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HEADLINE: Employees suing SBC over 401(k)s

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LOS ANGELES - SBC Communications employees sued the company Tuesday, contending that it cost them \$ 1.15 billion in additional retirement savings when it sold AirTouch Communications shares that have since jumped in value.

In the suit filed in federal court in Los Angeles, 18 of the San Antonio company's employees maintain that SBC sold the shares only because the companies were competitors, not because the stock was a bad investment.

That means that SBC failed to perform its duty to maximize the employees' 401(k) funds, the suit contends.

SBC began selling the stock on May 1, 1998, when AirTouch shares were 52 1/4. On June 28, 1999, as Vodafone was acquiring AirTouch, the shares reached 107 21/32.

Lawyers for the employees contend that SBC knew, or should have known, that a bidding war was about to start over AirTouch that would drive up the stock price. When it sold its AirTouch shares, SBC did not consider the potential rise in retirement savings that its employees would enjoy, said Eli Gottesdiener, an attorney for the employees.

SBC "made the decision to map the proceeds of the AirTouch stock liquidation into SBC common stock without adequately taking into account the consequences of doing so," the suit says.

SBC declined comment on the suit, although it said it offered its employees months of notice and five investment choices for converting AirTouch stock.

"All the money from the liquidated AirTouch stock was invested, dollar for dollar, in these other vehicles, and SBC did not profit from this conversion whatsoever," the company said in a statement.

The company sold the stock without considering that AirTouch stock was outperforming SBC, the employees allege.

"Causing participants to become even more heavily invested in SBC common stock, was, under the circumstances, imprudent," the suit says.

The suit also labels "misleading and incomplete" the notice that SBC gave its employees about the liquidation of the AirTouch shares. SBC violated the law by failing to give both a clear notice of the sale and a clear statement of other investment options, the employees said.

The lawyers who filed the suit are seeking class-action status so they can represent about 40,000 401(K) plan participants.