

**IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF KANSAS**

In re Sprint Corporation ERISA Litigation

Civil Action No: 03-CV-2202-JWL

**SUPPLEMENTAL NOTICE OF CLASS ACTION SETTLEMENT**

*Your legal rights might be affected  
if you are a member of the following class:*

**TO: ALL PARTICIPANTS IN THE SPRINT RETIREMENT SAVINGS PLAN, THE SPRINT RETIREMENT SAVINGS PLAN FOR BARGAINING UNIT EMPLOYEES AND THE CENTEL RETIREMENT SAVINGS PLAN FOR BARGAINING UNIT EMPLOYEES (THE "PLANS") FOR WHOSE INDIVIDUAL ACCOUNTS THE PLANS PURCHASED AND/OR HELD SHARES OF THE SPRINT STOCK FUND, THE SPRINT FON STOCK FUND, THE SPRINT PCS STOCK FUND, THE TRASOP SPRINT STOCK FUND, THE TRASOP SPRINT PCS STOCK FUND, THE SPRINT FON CESOP FUND AND/OR THE SPRINT PCS CESOP STOCK FUND FROM JUNE 2, 1998 THROUGH AND INCLUDING FEBRUARY 13, 2003 ("SETTLEMENT CLASS")**

*A Federal Court Authorized this Notice.  
This Is Not a Solicitation from a Lawyer.  
You Have Not Been Sued.*

**IMPORTANT INTRODUCTORY NOTE:**

You may have already received a printed notice entitled "Notice of Class Action Settlement" dated April 14, 2006 ("the Prior Notice"). Whether or not you received the Prior Notice, you should read this Supplemental Notice carefully because it contains additional information concerning a Second Fairness Hearing (to be held on July 26, 2006, at 9:30 A.M., and which you may, but need not, attend) and additional time for you to object or otherwise to be heard with respect to the proposed Class Action Settlement (the new deadline for objections is July 17, 2006). This Supplemental Notice also provides additional information identifying the different settlement benefits to be made to class members who are current participants in the Sprint Nextel 401(k) Plan (formerly the Sprint Retirement Savings Plan and hereafter referred to as the "Sprint Plan") and who will continue to participate in the Sprint Plan, and the different settlement benefits to be made to people who no longer participate in Sprint's 401(k) plans, including those who are now employed by Embarq Corporation ("Embarq") or a subsidiary of Embarq. See Question 8a, "What Is the Comparison of Settlement Benefits for Current and Future Participants Compared to Former Participants?" If you did not previously receive the "Notice of Class Action Settlement" dated April 14, 2006, you do not need to obtain that Notice to understand your rights and options with respect to the proposed settlement. You should read this Supplemental Notice carefully to understand what your rights and options are with respect to the proposed Settlement.

- In its Order setting the first Fairness Hearing, the Court preliminarily certified the Settlement Class in the Action. The Court will consider, at a Second Fairness Hearing to be held on July 26, 2006 at 9:30 A.M., whether to give final judicial approval to the proposed settlement of this class action lawsuit which has been brought under the Employee Retirement Income Security Act (often referred to as ERISA) (the "Settlement"). The Settlement provides that Sprint Corporation (or its successor) (hereinafter the "Company") will contribute approximately \$23.5 million in cash and cash equivalents comprised of a Cash Settlement Fund, an Increased Match, and Increased Vested Amount of Matching Contributions. Not every class member will share in all aspects of this contribution, as explained further below. In addition, the Settlement provides for certain Plan Amendments and certain Participant Communications Improvements, as described in this Supplemental Notice. The Settlement further provides that the Company will pay up to \$3.9 million for the attorneys' fees of Class Counsel, the costs and expenses of Class Counsel (including class notice and adminis-

tration costs), and any awards to the Named Plaintiffs. The Court will determine the amount of such attorneys' fees, costs, expenses and any awards to the Named Plaintiffs. That hearing will be held before United States District Judge John W. Lungstrum in Courtroom 427 of the United States District Court for the District of Kansas, 500 State Avenue, Kansas City, Kansas.

- Any objections to the Settlement, or to the motion for Class Counsel's attorneys' fees, costs and expenses and/or any award to the Named Plaintiffs must be served in writing on Co-Lead Counsel for the Settlement Class and on Defendants' attorneys, all of whom are identified under Question 14 of this Notice. The procedure for objecting is described below.

- This Supplemental Notice contains summary information with respect to the Settlement. The terms and conditions of the Settlement are set forth in the Class Action Settlement Agreement dated as of February 2, 2006 (the "Settlement Agreement"). Capitalized and italicized terms used in this Notice but not defined in this Supplemental Notice have the meanings assigned to them in the Settlement Agreement. The Settlement Agreement, this Supplemental Notice, and additional information with respect to this lawsuit and the Settlement, are available at [www.snlaw.net](http://www.snlaw.net), [www.ssbny.com](http://www.ssbny.com), [www.jpclasslaw.com](http://www.jpclasslaw.com), or [www.berdonllp.com/claims](http://www.berdonllp.com/claims), or from Co-Lead Counsel listed below.

PLEASE READ THIS SUPPLEMENTAL NOTICE CAREFULLY AND COMPLETELY. IF YOU ARE A MEMBER OF THE SETTLEMENT CLASS TO WHOM THIS SUPPLEMENTAL NOTICE IS ADDRESSED, THE SETTLEMENT WILL AFFECT YOUR RIGHTS. YOU ARE NOT BEING SUED IN THIS MATTER. YOU DO NOT HAVE TO APPEAR IN COURT, AND YOU DO NOT HAVE TO HIRE AN ATTORNEY IN THIS CASE. IF YOU ARE IN FAVOR OF THE SETTLEMENT, YOU NEED NOT DO ANYTHING. IF YOU DISAPPROVE, YOU MAY OBJECT TO THE SETTLEMENT PURSUANT TO THE PROCEDURES DESCRIBED BELOW.

