construing the Plan;
- b. determining any questions concerning an employee’s eligibility for

participation and benefits under the Plan;

- c. appointing local administrators;
- d. determine the amounts of Plan benefits;
- e. prescribing Plan administrative procedures;
- f. requiring any person to furnish information it requests as a condition to

receiving benefits under the Plan;

- g. preparation of the Plan reports; and
- h. the authority to delegate administrative responsibility in connection with

the Plan.

_____72. The Employee Benefits Committee was also a fiduciary because it had the duty to investigate fully the investment options under the Plans, and to elicit from Sprint information necessary for the proper administration of the Plans and sufficient to permit Participants to make proper investment decisions with respect to the investment options.

_____73. Just as Sprint was, the Employee Benefits Committee was also a fiduciary because it had the responsibility to disseminate to Participants the Summary Plan Descriptions.

_____74. The Employee Benefits Committee was also a fiduciary in that it had the responsibility to disseminate to Participants the Plans’ Prospectuses.

_____75. The Employee Benefits Committee members were fiduciaries because they operated the Employee Benefits Committee and were responsible for all acts of the Employee Benefits Committee.

**The Investment Trusts Committee
And Its Members Were Fiduciaries Of The Plans**

_____76. The Investment Trusts Committee was a fiduciary of the Plans because, under the terms of the Trust Agreement, the Investment Trusts Committee had the authority to direct the Trustee as to the investment options in which Participants could direct the Plans to invest. Trust Agreement § 4(b). Thus, it had a duty to review Plan investment policies and alternatives and the selection and performance of those alternatives, to elicit from Sprint information necessary for the proper administration of the Plans and sufficient to permit Participants to make proper investment decisions with respect to the investment options, and to establish, change and terminate investment options under the Plans.

_____77. The Investment Trusts Committee members were fiduciaries because they operated the Investment Trusts Committee and were responsible for all acts of the Investment Trusts Committee.

C. The Director Defendants Were Fiduciaries Of The Plans

_____78. The Director Defendants were Plan fiduciaries because the Board of Directors was, at all relevant times, responsible for appointing members of the Savings Plan Committee, the Investment Committee, and the Plans' Trustees. The Board had the authority to remove any member of the Savings Plan or Investment Committees, with or without cause. In connection with these responsibilities, the Directors of Sprint had a duty to appoint persons with sufficient education, knowledge and experience to inform themselves as necessary to perform their duties and to evaluate the merits of the Plans' investment options.

_____79. The Directors had an ongoing duty to ensure that the persons appointed were performing these duties properly with respect to the selection of investment options and the investment of Plan assets.

____ 80. Finally, the Directors had a duty to convey information necessary for the appointees to perform their duties.

____ 81. As a consequence of these duties owed by the Sprint Board of Directors, the Board, and its members, were fiduciaries to the Plans.

D. Esrey

82. Esrey was also a fiduciary because he made direct representations to Participants relating specifically to investment options of the Plans, the business and financial condition of Sprint and the merits of investing Plan assets in the Funds which were intended to communicate to Participants information necessary for Participants to manage their retirement benefits under the Plans.

E. The Trustee

____ 83. The Trustee had the exclusive authority to manage and control the assets of the Plans except to the extent that the Investment Committee or any Investment Manager exercised its authority to direct investment of all or a portion of those assets. Savings Plan BUE ¶ 15.13.

____ 84. Furthermore, the Trustee had a fiduciary duty, arising from its capacity as trustee, to investigate the advisability of investing in the Funds to insure that such investment was in compliance with the terms of the Plans and the provisions of ERISA.

F. All Of The Defendants Were Co-Fiduciaries

____ 85. Each Defendant is liable for the breaches of fiduciary duty of the other Defendants under ERISA § 405, 29 U.S.C. § 1105.

DEFENDANTS ARE LIABLE FOR ALL IMPRUDENT INVESTMENTS

____ 86. All Defendants are liable for imprudent investments made by the Plans even though the Participants directed their individual contributions to the Plans, because the Plans and the Defendants did not shift liability for imprudent investments by the Plans to Participants under ERISA § 404(c), 29 U.S.C. § 1104(c). Thus, Defendants' liability for losses in these "401(k)"

plans is the same as the liability of a pension fund manager in a traditional defined benefit “pension” plan.

_____87. Although fiduciaries can shift liability for imprudent investments from themselves to the Participants under § 404(c), Defendants failed to shift liability to Participants for imprudent investment decisions because they failed to comply with section § 404(c) for various reasons, including: (i) they failed to adequately declare that the Plans were 404(c) plans; (ii) as discussed below, Defendants negligently failed to disclose to Participants all material information necessary for Participants to make investment decisions that they were not precluded from disclosing under other applicable law; and/or (iii) as discussed below, Defendants failed to provide an adequate description of the investment objectives and risk and return characteristics of the Funds.

_____88. Because § 404(c) was not complied with, Defendants are liable for losses suffered as a result of the Plans’ imprudent investments, regardless of whether Participants selected the investments made by the Plans for Participants’ individual accounts.

_____89. Further, the act of designating investment alternatives is a fiduciary function regardless of a plan’s purported status as an ERISA § 404(c) status. The responsible plan fiduciaries are subject to ERISA’s general fiduciary standards in initially choosing and/or continuing to designate investment alternatives offered by the plan.

_____90. At the beginning of the Class Period, the Plans invested approximately \$3.5 billion in the Funds, which amounted to over 65% of the value of the Plans. As the Funds lost a significant amount of their value, the Plans suffered devastating losses. Tens of thousands of Participants lost a substantial portion of their retirement savings. Defendants are liable for these losses which were caused by their breaches of fiduciary duty.

THE SPRINT STOCK FUNDS WERE IMPRUDENT INVESTMENTS

CLAIM I: DEFENDANTS SPRINT, THE COMMITTEES, THE COMMITTEE MEMBERS, AND THE TRUSTEE BREACHED THEIR FIDUCIARY DUTIES BY DESIGNATING THE FUNDS AS INVESTMENT OPTIONS AND PERMITTING THE PLANS TO INVEST IN THOSE FUNDS

____ 91. The allegations contained in paragraphs 1 through 90 are hereby realleged and incorporated by reference.

____ 92. Defendants Sprint, the Committees, the Committee Members, and the Trustee (collectively, for the purposes of Claim I, referred to herein as the “Claim I Defendants”)⁸ breached their fiduciary duties by allowing the Plans to purchase and hold shares in the Funds during the Class Period, and by allowing the Funds to remain investment options under the Plans, because the Funds were imprudent investments for Plans whose purpose was to provide for employee retirement income security.