<b>YOUR LEGAL RIGHTS AND OPTIONS UNDER THE SETTLEMENT</b>	
<b>YOU CAN DO NOTHING</b>	If the Settlement is approved by the Court and you are a member of the Settlement Class, you will receive whatever benefits are provided to you under the Settlement without having to file a claim or take any other action.
<b>OBJECT (By July 17, 2006)</b>	If you wish to object to any part of the Settlement, you may (as discussed below) file a written objection with the Court and counsel by July 17, 2006 about why you object to the Settlement.
<b>GO TO A HEARING (To be held on July 26, 2006)</b>	If you file a written objection to the Settlement with the Court and counsel before the July 17, 2006 deadline, you may (but do not have to) attend the Court hearing about the Settlement and present your objections to the Court. You may attend the Hearing even if you do not file a written objection, but you may not be permitted to address the Court at the Hearing if you do not timely notify the Court and counsel of your intention to appear at the Hearing by July 17, 2006 as described herein.

- These rights and options – and the deadlines to exercise them – are explained in this Supplemental Notice.
- The Court in charge of this case still has to decide whether to approve the Settlement. Payments will be made only if the Court approves the Settlement and that approval is upheld in the event of any appeals.

Further information regarding the litigation and this Notice may be obtained by contacting Plaintiffs' Co-Lead Counsel:

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Plaintiffs' Co-Lead Counsel have established the following toll-free phone number to receive your comments and questions: 1-800-687-1906.

**WHAT THIS NOTICE CONTAINS**

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This litigation (the “Action”) is a consolidated case in which Plaintiffs allege that the Defendants breached fiduciary duties owed to the participants in and beneficiaries of the Plans. Copies of the most recent Consolidated Complaint and other documents filed in the Action are available at [www.snlaw.net](http://www.snlaw.net), [www.ssbny.com](http://www.ssbny.com), or [www.jpclasslaw.com](http://www.jpclasslaw.com).

## **SUMMARY OF SETTLEMENT**

Under the Settlement, the Company will contribute cash and cash equivalents valued at approximately \$23.5 million. Specifically, the Company will create the Cash Settlement Fund, will effect the Increased Match, will effect an Increased Vested Amount of Matching Contributions for Certain Former Employees, will effect the Plan Amendments and will undertake the Participant Communications Improvements. The Company has also agreed to pay certain attorneys’ fees and expenses. Which of these benefits will accrue to you, if the proposed Settlement is approved, depends on the status of your employment and relationship with the Company. These benefits are also fully set forth in a table contained in the Answer to Question 8a, which can be found below on page 13. Here are the details of the benefits that would be made available by the proposed Settlement, if approved.

### **A. What is the Cash Settlement Fund?**

The Cash Settlement Fund is a \$4 million payment which Sprint will make to the Plans and which will be distributed among class members as directed by an Independent Fiduciary who has been retained by Co-Lead Counsel. An Independent Fiduciary has recommended that the \$4 million Cash Settlement Fund be distributed among those class members who are no longer employed by Sprint and who will not receive a share of the \$1.6 million Increased Vesting described in Paragraph C, below.

### **B. What is the Increased Match?**

The Increased Match involves an increased matching contribution from Sprint for the benefit of Sprint employees who participate in the Sprint Plan. Under the Settlement, Sprint has agreed that, effective no later than January 1, 2006 and continuing until at least January 1, 2007, it will increase its matching contributions allocated to the accounts of current Sprint employee class members who participate in the Sprint Plan (but not the Embarq Retirement Savings Plan, the Sprint Retirement Savings Plan for Bargaining Unit Employees (now known as the Embarq Retirement Savings Plan for Bargaining Unit Employees) (“SRS Plan BUE”), or the Centel Retirement Savings Plan for Bargaining Unit Employees (“CRS Plan BUE”)) to at least 100% of the first 4% of eligible compensation. Co-Lead Counsel and the Company believe that the guaranteed value of the Increased Match to the Settlement Class (referred to as the “Guaranteed Increased Match” in the remainder of this Supplemental Notice) is approximately \$17.9 million.<sup>1</sup>

### **C. What is the Increased Vested Amount of Matching Contributions for Certain Former Employees?**

The Increased Vested Amount of Matching Contributions for Certain Former Employees means that, effective no later than January 1, 2006, the Company will increase, on a pro rata basis, the vested amount of matching contributions in the accounts of former employees who were less than 100% vested at the time of separation from the Company and who remain participants in the Sprint Plan, the SRS Plan BUE, or the CRS Plan BUE in a nonfractional uniform percentage amount which in the aggregate totals not less than \$1.6 million.

### **D. Monetary Value of Benefits Described In Paragraphs A, B, and C.**

Co-Lead Counsel and the Company believe that the value of the Guaranteed Increased Match to the Sprint employees who stay with the Company and continue to contribute to the Plan is approximately \$17.9 million. The Increased Vested Amount of Matching Contributions for Certain Former Employees is approximately \$1.6 million. As a result, the Settlement creates cash equivalents in the aggregate amount of approximately \$19.5 million for the Settlement Class. Combined with the \$4 million Cash Settlement Fund, the total value of these three components is approximately \$23.5 million to the Settlement Class.

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<sup>1</sup> The guaranteed aspect of the Increased Match is guaranteed to the extent that the estimated number of participants and level of contribution occurs as projected.

#### **E. What are the Plan Amendments?**

Effective no later than January 1, 2006, and continuing until at least January 1, 2007, Sprint will enact the amendments described below to the Sprint Plan.

The limit on the amount of a participant's pretax contribution to the Sprint Plan will increase to 80% of eligible compensation, subject to Sections 402(g) and 415 of the Internal Revenue Code, other provisions of the Internal Revenue Code, or otherwise by law.

The Company's future matching contributions allocated to the accounts of participants in the Sprint Plan will vest immediately.

The Company's future matching contributions to the Sprint Plan will be allocated to available investment options in the same manner as participants direct their own contributions.

All Company matching contributions previously made to the Sprint Plan that are presently invested in Sprint Nextel stock will be "unlocked," that is, allowing their divestiture, in increments up to 20% per plan year over a period of five years or in accordance with the diversification procedure currently in place in the Plan, whichever allows for earlier diversification.

The Company will use its best efforts to implement similar amendments to those set forth above for the SRS Plan BUE and the CRS Plan BUE, subject to the approval of Embarq Corporation, formerly known as the New Local Company, and the collective bargaining units whose employees participate in those two plans, and to the Embarq Retirement Savings Plan created on January 1, 2006 which is a spin-off of the Sprint Retirement Savings Plan.

#### **F. What are the Participant Communications Improvements?**

As part of the Settlement, Sprint has also agreed to update and enhance its online resources and communications to participants to emphasize the importance of asset allocation and stock diversification and will make financial planning tools, in the form of seminars and meetings with appropriate financial advisors and access to online financial planning resources for all class members. These Participant Communications Improvements will be effected no later than January 1, 2006. Further, Embarq has already adopted most of the same resources for its participants. For former employees, including those employed by Embarq or its subsidiaries, the benefits will consist of two one-hour financial planning conferences with Ameriprise or a comparable firm as determined by the Company, which Sprint estimates has a value of approximately \$300.00 for each such former employee.

#### **G. Additional Value of Benefits Described In Paragraphs E and F.**

In addition to the monetary value described in Paragraph D above, the settlement components outlined in Paragraphs E and F above are also valuable consideration to the class. The Plan Amendments to the Sprint Plan described above in Paragraph E are valuable to the participants. Through those amendments, participants have greater choice in their investment options by the ability to guide future company matching contributions and redirect past company matching contributions. Moreover, some participants will be able to invest more money in the Plan because of the increase in contribution limits. The immediate vesting of the matching contributions is also valuable, although no specific monetary value is being assigned to this benefit.

Sprint and Embarq have improved their communications in their website and other places as described above. This component is valuable to participants, although no specific monetary value is being assigned to this benefit.

Former employees will receive two financial planning conferences as described above at the Company's expense. These financial planning conferences are estimated to have a cost to the Company of \$300.00 per former employee and corresponding value of more than \$300.00 to those eligible for them.

Certain of the Plan Amendments have already been made in part by Embarq. The Company will use its best efforts to implement other changes to the Embarq plans.

Thus, the total value of this settlement is in excess of \$23.5 million.

## **H. What about the attorneys' fees of Class Counsel?**

As part of the Settlement, Sprint has also agreed to pay up to \$3.9 million to cover the attorneys' fees of class counsel, all costs and expenses of the litigation (including the costs of class notice, Independent Fiduciary review of the Settlement and settlement administration), and any awards to the Named Plaintiffs. As a result of this provision of the Settlement, the entire benefit of the Cash Settlement Fund, the Guaranteed Increased Match, Plan Amendments and Participant Communications Improvements shall be provided to the Settlement Class without deduction for attorneys' fees or expenses.

Co-Lead Counsel, identified above, intends to ask the Court to approve the entire \$3.9 million allocation, and to use such allocation, first, for the payment or reimbursement of litigation, notice and settlement administration costs; second, for awards to the four Named Plaintiffs and, third, for the payment of attorneys' fees to all Appointed Counsel.

The actual amount of attorneys' fees, costs, expenses and any awards to the Named Plaintiffs will be determined by the Court, but the aggregate amount of attorneys' fees, costs, expenses and any awards to the Named Plaintiffs will not exceed \$3.9 million.

## **BASIC INFORMATION**

### **1. Why did I get this Supplemental Notice package?**

You or someone in your family are or may have been a participant in or beneficiary of the Plans and/or one of its predecessor plans.

The Court has directed that this Supplemental Notice be sent to you because, if you fall within that group, you have a right to know about the Settlement and about all of your options before the Court decides whether to approve the Settlement. If the Court approves the Settlement, and after any objections and appeals are resolved, Sprint will pay the Cash Settlement Amount, effect the Guaranteed Increased Match, make the Plan Amendments and undertake the Participant Communications Improvements described above. This Supplemental Notice package describes the litigation, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of this case is the United States District Court for the District of Kansas. The people who brought this suit are called "Named Plaintiffs," and the people they sued are called "Defendants." The Named Plaintiffs in the Action are Fran Lindholm, Anton P. Spanier, LaVonne M. Easter and Jeffery A. Snethen. The Defendants in the Action are the "Sprint Defendants,"<sup>2</sup> former Sprint executives William T. Esrey and Ronald T. LeMay, and Fidelity Management Trust Company.

The legal action that is the subject of this Notice and the Settlement is known as In re Sprint Corporation ERISA Litigation, Civil Action No. 03-CV-2202-JWL (the "Action").

### **2. What is the Action about?**

The Named Plaintiffs claim that the Defendants were fiduciaries of the Plan and violated fiduciary duties under ERISA that they owed to participants in the Plan. In their Third Consolidated Amended Complaint which was filed in October of 2004, Named Plaintiffs asserted causes of action for the losses they allege were suffered by the Plans as the result of the alleged breaches of fiduciary duty by the Defendants.

Participants in the Plans were able to allocate their account balances among various investment funds. The investment funds included a fund primarily invested in Sprint stock and, after recapitalization on November 23, 1998, Sprint

<sup>2</sup> The Sprint Defendants are: Sprint Corporation, the Sprint Investment Committee, the Sprint Investment Trust Committee, the Sprint Pension and Savings Trust Committee, the Sprint Savings Plan Committee, the Sprint Employee Benefits Committee, the Sprint Savings and Retirement Plan Committee, Gene M. Betts, I. Benjamin Watson, J. Richard Devlin, Robert Dellinger, M. Jeannine Strandjord, Randall T. Parker, Dubose Ausley, Warren L. Batts, Ruth M. Davis, Irvine O. Hockaday, Jr., Linda Koch Lorimer, Charles E. Rice, Stewart Turley, Harold S. Hook, Louis W. Smith, Arthur B. Krause and John P. Meyer. Certain other individuals, including Kevin E. Brauer, Antonio E. Castanon, R. Michael Franz, Thomas A. Gerke, James A. Kissinger, Keith D. Paglusich, William C. Prout, Michel Bon and Ron Sommer, have either never been served or have been dismissed from this action.

FON stock or Sprint PCS stock. Many Plan participants chose to have contributions to the Plans invested in either Sprint stock, or Sprint FON stock or Sprint PCS stock in the form of units or shares of the Sprint Stock Fund, the Sprint FON Stock Fund, the Sprint PCS Stock Fund, the TRASOP Sprint Stock Fund, the TRASOP Sprint PCS Stock Fund, the Sprint FON CESOP Fund and/or the Sprint PCS CESOP Stock Fund. In addition, Sprint made matching contributions which were invested in Sprint stock and, after recapitalization, Sprint FON stock or Sprint PCS stock and credited to Plan participants' accounts.