A. The Claim I Defendants Should Have Known, Based On Public Information, That The Funds Were Imprudent Investments

____ 93. For most of its history, Sprint had a relatively conservative investment risk profile. Sprint had an established business providing local and long distance telephone services and publishing telephone directories - a secure enterprise. However, Sprint’s traditional voice business became increasingly less profitable as long-distance telephone rates dropped to as low as two cents a minute by mid-2000. As a result, Sprint shifted its business to unproven new markets and expensive new technologies. Sprint stock - and hence the Funds - became high risk investments as a result of the change in Sprint’s business.

a. By June of 1998, price cutting in telephone long distance rates was becoming fierce. By this time, Sprint had implemented its “Dime-a-Minute” rate plan which charged only 10¢ per minute for long distance calls.

⁸ Pursuant to the Court’s Memorandum and Order dated May 27, 2004, Claim I is not asserted against the Director Defendants except with respect to the Director Defendants’ co-fiduciary liability as alleged in Claim IV, *infra*.

b. In response to the decline in long-distance business, prior to June 2, 1998, Sprint announced that it was moving into the Internet business by developing a new system called the “Integrated On-Demand Network” (“ION”) which would allow Sprint to simultaneously deliver high speed internet services and voice long-distance communications through its phone network. Sprint announced that it expected to incur costs of at least \$2 billion developing ION.

c. On June 15, 1998, due to the anticipated increase in the amount of Sprint debt related to the buyout of its Sprint PCS partners, Sprint was placed on “RatingAlert Negative” by credit rating agency Fitch IBCA.

d. The risks of Sprint’s start-up Internet venture were apparent even to Sprint soon after it was announced. For example, on July 13, 1998, an article entitled “Sprint doubts own ION plan” appeared in the telecommunications trade magazine Network World. This article cited Sprint filings with the Federal Communications Commission (“FCC”) which stated that Sprint was “gravely concerned” that it would not be able to offer ION if it has to lease necessary equipment from local phone companies.

e. As Sprint continued with its high-risk, high-cost strategy, its position continued to deteriorate. For example, on November 5, 1998, Fitch IBCA cut Sprint’s credit rating to BBB+. On April 21, 1999, credit rating agency Standard & Poor’s also cut Sprint’s credit ratings to BBB+ due, in part, to Sprint’s rising level of debt.

f. The profitability of the long distance business was further diminished when, in July, 1999, Sprint introduced its “Nickel Nights” program, lowering its evening residential rates from 10¢ to 5¢. On September 24, 1999, Bloomberg News reported that these changes compelled traditional long distance providers to make fundamental changes in their business.

The companies have been cutting costs and **remaking themselves as providers of high-speed data services** to business customers, which are more profitable than voice services. That will allow the companies to offset recent price cuts of as much as 50 percent for residential long-distance phone calls. (emphasis added)

g. The fact that Sprint and its competitors were no longer “telephone companies” was further confirmed in an August 27, 1999, Bloomberg News article which reported:

“The reality is (these) are not long-distance companies anymore,” said Blake Bath, an analyst at Lehman Brothers, who has a “strong buy” rating on AT&T and MCI WorldCom. “About 35 percent to 40 percent of their revenue comes from much faster growing areas like data, wireless, Internet and international.” (emphasis added)

h. In order to attempt to survive, on October 4, 1999, Sprint announced that it was planning to merge with rival WorldCom in a stock exchange valued at \$129 billion. Sprint claimed that the merger would keep its business competitive. According to Sprint’s press release announcing the merger (and filed with the SEC in a Form 8-K on October 6, 1999), the combined company “will have the capital, proven marketing strength and state-of-the-art networks to compete more effectively against the incumbent carriers, domestically and abroad.” Additionally, Sprint stated that the merger would be critical to its business.

i. Additionally, in mid-December 1999, the DOJ announced that it had taken the very unusual step of hiring an outside law firm, Axinn Veltrop & Harkrider, a firm noted for its expertise in antitrust matters, to review the Sprint/WorldCom merger for its anticompetitive impact.

j. The merger was not approved. On July 13, 2000, Sprint announced that it was terminating the planned merger with WorldCom because it could not get regulatory approval. In making the announcement, Sprint CEO, Defendant Esrey, reemphasized that Sprint would need to change its business from long distance to new high-yield/high-risk Internet ventures:

We are well-positioned to compete in the months and years to come. **Our strategic focus is in the fastest-growing areas of telecommunications: wireless personal communications services, the Internet, high-speed data services, wireline and wireless broadband services,** along with packages and bundle communications services aimed at high-end consumers and small business. (emphasis added)

k. Because Sprint was now forced to fend for itself again, on July 14, 2000, the day after the merger was terminated, Fitch removed Sprint from “Rating Watch Positive” because of the termination of its merger agreement with WorldCom.

l. Soon thereafter, Sprint reiterated its intention to go it alone. On August 16, 2000, Sprint announced it was not actively seeking to be acquired and intended to remain independent. Sprint again stated that it was pursuing high-growth/high-risk opportunities because of its weak telephone business. For example, on August 17, 2000, Bloomberg News reported the collapse of Sprint’s share price following this August 16 announcement. The article stated, “In the meantime, falling per-minute long-distance rates, to as low as 2 cents a minute from a dime last summer, mean **the business ‘looks worse than almost anybody’s forecast**, and people want out,’ said Richard Earnest, who runs the \$800 million Highmark Value Management Fund.” (emphasis added)

m. Sprint’s business transformation continued throughout 2000. For example, on December 21, 2000, Bloomberg News reported that Sprint was relying on “broadband” services such as ION to account for up to 55 percent of Sprint’s \$4 billion in consumer revenue in 2003, up from 4% of \$2.5 billion expected for 2001. However, it reported that ION was about one-quarter behind schedule.

n. On January 12, 2001, Fitch lowered its Rating Outlook on Sprint from “Stable” to “Negative” due in part to problems with the development of ION and its “material near-term negative impact on EBITDA.”

o. These concerns about Sprint’s business change continued in 2001. On February 1, 2001, Sprint announced its 4Q00 profit had fallen 11% on a decline in sales and an increase in operating expenses. In a Bloomberg News article reporting the negative market reaction to this news, Merrill Lynch analyst Adam Quinton was quoted as saying, “**The legacy voice long-distance business continues to dampen the growth rates of the incumbent long-**

distance companies as they attempt to migrate their revenue streams toward data, broadband and Internet services.” (emphasis added)

p. In order to buoy its financial results in the midst of its transformation, Sprint introduced a marketing program targeting customers with poor credit to boost its short term subscriber growth. Originally called an “Account Spending Limit” (“ASL”) plan, bad credit customers could tender a \$125 deposit and get wireless phone service with a \$125 preset spending limit. Then, in May, 2001, Sprint changed the name of program to “Clear Pay” and eliminated the deposit requirement (instead it charged a non-refundable \$25 fee). Sprint’s reliance on this type of poor credit customer increased the risk to Sprint’s wireless operation. Short-term growth was coming at the expense of long-term stability.