### Plaintiffs' Allegations

The Named Plaintiffs allege that Sprint and some of its individual officers and employees had the discretion to freeze further investments in Sprint FON stock and Sprint PCS stock and to sell the Plans' holdings of Sprint FON stock and Sprint PCS stock. They also allege that certain other Defendants had the duty to monitor the performance of the responsible officers and employees. Named Plaintiffs further allege that the Defendants knew or should have known that Sprint FON stock and Sprint PCS stock were not prudent retirement investments during the Class Period and that the Defendants acted imprudently by not preventing further investment in Sprint FON stock and Sprint PCS stock and not liquidating the Plans' Sprint common stock holdings. The Named Plaintiffs also assert that certain Defendants violated their alleged fiduciary duties by failing to provide Plan participants with complete and accurate public information about Sprint. The Named Plaintiffs identify three major areas where Defendants allegedly failed to properly inform participants, and which at least temporarily rendered Sprint stock an imprudent investment under the Plans. The three major areas identified in the Complaint are: (a) Sprint's proposed merger with WorldCom in 1999 and 2000, now terminated; (b) Sprint's business venture known as "ION" or "Integrated On-Demand Network" and its "Clear Pay" program, primarily from 1998 to 2001; and (c) certain tax planning strategies and compensation-related issues involving former Sprint executives William T. Esrey and Ronald T. LeMay from 1999 through early 2003.

### The Defenses in the Action

In their Answers, Defendants not only denied each and every material allegation of the Complaint but also pleaded affirmative defenses which, if established by the evidence, would have resulted in judgment in Defendants' favor. Had the Settlement described herein not been reached and this case adjudicated on the merits, Defendants would have argued that judgment should be entered in their favor because, among other things:

i. Sprint stock was a prudent retirement investment during the Class Period. Sprint was not in and did not face any impending bankruptcy during the time period at issue in this case (June 2, 1998 through February 13, 2003). Indeed, the stock price rebounded during and after the class period. Moreover, Sprint's merger with Nextel indicates Sprint's ongoing promise as a leading telecommunications company. Whatever financial and operating issues arose for Sprint during the Class Period as alleged in the Complaint did not rise to the level of rendering its stock an improper investment for the Plans. Indeed, the period of growth, investment and exploration helped make Sprint an industry leader in a strong financial position to move forward;

ii. All necessary and relevant disclosures about Sprint's business, operations and prospects were made available to the Plans' participants throughout the Class Period;

iii. All necessary and relevant disclosures regarding the status of Sprint's merger with WorldCom were made to the Class Members and the public on a timely and appropriate basis. Moreover, the termination of the merger with WorldCom was actually a beneficial, rather than adverse, development from the standpoint of Sprint and the value of Sprint's stock in the Plans;

iv. Sprint's new business line known as "Integrated On-Demand Network," or ION, was a reasonable exercise of business judgment when made, and the termination of that venture was itself a sound exercise of business judgment made on a timely basis;

v. The tax planning strategies of former Sprint executives Esrey and LeMay were private matters for these executives, approved by accomplished and reputable professionals, and the propriety of such actions must be judged by legal, tax and accounting opinions then in place. The executives' personal tax strategies had no impact whatsoever on the value of Sprint's stock;

vi. The claims of the Named Plaintiffs under ERISA would not entitle participants to any form of monetary relief in light of the Supreme Court's opinion in Great-West Life & Annuity Ins. Co. v. Knudsen, 534 U.S. 204, 210, 122 S. Ct. 708 (2002);

vii. Plaintiffs do not seek Plan-wide relief and, therefore, have no standing to recover money damages.

#### The Action Has Been Aggressively Litigated

Counsel for the Named Plaintiffs have conducted an extensive investigation of the allegations in the Action and of the losses suffered by the Plans. In addition, through that investigation and through discovery of information in the Action, counsel for the Named Plaintiffs have obtained and reviewed tens of thousands of pages of documents, including Plan governing documents and materials, communications with Plan participants, internal Sprint documents regarding the Plans, SEC filings, press releases, public statements, news articles and other publications, and other documents.

Named Plaintiffs' counsel previously opposed motions by the Defendants to dismiss the Named Plaintiffs' claims. The Court granted in part and denied in part Defendants' motions to dismiss, which ruling resulted in the filing of the current operative pleadings, the Third Consolidated Amended Complaint, in October of 2004.

Named Plaintiffs' counsel filed a motion for certification of the Action as a class action. In connection with that class certification motion, each of the four Named Plaintiffs had his or her deposition taken by Defendants and otherwise responded to Defendants' requests for information and discovery. At the time the Settlement was reached, the motion for class certification had been almost fully briefed and had been scheduled for a hearing by the Court. An adverse ruling on the pending class certification motion may have limited the relief available in this case even if the merits of the case were eventually established (a proposition vigorously opposed by Defendants, as noted above).

Named Plaintiffs' counsel have drafted and served on Defendants discovery requests and had prepared and filed a motion to compel further factual discovery from Defendants when the Settlement was reached.

#### Statement of Potential Outcome of the Action

As with any litigated case, plaintiffs would face an uncertain outcome if the Action were to continue against the Defendants. Continued litigation of the Action against these defendants could result in a judgment or verdict greater or lesser than the recovery under the Settlement Agreement, or in no recovery at all or a judgment or verdict in favor of the Defendants.

Throughout this Action, the Named Plaintiffs and the Defendants have disagreed on both liability and recoverable losses, and they do not agree on the amount that would be recoverable even if the Plaintiffs were to prevail at trial. The Defendants have denied and continue to deny the claims and contentions alleged by the Named Plaintiffs, that they are liable at all to the Settlement Class, and that the Settlement Class or the Plan have suffered any damages for which the Defendants could be legally responsible. Nevertheless, the Defendants have taken into account the uncertainty and risks inherent in any litigation, particularly in a complex case such as this, and have concluded that it is desirable that the Action be fully and finally settled as to them on the terms and conditions set forth in the Settlement Agreement.

#### Settlement Discussions

The Settlement in the Action is a result of both litigation-related issues and uncertainties and an opportunity for improvements in the employee benefit plans. This Notice has already described the nature of the claims asserted in the Action and identified the risks and uncertainties relating to those claims and to Defendants' defenses to those claims. In addition, as indicated above, an important decision by the Court was imminent regarding whether this case would proceed as a class action when the Settlement was reached.

The Settlement is also an effort to create improvements in the employee benefit plans. Co-Lead Counsel negotiated a settlement package which involves cash, cash-equivalent benefits and non-cash benefits including structural changes to the defined contribution retirement plan(s). The Cash Settlement Fund, the Guaranteed Increased Match and Increased Vested Amount of Matching Contributions for Certain Former Employees are the cash and cash equivalent benefits of the Settlement. The Plan Amendments and the Participant Communications Improvements are the non-cash benefits of the Settlement but are believed to have value as described above.

The Settlement is the product of extensive negotiations between Named Plaintiffs' counsel and the Defendants' counsel. Throughout the settlement negotiations, the Named Plaintiffs and the Defendants were advised by various consultants and experts.

### **3. Why Is This Case a Class Action?**

In a class action, one or more plaintiffs, called "Named Plaintiffs," sue on behalf of people who have similar claims. All of the individuals on whose behalf the Named Plaintiffs are suing are "Class Members." One court resolves the issues for all Class Members. U.S. District Judge John W. Lungstrum is presiding over this case. In its Order setting the first Fairness Hearing, the Court preliminarily certified the Settlement Class in the Action.

### **4. Why is there a Settlement?**

The Court has not reached any final decisions in connection with Named Plaintiffs' claims against the Defendants. Instead, the Named Plaintiffs and the Defendants have agreed to a settlement. In reaching the Settlement, they have avoided the cost and time of a trial.

As with any litigated case, the Named Plaintiffs would face an uncertain outcome if this case went to trial. On the one hand, continuation of the case against the Defendants could result in a judgment greater than this Settlement. On the other hand, continuing the case against them could result in a judgment for less money than Named Plaintiffs have obtained in this Settlement, or even no recovery at all. Based on these factors, the Named Plaintiffs and their attorneys in this case think the Settlement is best for all Settlement Class members.

### **5. How do I know whether I am part of the Settlement?**

The benefits of the Settlement (the Cash Settlement Fund, the Guaranteed Increased Match, the Increased Vested Amount of Matching Contributions for Certain Former Employees, the Plan Amendments and the Participant Communications Improvements, as well as Sprint's agreement to pay up to \$3.9 million in attorneys' fees, costs, expenses and any awards to the Named Plaintiffs (as determined by the Court) will be distributed among all members of the Settlement Class. You are a member of the Settlement Class if you fall within the following definition:

all participants in the Sprint Retirement Savings Plan, the Sprint Retirement Savings Plan for Bargaining Unit Employees and the Centel Retirement Savings Plan for Bargaining Unit Employees (the "Plans") for whose individual accounts the Plans purchased and/or held shares of the Sprint Stock Fund, the Sprint FON Stock Fund, the Sprint PCS Stock Fund, the TRASOP Sprint Stock Fund, the TRASOP Sprint PCS Stock Fund, the Sprint FON CESOP Fund and/or the Sprint PCS CESOP Stock Fund from June 2, 1998 through and including February 13, 2003. Excluded from the Settlement Class are Defendants herein, members of the board of directors of Sprint Corporation, and the beneficiaries of any of the foregoing under the Plans.

If you received this Supplemental Notice directly (that is, if you received this Supplemental Notice at a current address or via forwarding from a prior address, as distinguished being provided with this Supplemental Notice by another person to whom the Supplemental Notice was correctly addressed), it is likely that you are a member of the Settlement Class. However, final determination as to whether you are a member of the Settlement Class will be determined as part of the settlement administration process if and after the proposed Settlement is approved by the Court. If the proposed Settlement is approved, members of the Settlement Class will recover different benefits. The recovery that will accrue to you, if the proposed Settlement is approved by the Court, is set forth in the table contained in the Answer to Question 8a, which can be found below at page 13.

### **6. Are there exceptions to being included?**

You are not a member of the Settlement Class if you are a Defendant in the Action, a member of the board of directors of Sprint Corporation, or a beneficiary of any of the foregoing under the Plans.

## **THE SETTLEMENT BENEFITS — WHAT YOU GET**

### **7. What does the Settlement provide?**

As noted above, the Settlement calls for Sprint to create the Cash Settlement Fund (\$4 million), to effect the Guaranteed Increased Match (which Co-Lead Counsel and the Company believe has a value to the Settlement Class of approximately \$17.9 million) and the Increased Vested Amount of Matching Contributions for Certain Former Employees (approximately \$1.6 million), to make the Plan Amendments for current Sprint Nextel employees, to use its best efforts to make the Plan Amendments for former employees who are participants in the Embarq Retirement Savings Plan, the SRS Plan BUE, and the CRS Plan BUE (subject to the approval of Embarq and the collective bargaining units), and to effect the Communications Improvements. The Settlement also calls for Sprint to pay class counsel's attorneys' fees, costs, expenses and any award to the Named Plaintiffs in an aggregate amount up to \$3.9 million, with the actual amount of such attorneys' fees, costs, expenses and any award to the Named Plaintiffs to be determined by the Court.

All Settlement Class members and anyone claiming through them are deemed to fully release the "Releasees" from "Released Claims." The Releasees include the Defendants and their officers, directors, employees, attorneys, and agents. The Released Claims generally include all claims which were or could have been asserted in the Action. This means that Settlement Class members will not have the right to sue the Releasees for anything related to the investment of Plan assets or to other alleged fiduciary misconduct during the Class Period concerning the Plans.

The above description of the operation of the Settlement is only a summary. The governing provisions are set forth in the Settlement Agreement (including its exhibits), which may be obtained at [www.snlaw.net](http://www.snlaw.net), [www.ssbny.com](http://www.ssbny.com), or [www.jpclasslaw.com](http://www.jpclasslaw.com), or [www.berdonllp.com/claims](http://www.berdonllp.com/claims), or by contacting Co-Lead Counsel listed on page 3 above.