q. The risks of the Internet transformation began to be realized in 2001. On May 31, 2001, Sprint announced it was scaling back plans for its ION network. Sprint spokeswoman Robin Calson said, “We are going more slowly on our consumer market rollout of ION until we get some of the technical problems resolved,” stating that Sprint was having trouble transmitting calls on the network with the same quality as traditional phone service.

r. These problems were quickly translated into further concerns about Sprint’s financial performance. On August 7, 2001, Fitch assigned a BBB+ rating to a Sprint equity security offering, stating:

A key concern entering 2001 for Sprint was the \$5 billion in external financing required for funding its business plan - \$3 billion in PCS equity and \$2 billion in FON debt. . . .An important rating consideration for Sprint involves ION. While ION represents a significant long-term growth vehicle and a strategic means to ensure Sprint’s competitive position in the future, **the ION expansion has materially impacted EBITDA and capital funding requirements. Sprint faces significant hurdles before achieving scale and positive operational cash flow.** Sprint has invested over \$1.5 billion on ION capital spending and would need to continue significant investment for a full nationwide deployment. **Other issues involving ION include technical issues affecting acceptable service levels,** competitive threats from other large operators with similar bundled offerings and high costs to acquire customers.

s. Finally, on October 17, 2001, Sprint announced it was **terminating** its ION efforts, in effect admitting that one of the foundations for its transformation was a failure.

t. Shortly thereafter, Sprint's problems with its Clear Pay program came to light. On November 8, 2001, Sprint announced it was tightening the terms of "Clear Pay" through which Sprint marketed its product to poor credit customers.

u. Sprint's business failures continued to have a negative impact on its financial condition. On February 5, 2002, Fitch downgraded Sprint's credit rating to BBB, stating:

Debt levels at the company increased rapidly with continued heavy investment in Sprint PCS and ION initiative over the past couple of years. The larger debt levels coupled with adverse economic conditions hurting demand for data services caused credit protection measures in 2001 to fall short of expectations.

v. Then, on March 6, 2002, Moody's Investor Service reduced Sprint's credit rating to Baa2. As Sprint deteriorated, on June 7, 2002, Moody's investor Service cut Sprint's credit rating to Baa3 - the last level above "junk" status. As reported by Bloomberg News, Moody's cut the rating because Sprint "**may have trouble generating enough cash to pay its debts.**" Similarly, on June 14, 2002, Bloomberg News reported that Standard & Poor's cut Sprint's debt two notches to BBB-, the lowest investment grade.

w. During this same period, the Clear Pay program continued to deteriorate. As Morgan Stanley analyst Luiz Carvalho stated on June 14, 2002:

The problems that Sprint PCS and its affiliates are facing with ASL/Clear-Pay are clearly not over. Although the company has been handling the ASL/Clear Pay product in a different way when compared to the affiliates, it is facing some of the same problems. . . .

In our view, the [recently introduced] stricter policies of Sprint PCS towards certain sub-prime customer segments were a necessary step. However, we are surprised by the magnitude of effect on subscriber growth. **It is clear that the company became overly dependent on this type of subscribers.** . . .

x. Later in the report, while discussing Sprint's previous failures to meet revenue expectations, Carvalho reported:

In our view, this highlights the risk that further operational deterioration at Sprint PCS could translate into a delay in reaching free cash flow positive and further financial risk. . . .

y. The report did not recommend Sprint PCS even though its shares were relatively inexpensive, stating:

However, given the significant financial risk, the limited visibility on Sprint PCS business and lack of confidence in the projections, we are not inclined to call PCS shares cheap. . . . In our view, the stock is not cheap relative to the increased risk and relative to its peers. (emphasis in original)

____ 94. Neither Sprint nor any of the other Defendants took any action to protect the Plans from potential losses based on these publicly disclosed increased risks, and made no effort to disclose those risks to Participants until it was too late. Indeed, on February 13, 2003 - the last day of the Class Period - Sprint's Chairman, Defendant Esrey, finally sent a letter to all Sprint employees in which he stated that Sprint should have terminated ION sooner and that Clear Pay was a failure because of credit quality problems.

B. The Plans Investments In The Funds Were Imprudent Based On Material Nonpublic Information

____ 95. Between October 4, 1999 and July 13, 2000, the Claim I Defendants other than the Trustee negligently made numerous public misrepresentations which stated in effect that the merger with WorldCom would likely be approved. The Claim I Defendants other than the Trustee should have known, and negligently failed to disclose, that the WorldCom merger would not likely be approved by U.S. and European regulatory authorities based on material, non-public information that was available to Defendants, including the following:

a. During April 2000, Sprint and WorldCom officials had meetings and communications with Department of Justice ("DOJ") officials regarding the contemplated merger of the two companies. During these discussions, DOJ officials indicated that the DOJ was very unlikely to approve the merger under any circumstances and certainly not without asset divestments that Defendants should have known would make the transaction uneconomical to the parties.

b. On April 19, 2000, the FCC told Sprint and WorldCom that it would not move forward on the merger application until they presented yet more data on the Internet and

long-distance markets and provided certain consultant reports they had been withholding. The FCC told Sprint and WorldCom that until this information was submitted and certified, the FCC was stopping the 180-day clock to investigate and opine on the merger at day 75. The demand came immediately after consultants told the FCC that Sprint's and WorldCom's claims that large business users would have numerous options for voice and data services were very dubious.

c. On April 26, 2000, Sprint officials were informed by officials at the European Commission ("EC") that the companies would, within days, be receiving an outline of the EC's concerns over the merger's potential competitive problems. The EC's most significant concern was the Internet backbone - the network of cables that ferries traffic for the global computer system - and it told WorldCom and Sprint that the EC would likely require divestment of WorldCom's UNNET Internet unit - the world's largest Internet backbone provider (with Sprint's Internet backbone provider being the world's second largest). Were the EC to force the divestment of UNNET, it would destroy the economics of the merger and kill the transaction. EC Commissioner Monti said that the Commission would mail the companies a formal "statement of objections" in the next few days, and that it was "seriously concerned with the possible anti-competitive aspects of this deal." He also said the Commission's initial investigation of the merger has "confirmed [these] concerns."

____96. Defendants other than the Trustee also should have known and negligently failed to disclose that Defendants Esrey and LeMay engaged in high risk, aggressive and inappropriate tax shelters developed by Sprint's auditor, Ernst & Young, to avoid paying taxes on hundreds of millions of dollars of profits related to their stock options. In fact, Sprint and Ernst & Young prodded the Sprint executives to exercise their stock options because, pursuant to complicated accounting and tax rules governing stock options, the exercises made Sprint's performance look better by boosting its net asset value, an important measure of a company's financial health. Between 1999 and 2000, Esrey and LeMay reaped approximately \$287 million in gains from exercise of the options, which translated into an approximate \$100 million in tax savings for

Sprint. The IRS was increasingly vocal about the illegality of such tax shelters during the course of Class Period. Eventually, the potential that the IRS would declare the tax shelters illegal, combined with the decrease in the value of the shares that Esrey and LeMay held, meant that Esrey and LeMay both faced potential personal bankruptcy resulting from the use of these tax shelters.