### **8. How much will my payment be?**

If you are a member of the Settlement Class, the amount and form of your share of the settlement proceeds depends upon whether or not you are still a member of one of the affected Plans, what Plan you are or were a participant of and what investment losses, if any, you sustained in connection with your investments in either the Sprint Stock Fund, the Sprint FON Stock Fund, the Sprint PCS Stock Fund, the TRASOP Sprint FON Stock Fund, the TRASOP Sprint PCS Stock Fund, the Sprint FON CESOP Fund and/or the Sprint PCS CESOP Stock Fund.

Your recovery will depend on what category of Settlement Class Member you are, as set forth in the table contained in the Answer to Question 8a, which can be found below at page 13. The \$4 million Cash Settlement Amount will, as directed by an Independent Fiduciary who has been retained by Co-Lead Counsel, be distributed entirely to and among those class members who ceased to be Sprint employees at least as of May 1, 2006 and who will not receive a share of the \$1.6 million Increased Vesting as described below, as well as former Sprint employees now employed by Embarq. The \$4 million Cash Settlement Amount will be distributed to and among those former employees in accordance with the investment losses in the above-described Fund investments of each such former employee. The investment loss computations will be based upon records maintained by the Plans and/or the administrator(s) of the Plans.

The Guaranteed Increased Match consists of a Guaranteed Increased Matching contribution from Sprint for the benefit of Sprint employees who participate in the Sprint Plan (which Co-Lead Counsel and the Company believe has a guaranteed value to the Settlement Class of approximately \$17.9 million).

The Increased Vested Amount of Matching Contributions for Certain Former Employees involves an increase in the vested amount of matching contributions in the accounts of certain former employees of Sprint (approximately \$1.6 million).

The Plan Amendments will provide at least one year's benefit to participants in the Sprint Plan. The benefits to such employees consist of an increase in the level of a participant's pre-tax contribution to the Sprint Plan ; the immediate vesting of Sprint's future matching contributions, and in "unlocking" matching contributions previously made by Sprint.

As part of the Settlement, Sprint has also agreed to update and enhance its online resources and communications to participants to emphasize the importance of asset allocation and stock diversification and will make financial planning tools, in the form of seminars and meetings with appropriate financial advisors and access to online financial plan-

ning resources available to all class members. These Participant Communications Improvements will be effected no later than January 1, 2006. Further, Embarq has enhanced most of the same resources for its participants. For former employees, these enhancements will consist of two one-hour financial planning meetings with Ameriprise or a comparable firm as determined by the Company, with a value of approximately \$300.00 for each such former employee.

**Do not worry if you do not have records that show your Plan activity.** If you are entitled to a share of the net Settlement Fund, you will receive a statement showing the forward value of your Settlement benefit. If you have questions regarding the Settlement or the Amended Plan of Allocation, please contact the Co-Lead Counsel listed on page 3 above.

**8a. What Is the Comparison of Settlement Benefits for Current and Future Participants Compared to Former Participants?**

If the Settlement is approved, different forms and amounts of benefits will be made available to the members of the Settlement Class. The following chart summarizes the benefits which will be made available to different groups within the Settlement Class if the Settlement is approved:

Class Member Category	Settlement Benefits
1. Former Sprint employees, but not those employed by Embarq, who were less than 100% vested at the time of separation from the Company and who remain participants in the Sprint Nextel 401(k) Plan, the Sprint Retirement Savings Plan for Bargaining Unit Employees or the Centel Retirement Savings Plan for Bargaining Unit Employees.	<ul style="list-style-type: none"> <li>• Share in the \$1.6 million worth of Increased Vesting (see Summary of Settlement, ¶ C)</li> <li>• Two one-hour financial planning conferences with advisors from Ameriprise or comparable organization (see Summary of Settlement, ¶ F)</li> <li>• Participant Communication Improvements (see Summary of Settlement, ¶ F)</li> <li>• Plan Amendments (see Summary of Settlement, ¶ E)</li> </ul>
2. Former Sprint employees, but not those employed by Embarq, who were but are no longer participants in the Sprint Nextel 401(k) Plan, the Sprint Retirement Savings Plan for Bargaining Unit Employees, or the Centel Retirement Savings Plan for Bargaining Unit Employees.	<ul style="list-style-type: none"> <li>• Share in the \$4 million cash settlement fund, distributed pursuant to the Amended Plan of Allocation (see Summary of Settlement, ¶ A)</li> <li>• Two one-hour financial planning conferences with advisors from Ameriprise or comparable organization (see Summary of Settlement, ¶ F)</li> </ul>
3. Current Sprint Nextel employees who participate in the Sprint Nextel 401(k) Plan (formerly known as the Sprint Retirement Savings Plan).	<ul style="list-style-type: none"> <li>• Increased Employer Match (see Summary of Settlement, ¶ B)</li> <li>• Plan Amendments (see Summary of Settlement, ¶ E)</li> <li>• Participant Communication Improvements (see Summary of Settlement, ¶ F)</li> </ul>
4. Current or former Embarq employees who participate or participated in the Embarq Retirement Savings Plan (a spin-off of the Sprint Retirement Savings Plan), the Embarq Retirement Savings Plan for Bargaining Unit Employees (formerly known as the Sprint Retirement Savings Plan for Bargaining Unit Employees), or the Centel Retirement Savings Plan for Bargaining Unit Employees.	<ul style="list-style-type: none"> <li>• Share in the \$4 million cash settlement fund, distributed pursuant to the Amended Plan of Allocation (see Summary of Settlement, ¶ A)</li> <li>• Two one-hour financial planning conferences with advisors from Ameriprise or comparable organization (see Summary of Settlement, ¶ F)</li> <li>• Defendants' best efforts to implement the Plan Amendments to the applicable plans (see Summary of Settlement, ¶ E)</li> </ul>

Under certain conditions, the Settlement may provide greater potential settlement benefits to people who continue to be employed by the Company and participate in the Sprint Plan. In particular, current and future participants employed by the Company will receive the Guaranteed Increased Match (discussed above and valued at approximately \$17.9 million dollars) and the benefit of Plan Amendments governing vesting and future matching of contributions. However, to

receive the benefit of the Guaranteed Increased Match and the benefit of the Plan Amendments, the class member must continue to work for Sprint and contribute additional sums to Sprint's 401(k) plan in a sufficient amount.