____ 97. By the middle of 2002, Esrey, LeMay, the Board and Sprint should have known and negligently failed to disclose that Sprint was going to have to terminate its relationship with either its two most high profile employees or its auditors. Defendants should have known that these significant conflicts of interest existed among Sprint, Ernst & Young, and Esrey and LeMay with respect to the tax shelters and could lead to the departure of Esrey and LeMay from Sprint under circumstances which would cause a substantial drop in the value of Funds' shares.

____ 98. As a result of these risks, of which the Claim I Defendants should have known, the Funds were not a prudent investment.

C. **All Claim I Defendants Should Have Protected the Plans' Investments in the Funds**

99. Based on the foregoing, all Claim I Defendants should have known that the Funds were not prudent investment options throughout the Class Period. As a result thereof, the Plans should have terminated the Funds as investment options, halted the purchase of shares in the Funds and sold all of their shares in the Funds.

100. To the contrary, the Claim I Defendants failed to act in the best interest of Plan Participants. Their willingness to shirk their fiduciary duties is exemplified by their attempt to release the ERISA claims asserted in the instant litigation in the settlement of a securities fraud action, In re Sprint Corporation Securities Litigation, Master File No. 01-4080-CM (D.Kan.), against the best interest of the Plans and Participants and in the best interest of Defendants. Defendants' attempt to release the ERISA claims asserted in the instant litigation failed only upon the intervention by the ERISA Plaintiffs into the securities fraud action for the purpose of objecting to the settlement of that action if the ERISA claims were not carved out of the release

language contained in the settlement agreement. Defendants eventually agreed to abandon their attempt to release the ERISA claims in return for Plaintiffs' agreement to refrain from objecting to the settlement by withdrawing their pending motions.

101. To the extent that the Claim I Defendants possessed material adverse nonpublic information, they should have prevented the Plans from purchasing additional shares in the Funds. They should also have directed the Plans to sell all of their shares in the Funds and disclosed this nonpublic information prior to any sales by the Plans. Had they done so, the Plans would have limited their losses substantially, even though the price might have dropped somewhat upon disclosure.

102. Claim I Defendants were fiduciaries who breached their fiduciary duties in that they should have known the facts as alleged above and should have known that the Plans should not have invested such massive amounts in the Funds.

103. Claim I Defendants also breached their fiduciary duties in allowing the Trustee to continue to direct the Company Match portion of the Plans to the purchase of Sprint FON and Sprint PCS stock while they should have known that the Sprint stock price was artificially inflated and, as a result, the Participants received fewer shares than they were entitled to under the terms of the Plans.

104. As a consequence of the Claim I Defendants' breaches, the Plans suffered losses.

105. The Claim I Defendants are liable to personally make good to the Plans any losses to the Plans resulting from each breach under 29 U.S.C. § 502(a)(2).

106. Pursuant to ERISA §502(a)(3), 29 U.S.C. §1132(a)(3), the Court should award equitable relief to the Class.

CLAIM II: DEFENDANTS SPRINT, THE COMMITTEES, AND THE COMMITTEE MEMBERS NEGLIGENTLY MISREPRESENTED AND FAILED TO DISCLOSE MATERIAL INFORMATION

_____107. The allegations contained in paragraphs 1 through 106 are realleged and incorporated herein by reference.

_____108. Pursuant to ERISA § 404, 29 U.S.C. § 1104, Defendants Sprint, the Committees, and the Committee Members (collectively, for the purposes of Claim II, referred to herein as the “Claim II Defendants”)⁹ have a duty to discharge their duties with respect to the Plans prudently and solely in the interests of Participants and Beneficiaries and for the exclusive purpose of providing benefits to Participants and their Beneficiaries. The duty of the fiduciary includes at least:

- a. a duty not to misinform;
- b. a duty to inform when the fiduciary knows or should know that silence might be harmful; and
- c. a duty to convey complete and accurate information material of the circumstances to Participants and Beneficiaries.

_____109. The Claim II Defendants negligently misrepresented to Participants the riskiness of their investments in the Funds by failing to provide an adequate description of the investment objectives and risk and return characteristics of the Funds. The Claim II Defendants failed to disclose that the performance and value of the Fund shares in Participants’ accounts were substantially affected by the facts and risks alleged above. Instead, the only risk characteristics of the Funds Defendants provided to Participants were:

- a. “The actual performance of the Sprint FON common stock may vary slightly from the Sprint FON Stock Fund as the Fund holds a small percentage of its assets in cash for purposes of liquidity.”

⁹ Pursuant to the May 7 Order, Plaintiffs do not assert Claim II against the Director Defendants, except to allege that the Director Defendants are liable as co-fiduciaries.

b. “The actual performance of the Sprint PCS common stock may vary slightly from the Sprint PCS Stock Fund as the Fund holds a small percentage of its assets in cash for purposes of liquidity.”

c. In the SPD, the Claim II Defendants fell far short of identifying the risks the Participants incurred by investing in the Funds. In the section of the Savings Plan SPD entitled “Diversification,” Defendants stated, “Because the Company Stock Funds invest principally in Sprint FON stock and Sprint PCS stock, the funds are generally considered riskier, and may vary in price more than a diversified portfolio invested in many accounts.”

d. An attachment to the Centel Plan describes the risk of investments in the Company Stock Funds as follows:

The value of your investment will be affected by the performance of the company and the overall stock market, as well as the performance and amount of short-term investments held by the fund. Investing in a non-diversified single stock fund involves more risk than investing in a diversified fund.

Centel Plan Addendum at p. 11, 12.

_____ 110. Furthermore, the Claim II Defendants negligently misrepresented to Participants in a fiduciary capacity that the Funds would be a lucrative investment. For example, Sprint’s September, 1998 issue of the monthly newsletter, published for the employees of Sprint’s Long Distance Division, cited LeMay as representing that “[i]f Sprint seizes the advantage of becoming One Sprint, growth to \$40 billion-plus in revenues, a market capitalization of \$60 billion and a stock price of \$140 can be realized in five years.” Additionally, the newsletter quoted Esrey as stating, “In the next five years with Sprint PCS and Sprint ION, we can create more value than exists in our current core business of local and long distance.”

_____ 111. The Claim II Defendants breached their fiduciary duties in that they negligently made material misrepresentations and negligently failed to disclose material information to participants concerning the Plans’ investment options as alleged above.