Those class members who ceased to be Sprint employees on or before May 1, 2006,<sup>3</sup> but not those class members who were less than 100% vested at the time of separation from the Company and who remain participants, as well as former Sprint employees now employed by Embarq, will receive the entirety of \$4.0 million Cash Settlement Fund, as well as two financial planning conferences with an advisor as part of the Participant Communications Improvements. Similarly, those class members who ceased to be Sprint employees at least as of May 1, 2006, but not those employed by Embarq, who were less than 100% vested at the time of separation from the Company and who remain participants, will share the entirety of the Increased Vested Amount (discussed above and valued at approximately \$1.6 million), as well as two financial planning conferences with an advisor as part of the Participant Communications Improvements. To receive these benefits, the former employee class members are not required to work for the Company, invest in a plan, or meet any other conditions.

All Embarq non-bargaining employees and the vast majority of bargaining unit employees have had total discretion over the investment of the company matching contributions made after December 31, 2005. Company matching contributions made after that date have been allocated to the same investment options as participants elect to invest their own contributions.

Effective January 1, 2006, the Embarq plans were amended to accelerate the diversification of company matching contributions made in 2004 and 2005. The changes enabled all non-bargaining employees and most bargaining unit employees to diversify up to 60% of the value of company matching contributions made in 2004 and 2005; the same diversification opportunity already available for company matching contributions allocated prior to 2003.

Effective May 18, 2006, the Embarq plans were amended to provide all non-bargaining employees and most bargaining unit employees with total discretion over the investment of company matching contributions made prior to 2006. Thus, the company matching contributions, regardless of when made in company stock, can now be diversified into the other investment options within the Embarq plans.

These changes will continue until at least January 1, 2007.

## **9. How can I get my share of the Settlement benefits?**

You do not need to file a claim. If you are a Settlement Class member entitled to a share of the Net Proceeds, your share will be deposited in your Plan account. If you are a former Plan participant, an account will be established for you in the Plan, if necessary, and you will be notified of such account. If you are a former participant and have not provided the Plan with your current address, please contact the Settlement Administrator, in writing, by mail at: Sprint Corporation ERISA Litigation, c/o Berdon Claims Administration LLC, P.O. Box 9014, Jericho, NY 11753-8914; by fax at: (516) 931-0810; or go to the website at [www.berdonllp.com/claims](http://www.berdonllp.com/claims) and click on "Contact Us."

## **10. When would I get my payment?**

Payment is conditioned on several matters, including the Court's approval of the Settlement and such approval becoming final and no longer subject to any appeals to any court. Any appeal of the final approval may take several years. If the Settlement is approved by the Court, and there are no appeals from such approval, it is reasonably anticipated that the Cash Settlement Amount will be distributed in late 2006, the Guaranteed Increased Match is being made in 2006, the Increased Vested Amount of Matching Contributions for Certain Former Employees will be made in 2006, the Sprint Plan Amendments will take place during 2006 and the Participant Communications Improvements will also take place during 2006.

### There Will Be No Payments If The Settlement Agreement Is Terminated

The Settlement Agreement may be terminated on several grounds, including if: (1) the Court does not approve or materially modifies the Settlement; or (2) either as modified by the Court or as a result of reversal or modification

<sup>3</sup> If you left your employment at the Company after May 1, 2006, you are deemed to have benefitted in the same manner as those class members described in Category 3 in Paragraph 8a above.

on appeal, the Court’s Final Order in the case does not satisfy certain terms of the Settlement. Should the Settlement Agreement be terminated, the Settlement will be terminated, the certification of the Class for settlement purposes will be vacated, and the Action will proceed as if the Settlement Agreement had not been entered into.

**11. Do I have to participate in the Settlement?**

You do not have the right to exclude yourself from the Settlement. The Action was preliminarily certified under Federal Rule of Civil Procedure 23(b)(1) and/or (2) as a non “opt-out” class action because the Court preliminarily determined the requirements of those rules were satisfied. Thus, it is not possible for any participants or beneficiaries to exclude themselves from the benefits of the Settlement. As a Settlement Class member, you will be bound by any judgments or orders that are entered in the Action for all claims that were or could have been asserted in the Action or are otherwise included in the release under the Settlement.

Although you cannot opt-out of the Settlement, you can object to the Settlement and ask the Court not to approve it. See Answer to Question No. 14, below.

**THE LAWYERS REPRESENTING YOU**

**12. Do I have a lawyer in the case?**

The Court has appointed the law firms Schatz & Nobel, Stull, Stull & Brody and Johnson & Perkinson as Co-Lead Counsel for Named Plaintiffs in the Action. These lawyers are called “Class Counsel.” You will not be charged directly by these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

**13. How will the lawyers be paid?**

As part of the Settlement, Sprint has agreed to pay up to \$3.9 million for the attorneys’ fees, costs and expenses of Class Counsel (including the costs of class notice and settlement administration), and any awards to the Named Plaintiffs. The actual amounts of such attorneys’ fees, costs, expenses and any awards to the Named Plaintiffs will be determined by the Court. Defendants have agreed to take no position with respect to the amount of attorneys’ fees, costs, expenses or any awards to the Named Plaintiffs. Because Sprint has agreed to pay up to \$3.9 million for attorneys’ fees, costs, expenses and any awards to the Named Plaintiffs, whatever amounts are awarded by the Court will not reduce either the \$4 million Cash Settlement Amount, the Guaranteed Increased Match (which Co-Lead Counsel and the Company believe has a value of approximately \$17.9 million to the Settlement Class), the Increased Vested Amount of Matching Contributions for Certain Former Employees (approximately \$1.6 million), or diminish the value of the Plan Amendments or Participant Communications Improvements.

Objecting to the Settlement or to the Amount of Attorneys’ Fees, Costs, Expenses or Awards to the Named Plaintiffs which Sprint will pay as part of the Settlement

You can tell the Court that you do not agree with the Settlement or some part of it, including the attorneys’ fees and expenses the attorneys intend to seek.