_____ 112. In breach of their fiduciary duties, the Claim II Defendants also made negligent misrepresentations and negligently failed to disclose material information to Participants

concerning the likely outcome of Sprint's proposed merger with WorldCom. From October 5, 1999 until the merger was abandoned, Sprint consistently represented that the merger would be approved by government regulators, including the FCC, the DOJ and the EC, and that the deal would close in the second half of 2000 when, in fact, Defendants should have known, based on public and nonpublic information, that it would be rejected. These misrepresentations were present in Sprint's public filings incorporated into the SPD and Prospectus prior to the time Sprint and WorldCom abandoned the merger. For example:

- a. On October 29, 1999, Sprint filed a Form 8-K with the SEC which stated:

The merger is subject to the approvals of Sprint and MCI/WorldCom and Sprint stockholders as well as approvals from the Federal Communications Commission, the Justice Department, various state government bodies and foreign antitrust authorities. **The companies anticipate that the merger will close in the second half of 2000.**

- b. Sprint's Form 10-Q filed on November 15, 1999 states:

The merger is subject to the approvals of Sprint and MCI/WorldCom and Sprint stockholders as well as approvals from the Federal Communications Commission, the Justice Department, various state government bodies and foreign antitrust authorities. **The companies anticipate that the merger will close in the second half of 2000.**

- c. Sprint filed a Form 8-K on February 1, 2000 that stated:

The merger is subject to the approval of MCI WorldCom and Sprint stockholders as well as approvals from the Federal Communications Commission, the Department of Justice, various state government bodies and foreign antitrust authorities. **The companies anticipate that the merger will close in the second half of 2000.**

d. On March 9, 2000, Sprint and WorldCom issued a joint Registration Statement/Merger Proxy. The Merger Proxy contained letters by Esrey and Ebbers recommending that shareholders approve the Sprint/WorldCom merger and contained a Notice of Shareholder Meeting that contained the Sprint Board's recommendation that shareholders approve the merger:

The Sprint board of directors has determined that the merger and the merger agreement are advisable, fair to and in the best interests of Sprint and all of its stockholders and recommends that Sprint stockholders vote FOR the adoption of the merger agreement.

e. The Merger Proxy disclosed only the following abstract risks with respect to government approval of the merger.

The merger is subject to the receipt of consents and approvals from various government entities, which **may** jeopardize or delay completion of the merger or reduce the anticipated benefits of the merger. Completion of the merger is conditioned upon filings with, and the receipt of required consents, orders, approvals or clearances from various governmental agencies, both foreign and domestic, including the FTC, the Antitrust Division, European antitrust authorities, the Federal Communications Commission and state public utility or service commissions. These consents, orders, approval and clearances **may** impose conditions on or require divestitures relation to the divisions, operations or assets of MCI WorldCom or Sprint. Such conditions or divestitures **may** jeopardize or delay completion of the merger or **may** reduce the anticipated benefits of the merger.

The Merger Proxy also stated that:

At any time before or after completion of the merger, the Antitrust Division could take such action under the antitrust laws as it deems necessary or desirable in the public interest, including seeking to enjoin completion of the merger or seeking divestiture of substantial assets of MCI WorldCom or Sprint. The merger also is subject to review under state antitrust laws and could be the subject of challenges by private parties under the antitrust laws.

At the time of the Merger Proxy, the Claim II Defendants should have known there was a substantial probability that government agencies or entities would file suit or take other action to block the merger, and that it was virtually certain that the merger would not occur. In addition, the Merger Proxy did not disclose the concerns already conveyed to Defendants by the FCC, DOJ and the EC. The Merger Proxy also did not disclose that the Sprint Defendants had secretly altered the “change in control” provision previously approved by the shareholders and that if the shareholders voted in favor of the merger, Sprint’s top officers and directors would immediately receive hundreds of millions of accelerated and vested stock option benefits based on the vote alone, even if the merger never took place.

f. Sprint’s 1999 Form 10-K, filed on March 24, 2000, stated:

The merger is subject to the approvals of Sprint and MCI WorldCom shareholders as well as approval from the Federal Communications Commission, the Justice Department, various state government bodies and foreign antitrust authorities. **The companies anticipate that the merger will close in the second half of 2000.**

g. Sprint’s Form 10-Q filed May 11, 2000, stated:

Sprint and MCI WorldCom shareholders have approved the merger. The merger is subject to approvals from the Federal Communications Commission (FCC), the Justice Department, various state government bodies and foreign antitrust authorities. **The companies anticipate that the merger will close in the second half of 2000.**

_____ 113. The Claim II Defendants should have known that their negligent misstatements and nondisclosures alleged above would artificially inflate the market price of Sprint securities, and that the price the Plans paid for shares of the Funds would likewise be inflated. As a result of these negligent misrepresentations and nondisclosures, the Plans' purchases of the Funds were imprudent because the shares of the Funds cost more than their true value. Moreover, Defendants should have known that when the WorldCom merger was rejected, the market price of Sprint securities - and the value of the Funds - would drop which further caused investment in the Funds to be imprudent.

_____ 114. In breach of their fiduciary duties, the Claim II Defendants negligently failed to disclose the conflicts of interest that existed between Sprint, Ernst & Young, and Esrey and LeMay. The Claim II Defendants negligently failed to disclose that the conflicts of interests arising from the use of tax shelters by Esrey and LeMay could, and did, result in the termination of Sprint's top two employees.

_____ 115. The Plans, and the Participants acting on behalf of the Plans, relied upon, and are presumed to have relied upon, Defendants' representations and nondisclosures to their detriment.

_____ 116. As a consequence of the Claim II Defendants' misrepresentations and nondisclosures, the Plans suffered losses.

_____ 117. The Claim II Defendants are personally liable to make good to the Plans any losses to the Plans resulting from each breach.

_____ 118. Pursuant to ERISA §502(a)(3), 29 U.S.C. §1132(a)(3), the Court should award equitable relief.

CLAIM III: SPRINT AND THE DIRECTOR DEFENDANTS FAILED TO APPOINT FIDUCIARIES WITH THE KNOWLEDGE AND EXPERIENCE NECESSARY TO MANAGE PLAN ASSETS, FAILED TO MONITOR THOSE FIDUCIARIES PROPERLY, AND FAILED TO PROVIDE SUFFICIENT INFORMATION FOR PLAN FIDUCIARIES TO PERFORM THEIR DUTIES

_____ 119. The allegations contained in paragraphs 1 through 118 are hereby realleged and incorporated by reference.

_____ 120. Defendants Sprint and the Director Defendants owed a duty to monitor the Committees, the Committee Members and the Trustee to ensure that the administrators, named fiduciaries and de facto fiduciaries, had accurate information on Sprint's business and financial condition, business prospects, and any conflicts of interest that existed as further alleged above. Sprint and the Director Defendants breached this duty in providing negligently misleading information and failing to disclose material information as described above.

_____ 121. Sprint and the Director Defendants breached their fiduciary duties to appoint and monitor the Committee members in the following ways:

a. They appointed primarily Sprint employees who, by definition, lacked the independence necessary to make appropriate decisions. As noted in paragraph 18 above, each of the Committee Members were employees of Sprint holding the titles and positions previously alleged;

b. They appointed Committee members who lacked the knowledge, skill and expertise to perform their responsibilities and failed to monitor their performance which permitted the Plans to make the imprudent investments as alleged above; and

c. To the extent that the Committees did not know the information alleged above concerning the imprudence of the Fund as a Plan investment, which the Directors should have known, the Directors failed to inform the Committees of the information the Committees needed to know to perform its duties;_____

_____ 122. Sprint and the Director Defendants breached their fiduciary duties by failing to evaluate the risks and performance of the Funds. In doing so, Sprint and the Director Defendants

breached their duty to adequately monitor the Funds. In fact, the Savings and Trusts Committee utilized performance benchmarks for each of the investment vehicles in the Asset Class Funds - excluding the Funds. As such, not only did Sprint and the Director Defendants fail to monitor the investments in the Funds, they failed to provide an adequate description of the investment objectives and risk and return characteristics of each investment option under the Plans.

_____ 123. As a result of their fiduciary status, Sprint and the Director Defendants had the duty to ensure that the Committee Defendants ensured that the Funds were prudent investments. Sprint and the Director Defendants should have known that the Funds were an imprudent investments and should have required the Committees to take all of the steps necessary to protect the Plans from their massive losses.

_____ 124. As a consequence of the Defendants' breaches, the Plans suffered losses.

_____ 125. Sprint and the Director Defendants are liable to personally make good to the Plans any losses to the Plans resulting from each breach under 29 U.S.C. § 502(a)(2).

_____ 126. Pursuant to ERISA §502(a)(3), 29 U.S.C. §1132(a)(3), the Court should award equitable relief to the Class.

CLAIM IV: DEFENDANTS, OTHER THAN THE TRUSTEE, ARE LIABLE AS CO-FIDUCIARIES FOR THE BREACHES OF FIDUCIARY DUTIES BY THE OTHER DEFENDANTS

_____ 127. The allegations contained in paragraphs 1 through 126 are realleged and incorporated herein by reference.

_____ 128. Any allegation in this Claim IV that any Defendant had actual knowledge is limited to this Claim IV and is not intended to alter or amend any allegation contained in paragraphs 1 through 127.

_____ 129. Each Defendant other than the Trustee is liable for the acts of the other Defendants as a co-fiduciary. Upon information and belief, each Defendant other than the Trustee (a) knowingly participated in, or knowingly undertook to conceal the breaches of the other fiduciaries, (b) by virtue of his own breach of fiduciary duty, enabled the other Defendants

to breach their fiduciary duties, and/or (c) had knowledge of the other Defendants' breaches and failed to take reasonable steps to remedy them.

_____130. Sprint, the Director Defendants and the Committee Defendants are liable as co-fiduciaries for the other Defendants' breaches of fiduciary duties as stated in Claim I because Sprint, the Director Defendants and the Committee Defendants: (a) knowingly participated in, or knowingly undertook to conceal the breaches of the other fiduciaries, (b) by virtue of their own breaches of fiduciary duties, enabled the other Defendants to breach their fiduciary duties, and/or (c) had knowledge of the other Defendants' breaches and failed to take reasonable steps to remedy them, as follows:

a. The Director Defendants enabled the other Defendants to breach their fiduciary duties of prudence and truthful disclosure by virtue of their own breaches of their fiduciary duty to monitor the fiduciaries they appointed as outlined in Claim III.

b. Sprint enabled the other Defendants to breach their duties of prudence and truthful disclosure by failing to exercise its power and fulfill its duties as a plan fiduciary to take reasonable actions to prevent the other Defendants from breaching their specific duties. As a co-fiduciary and an Administrator of the Plans, Sprint failed to make proper inquiries regarding the Plans' disclosures, management and investment in the Funds and remained inactive while other fiduciaries breached their duties of prudence and truthful disclosure.

c. The Committee Defendants enabled the other Defendants, including fellow Committee Members as well as the Committees themselves, to breach their duties of prudence and truthful disclosure by failing to exercise their power and fulfill their duties as plan fiduciaries to take reasonable actions to prevent the other Defendants from breaching their specific duties. As co-fiduciaries of the Plans, each of the Committee Defendants failed to make proper inquiries regarding the Plans' disclosures, management and investment in the Funds and remained inactive while other fiduciaries breached their duties of prudence and truthful disclosure.

d. Upon information and belief, Sprint, the Director Defendants and the Committee Defendants knew the public information outlined *supra* in paragraphs 93 - 94, knew the non-public information outlined *supra* in paragraphs 95 - 98, knew that the other Defendants breached their fiduciary duties as outlined *supra* in paragraphs 101 - 103, and failed to take reasonable steps to remedy those breaches.

e. Sprint, as a corporate entity, possessed actual knowledge of the other Defendants' fiduciary breaches because the knowledge and actions of other Defendants -- as corporate agents, officers, directors and employees of Sprint -- are attributable to Sprint.

f. On information and belief, the Committee Defendants possessed actual knowledge of the other Defendants' fiduciary breaches in that the Committee Members, were senior employees of the Sprint (outlined *supra* in paragraphs 16-18). The knowledge possessed by the Committee Members is imputed to the respective Committees in which they participated.

g. Upon information and belief, the Director and Committee Defendants were kept apprised of the status of the Company's business, and thus knew that the Company's business had transformed from a traditional long distance carrier to a more high tech company, that the ION program was not going well, that the Clear Pay program was not going well, and that the merger with WorldCom was likely going to be blocked by regulators. Thus, the Director and Committee Defendants knew that the other Defendants, other than the Trustee, were in breach of their fiduciary duties with respect to the prudence of investment by the Plans into the Funds.

h. Upon information and belief, the Director and Committee Defendants knew that the other Defendants negligently failed to disclose that the conflicts of interests arising from the use of tax shelters by Esrey and LeMay could, and did, result in the termination of Sprint's top two employees, which knowledge is confirmed by the fact that in late 2000, Esrey and Lemay disclosed their problems with the tax shelters they had employed to the Sprint Board of Directors. Upon information and belief, Esrey and LeMay informed the Board of Directors by

late 2001 that they had reported their use of the tax shelters to the IRS, for which the IRS granted Esrey and LeMay amnesty from potentially significant penalties. Additionally, during 2002, the Board of Directors held over twenty meetings to discuss the tax problems and financial condition of Esrey and LeMay, as well as Ernst & Young's role in promoting and selling the tax shelters to Esrey and LeMay. In Spring 2002, Sprint's Board denied a request for more compensation to help cover Defendants Esrey's tax liability. In June 2002, the Director Defendants learned that Esrey and LeMay were being formally investigated by the IRS in connection with their use of tax shelters. The Director Defendants hired an outside law firm to assess the conflicts of interest that had arisen amongst Sprint, Esrey and LeMay, and Ernst & Young. By October, the law firm advised that Defendants LeMay and Esrey be ousted. Based on such knowledge, the Director and Committee Defendants knew that investment in the Funds was imprudent and thus that the other Defendants were in breach of their fiduciary duties.