**14. How do I tell the Court if I don’t like the Settlement?**

If you are a Settlement Class member, you can object to the Settlement if you do not like any part of it. You can give reasons why you think the Court should not approve it. To object, you must file a written objection stating that you object to the Settlement in In re Sprint Corporation ERISA Litigation, Civil Action No. 03-CV-2202-JWL. Be sure to include your name, address, telephone number, signature, and a full explanation of all reasons you object to the Settlement. Your written objection must be served on the following counsel:

**PLAINTIFFS' CO-LEAD COUNSEL**

Robert A. IZARD  
William Bernarduci  
SCHATZ & NOBEL, P.C.  
One Corporate Center  
20 Church Street  
Hartford, CT 06103  
Phone: (860) 493-6292  
Fax: (860) 493-6290

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

Dennis J. Johnson  
James F. Conway, III  
JOHNSON & PERKINSON  
P.O. Box 2035  
1690 Williston Road  
South Burlington, VT 05403  
Phone: (802) 862-0030  
Fax: (802) 862-0060

**DEFENDANTS' COUNSEL**

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Matthew C. Miller  
SHOOK, HARDY & BACON L.L.P.  
84 Corporate Woods  
10801 Mastin, Suite 1000  
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Kansas City, MO 64106

Robert N. Eccles  
Gary S. Tell  
O'MELVENY & MYERS LLP  
1625 Eye Street, NW  
Washington, DC 20006-4001

Michael L. Banks  
MORGAN, LEWIS & BOCKIUS LLP  
1701 Market Street  
Philadelphia, PA 19103

You must also file your objection with the Clerk of the United States District Court for the District of Kansas. The address is: Clerk of the U.S. District Court for the District of Kansas, 500 State Avenue, Kansas City, Kansas. Your objection must be filed no later than July 17, 2006.

**Important Note:**

If you already filed an objection to the Settlement in response to the Prior Notice you do not have to object again to preserve your objection. If, however, you now have any objection to the Settlement which you have not previously filed with the Court, you should file that objection now, by July 17, 2006, in the manner described immediately above.

**15. When and where will the Court decide whether to approve the Settlement?**

The Court will hold a Second Fairness Hearing to decide whether to approve the Settlement as fair, reasonable and adequate (the "Second Fairness Hearing"). You may attend the Second Fairness Hearing, and you may ask to speak, but you do not have to attend. The Second Fairness Hearing will be held on July 26, 2006 at 9:30 A.M. at the United States District Court for the District of Kansas, 500 State Avenue, Kansas City, Kansas, in Courtroom 427 or in the Courtroom then occupied by United States District Judge John W. Lungstrum.<sup>4</sup> At that hearing, the Court will consider whether the

<sup>4</sup> On May 15, 2006, the Court held a hearing to determine whether the proposed settlement in this case was fair, reasonable and adequate and should be approved. After hearing from the parties and certain objectors at and in connection with the hearing the Court reserved decision on whether to approve the Settlement. Thereafter, the Court issued an Order directing supplemental briefing on the issue of whether the settlement should be approved given that the settlement contemplates that different forms and amounts of settlement benefits will be made available to different groups within the Settlement Class.

Following the supplemental briefing, the Court directed that this Supplemental Notice be disseminated to members of the Settlement Class and that a Second Fairness Hearing be held on July 26, 2006. This Supplemental Notice addresses the issue of the differing settlement benefits being made available to different groups within the Settlement Class in Section 8a above entitled "What Is the Comparison of Settlement Benefits for Current and Future Participants Compared to Former Participants?"

Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. After the Second Fairness Hearing, the Court will decide whether to approve the Settlement. The Court will also rule on the motions for Class Counsel's attorneys' fees, costs, expenses and any awards to the Named Plaintiffs.

**16. Do I have to come to the hearing?**

No. Class Counsel will answer questions the Court might have. But you are welcome to come at your own expense. If you send an objection, you do not have to come to Court to talk about it. As long as you filed your written objection on time, it will be before the Court when the Court considers whether to approve the Settlement as fair, reasonable and adequate. You also may pay your own lawyer to attend the Second Fairness Hearing, but such attendance is not necessary.

**17. May I speak at the hearing?**

If you are a Settlement Class member, you may ask the Court for permission to speak at the Second Fairness Hearing. To do so, you must send a letter or other paper called a "Notice of Intention to Appear at Fairness Hearing in In re Sprint Corporation ERISA Litigation, Civil Action No. 03-CV-2202-JWL." Be sure to include your name, address, telephone number, and your signature. Your Notice of Intention to Appear must be served on the attorneys listed in the Answer to Question No. 14, above, and must be filed with the Clerk of the Court at the address listed in the Answer to Question No. 14, by July 17, 2006.

Please note that if you are a participant or beneficiary you need not be represented by counsel to address the Court. However, if you are not a participant or beneficiary, you will have to retain counsel who is admitted to practice before the Court for that counsel to address the Court on your behalf.

**IF YOU DO NOTHING**

**18. What happens if I do nothing at all?**

If you do nothing and you are a Settlement Class member, you will participate in the settlement of the Action as described above in this Supplemental Notice if the Settlement is approved.

**GETTING MORE INFORMATION**

**19. Are there more details about the Settlement?**

This Notice summarizes the proposed Settlement. The complete settlement is set forth in the Settlement Agreement. You may obtain a copy of the Settlement Agreement by making a written request to the Co-Lead Counsel listed at page 3 above. Copies of the Settlement Agreement and/or this Supplemental Notice may also be obtained at [www.snlaw.net](http://www.snlaw.net), [www.ssbny.com](http://www.ssbny.com), [www.jpclasslaw.com](http://www.jpclasslaw.com), or [www.berdonllp.com/claims](http://www.berdonllp.com/claims). The Settlement Agreement also was filed with the Clerk of the Court and may be obtained from the Clerk's office directly.

**20. How do I get more information?**

You can contact the attorneys for Named Plaintiffs (see page 3 above), or visit the websites of Co-Lead Counsel at [www.snlaw.net](http://www.snlaw.net), [www.ssbny.com](http://www.ssbny.com), or [www.jpclasslaw.com](http://www.jpclasslaw.com) for more information regarding the Settlement.

Dated: June 23, 2006

BY ORDER OF THE COURT

# SPRINT 2

## IMPORTANT LEGAL INFORMATION

Sprint Securities Litigation  
c/o Berdon Claims Administration LLC  
P.O. Box 9014  
Jericho, NY 11753-8914

PRESORTED  
FIRST-CLASS MAIL  
U.S. POSTAGE PAID  
PEARL PRESSMAN LIBERTY  
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