i. Upon information and belief the Director and Committee Defendants knew that the search for a CEO to replace Esrey was ongoing and that this fact was not revealed to the Plan Participants.

j. Upon information and belief, the Director and Committee Defendants knew that the other fiduciary Defendants had a pattern and practice of incorporating financial statements of the Company by reference into the SPDs which were distributed to Plan Participants on a regular basis. The Director and Committee Defendants knew that if those financial statements which were incorporated by reference into the SPDs contained negligent misrepresentations and/or negligent omissions of material information, that Plan Participants would rely on misinformation as alleged *supra* at paragraph 115, thus making the investment into the Funds by the Plan Participants imprudent.

k. Additionally, upon information and belief, the Director and Committee Defendants knew that negligent misstatements and nondisclosures contained in financial statements incorporated by reference into the SPDs would artificially inflate the market price of

Sprint securities, and that the price the Plans paid for shares of the Funds would likewise be inflated. Upon information and belief the Director and Committee Defendants knew that as a result of these negligent misrepresentations and nondisclosures, the Plans' purchases of the Funds were imprudent because the shares of the Funds cost more than their true value.

Moreover, upon information and belief, the Director and Committee Defendants knew that when the WorldCom merger was rejected, and the news that Esrey and LeMay were going to be terminated went public, the market price of Sprint securities - and the value of the Funds - would drop, which further caused investment in the Funds to be imprudent.

l. Arthur B. Krause, a Director Defendant and former Chief Financial Officer of Sprint, also served as the Chairman of the Pension Savings Trusts Committee and a member of the Employee Benefits Committee. Accordingly, all knowledge possessed by Krause in his capacity as a Sprint director is imputed to him in his capacity as a Committee Member and imputed to the respective Committees. Moreover, upon information and belief, Krause shared such information with the Committees and their members. Such knowledge as to breaches by any Defendant gives rise to co-fiduciary liability.

m. To the extent that any of the John Does 1-30 were also members of the Board of Directors, all knowledge they had as Committee Members is imputed to them in their capacity as Director Defendants and such knowledge as to breaches by any Defendant gives rise to co-fiduciary liability.

____ 131. Sprint, the Director Defendants and Committee Defendants are liable as co-fiduciaries for the other Defendants' breaches of fiduciary duties as stated in Claim II because the Director Defendants: (a) knowingly participated in, or knowingly undertook to conceal the breaches of the other fiduciaries, (b) by virtue of their own breaches of fiduciary duties, enabled the other Defendants to breach their fiduciary duties, and/or (c) had knowledge of the other Defendants' breaches and failed to take reasonable steps to remedy them, as follows:

a. The Director Defendants enabled the other Defendants to breach their fiduciary

duties of truthful disclosure by virtue of their own breaches of their fiduciary duty to monitor the fiduciaries they appointed as outlined in Claim III.

b. Sprint enabled the other Defendants to breach their duties of truthful disclosure by failing to exercise its power and fulfill its duties as a plan fiduciary to take reasonable actions to prevent the other Defendants from breaching their specific duties. As a co-fiduciary and an Administrator of the Plans, Sprint failed to make proper inquiries regarding the Plans' disclosures, management and investment in the Funds and remained inactive while other fiduciaries breached their duties of truthful disclosure.

c. The Committee Defendants enabled the other Defendants, including fellow Committee Members and the Committees themselves, to breach their duties of truthful disclosure by failing to exercise their power and fulfill their duties as a plan fiduciaries to take reasonable actions to prevent the other Defendants from breaching their specific duties. As co-fiduciaries of the Plans, each of the Committee Defendants failed to make proper inquiries regarding the Plans' disclosures, management and investment in the Funds and remained inactive while other fiduciaries breached their duties of truthful disclosure.

d. Sprint, as a corporate entity, possessed actual knowledge of the other Defendants' fiduciary breaches because the knowledge and actions of other Defendants -- as corporate agents, officers, directors and employees of Sprint -- are attributable to Sprint. Although Sprint had actual knowledge of the fiduciary breaches set forth in Claim II, it failed to take reasonable steps to remedy those breaches.

e. On information and belief, the Committee Defendants possessed actual knowledge of the other Defendants' fiduciary breaches in that the Committee Members were senior employees of Sprint (outlined *supra* in paragraphs 16-18). The knowledge possessed by the Committee Members is imputed to the respective Committees in which they participated. Although the Committee Members had actual knowledge of the fiduciary breaches set forth in Claim II, they failed to take reasonable steps to remedy those breaches.

f. Upon information and belief, the Director Defendants and Committee Defendants knew that the other fiduciary Defendants other than the Trustee negligently failed to disclose the conflicts of interest that existed between Sprint, Ernst & Young, and Esrey and LeMay.

g. Upon information and belief, the Director Defendants and Committee Defendants knew that the other Defendants negligently failed to disclose that the conflicts of interests arising from the use of tax shelters by Esrey and LeMay could, and did, result in the termination of Sprint's top two employees, which knowledge is confirmed by the fact that in late 2000, Esrey and Lemay disclosed their problems with the tax shelters they had employed to the Sprint Board of Directors. Upon information and belief, Esrey and LeMay informed the Board of Directors by late 2001 that they had reported their use of the tax shelters to the IRS, for which the IRS granted Esrey and LeMay amnesty from potentially significant penalties. Additionally, during 2002, the Board of Directors held over twenty meetings to discuss the tax problems and financial condition of Esrey and LeMay, as well as Ernst & Young's role in promoting and selling the tax shelters to Esrey and LeMay. In Spring 2002, Sprint's Board denied a request for more compensation to help cover Defendants Esrey's tax liability. In June 2002, the Director Defendants learned that Esrey and LeMay were being formally investigated by the IRS in connection with their use of tax shelters. The Director Defendants hired an outside law firm to assess the conflicts of interest that had arisen amongst Sprint, Esrey and LeMay, and Ernst & Young. By October, the law firm advised that Defendants LeMay and Esrey be ousted.

h. Upon information and belief, the Director and Committee Defendants knew that the search for a CEO to replace Esrey was ongoing and that this fact was not revealed to the Plan Participants.

i. The Director and Committee Defendants participated in and/or enabled the breaches of fiduciary duty by the Defendants other than the Trustee, and/or, upon information and belief had knowledge of the other Defendants', other than the Trustee's, breaches and failed

to take reasonable steps to remedy them. The Director Defendants signed Sprint's 2001 Form 10K, filed with the SEC on March 4, 2002, which the Director and Committee Defendants knew would be incorporated by reference into the Company's SPDs, and which contained the following misrepresentation regarding the likelihood of Esrey and LeMay's future employment at Sprint:

In 2001, Sprint entered into **new employment contracts with Mr. Esrey and Mr. LeMay designed to insure their long-term employment with Sprint**, to provide competitive compensation, and to link their compensation to shareholder value. (Emphasis added).

The 2001 Form 10K was signed by Director Defendants Esrey, LeMay, Hook, Rice, Smith, Lorimer, Turley, Ausley, Batts, Hockaday, Krause and Meyer, all of whom knew that the Form 10K would be incorporated by reference into the SPDs distributed to Plan Participants. Upon information and belief, the Committee Defendants, which include Krause, had knowledge of the misrepresentations in the 2001 Form 10K, which was incorporated by reference into the SPD's distributed to Plan Participants.

j. Esrey and LeMay, in their capacities as Director Defendants, knew that they had made and conveyed negligent misstatements to the Company employees in their capacities as fiduciaries as alleged in paragraph 111, and failed to remedy those misstatements.

k. Upon information and belief, the Director and Committee Defendants knew that regulators were not likely to approve of the proposed WorldCom/Sprint merger during 1999 and 2000 as alleged *supra* at paragraph 95.

l. Upon information and belief, the Director and Committee Defendants were kept apprised of the status of the Company's business, and thus the Director and Committee Defendants knew that the Company's business had transformed from a traditional long distance carrier to a more high tech company, that the ION program was not going well, that the Clear Pay program was not going well, and that the merger with WorldCom was likely going to be blocked by regulators. Thus, upon information and belief, the Director and Committee Defendants knew the public and non-public information alleged *supra* at paragraphs 93 - 98 and

that the other Defendants, other than the Trustee, were in breach of their fiduciary duties with respect to the misrepresentations and nondisclosures as outlined in paragraphs 110 -115.

m. Upon information and belief, the Director and Committee Defendants knew that the financial statements of Sprint would be incorporated by reference into the SPDs distributed to Plan Participants. Thus, the Director and Committee Defendants knew that information negligently misrepresented or negligently omitted from those financial statements would be communicated to the Plan Participants by fiduciaries. The aforementioned Form 10-Q filed on November 15, 1999 was signed by Director Defendant Meyer, as was the Form 10-Q filed May 11, 2000; the 1999 Form 10-K filed on March 24, 2000 was signed by Director Defendants Esrey and Krause. By failing to prevent the communication of misleading information by other fiduciaries despite their knowledge of the misleading nature of the communications, the Director and Committee Defendants are liable as co-fiduciaries.

n. All knowledge regarding breaches of fiduciary duties as stated in Claim II possessed by Krause in his capacity as a Sprint director is imputed to him in his capacity a Committee Member and imputed to the respective Committees. Moreover, upon information and belief, Krause shared such knowledge with the Committees and their members. Such knowledge as to breaches by any Defendants gives rise to co-fiduciary liability.

o. To the extent that any of the John Does 1-30 were also members of the Board of Directors, all knowledge they had in their capacity as Director Defendants is imputed to them as Committee Members and such knowledge as to breaches by any Defendant gives rise to co-fiduciary liability.

_____ 132. As a consequence of the Defendants' breaches, the Plans suffered losses.

_____ 133. The Defendants are liable to personally make good to the Plans any losses to the Plans resulting from each breach under 29 U.S.C. § 502(a)(2).

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for:

A. A Declaration that the Defendants, and each of them, have breached their ERISA fiduciary duties to the Participants;

B. A Declaration that the Defendants, and each of them, are not entitled to the protection of ERISA § 404(c)(1)(B), 29 U.S.C. § 1104(c)(1)(B);

C. An Order compelling the Defendants to make good to the Plans all losses to the Plans resulting from Defendants' breaches of their fiduciary duties, including losses to the Plans resulting from imprudent investment of the Plans' assets, and to restore to the Plans all profits the Defendants made through use of the Plans' assets, and to restore to the Plans all profits which the Participants would have made if the Defendants had fulfilled their fiduciary obligations;

D. Imposition a Constructive Trust on any amounts by which any Defendant was unjustly enriched at the expense of the Plans as the result of breaches of fiduciary duty;

E. An Order enjoining Defendants, and each of them, from any further violations of their ERISA fiduciary obligations;

F. Actual damages in the amount of any losses the Plans suffered, to be allocated among the Participants' individual accounts in proportion to the accounts' losses;

G. An Order that Defendants allocate the Plans' recoveries to the accounts of all Participants who had any portion of their account balances invested in either class of common stock of Sprint maintained by the Plans in proportion to the accounts' losses attributable to the decline in the stock price of either class of common stock of Sprint;

H. An Order awarding costs pursuant to 29 U.S.C. § 1132(g);

I. An order awarding attorneys' fees pursuant to 29 U.S.C. § 1132(g) and the common fund doctrine;

J. An Order for equitable restitution and other appropriate equitable monetary relief against the Defendants.

DEMAND FOR JURY TRIAL

____ Plaintiffs demand trial by jury.

DATED: October 8, 2004

Respectfully submitted,

/s/ Diane A. Nygaard
Diane Nygaard
THE NYGAARD LAW FIRM
4501 College Blvd., Suite 260
Leawood, KS 66211
Telephone: (913) 469-5544
Facsimile: (816) 531-3600

Plaintiffs' Liaison Counsel

SCHATZ & NOBEL, P.C.
Robert A. IZard
William Bernarduci
One Corporate Center
20 Church Street, Suite 1700
Hartford, CT 06103
Telephone: (860) 493-6292
Facsimile: (860) 493-6290

Plaintiffs' Co-Lead Counsel

STULL, STULL & BRODY
Edwin J. Mills
6 East 45th Street
New York, NY 10017
Telephone: (212) 687-7230
Facsimile: (212) 490-2022

Plaintiffs' Co-Lead Counsel

JOHNSON & PERKINSON
Dennis J. Johnson
James F. Conway, III
1690 Williston Road
P.O. Box 2305
South Burlington, VT 05403
Telephone: (802) 862-0030
Facsimile: (802) 862-0060

Plaintiffs' Co-Lead Counsel

**DYSART TAYLOR LAY COTTER &
MCMONIGLE, P.C.**

Don R. Lolli
4420 Madison Avenue
Kansas City, MO 64111
Telephone: (816) 931-2700
Facsimile: (816) 931-7377

Attorneys for Plaintiffs