KANSAS
(State or other jurisdiction of incorporation or organization)
P.O. Box 7997,
Shawnee Mission, Kansas
(Address of principal executive offices)
Registrant’s telephone number, including area code
(913) 624-3000

Securities registered pursuant to Section 12(b) of the Act:
Title of each class
FON Common Stock, Series 1, $2.00 par value, and FON Group Rights
PCS Common Stock, Series 1, $1.00 par value, and PCS Group Rights
Guarantees of Sprint Capital Corporation 6.875% Notes due 2028
Corporate Units

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file these reports), and (2) has been subject to these filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act) Yes X No

Aggregate market value of voting and non-voting common equity held by non-affiliates at June 30, 2003, was $18,863,514,730.

COMMON SHARES OUTSTANDING AT FEBRUARY 27, 2004:
FON COMMON STOCK 906,584,815
PCS COMMON STOCK 851,849,701
Series 1 184,745,330
Series 2

Documents incorporated by reference.
Registrant’s definitive proxy statement filed under Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, which definitive proxy statement is to be filed within 120 days after the end of Registrant’s fiscal year ended December 31, 2003, is incorporated by reference in Part III hereof.
Sprint Corporation, incorporated in 1938 under the laws of Kansas, is a holding company, with its operations primarily conducted in its subsidiaries. Unless the context otherwise requires, references to “Sprint,” “we,” “us,” and “our” mean Sprint Corporation and its subsidiaries.

Sprint is a global communications company and a leader in integrating long-distance, local service, and wireless communications. Sprint is also one of the largest carriers of Internet traffic using its tier one Internet Protocol network, which provides connectivity to any point on the Internet either through its own network or via direct connections with other backbone providers. Sprint is the nation’s third-largest provider of long distance services based on revenues, and operates nationwide, all-digital long distance and tier one Internet Protocol networks using fiber-optic and electronic technology. Sprint currently serves approximately 7.9 million access lines in its franchise territories in 18 states, and provides local service using our facilities, leased facilities or unbundled network elements provided by other carriers in 36 states and the District of Columbia. Sprint is selling into the cable telephony market through arrangements with cable companies that resell Sprint long distance service and use Sprint back office systems and network assets in support of their local telephone service provided over cable facilities. Sprint also operates a 100% digital personal communications service, or PCS, wireless network with licenses to provide service to the entire United States population, including Puerto Rico and the U.S. Virgin Islands, using a single frequency band and a single technology. The PCS Group, together with third party affiliates, operates PCS systems in over 300 metropolitan markets, including the 100 largest U.S. metropolitan areas. The PCS Group’s service, including third party affiliates, reaches a quarter billion people. The PCS Group, combined with our wholesale and affiliate partners, served more than 20 million customers at the end of 2003.

Sprint operates in an industry that has been and continues to be subject to consolidation and dynamic change. Therefore, Sprint routinely reassesses its business strategies. In light of events and specific changes in telecommunications, including bankruptcies, over-capacity and the current economic environment, Sprint continues to assess the implications on its operations. Any such assessment may impact the valuation of its long-lived assets. As part of its overall business strategy, Sprint regularly evaluates opportunities to expand and complement its operations and may at any time be discussing or negotiating a transaction that, if consummated, could have a material effect on its business, financial condition, liquidity or results of operations.

In the 2002 third quarter, Sprint reached a definitive agreement to sell its directory publishing business to R.H. Donnelley for $2.23 billion in cash. The sale closed on January 3, 2003.

In November 1998, Sprint’s shareholders approved the allocation of all of Sprint’s assets and liabilities into two groups, the FON Group and the PCS Group, as well as the creation of the FON stock and the PCS stock. FON common stock and PCS common stock are intended to reflect the financial results and economic value of the FON and PCS Groups. However, they are classes of common stock of Sprint, not of the group they are intended to track.

The FON Group is comprised of the global markets division, the local division and other businesses consisting primarily of wholesale distribution of telecommunications products. The PCS Group includes Sprint’s wireless PCS operations.

On February 28, 2004, Sprint’s board of directors decided to recombine the tracking stocks and return to a single common stock. As a result, each share of the PCS common stock will convert automatically into 0.50 shares of FON common stock on April 23, 2004. The FON stock will represent the only outstanding common stock of Sprint. After the recombination, Sprint will continue to present consolidated financial information, but will not include group level information. The recombination will not impact Sprint’s current presentation of all required segment information.
Access to Public Filings and Board Committee Charters
Sprint provides public access to its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports filed with the Securities and Exchange Commission (SEC) under the 1934 Act. These documents may be accessed free of charge on Sprint’s website at the following address: http://www.sprint.com/sprint/ir. These documents are provided as soon as is practicable after filing with the SEC. These documents may also be found at the SEC’s website at http://www.sec.gov.

Sprint also provides public access to its Code of Ethics and the charters of the following committees of its board of directors: the Audit Committee, the Capital Stock Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The ethics code and committee charters may be viewed free of charge on Sprint’s website at the following address: http://www.sprint.com/governance. They may also be obtained free of charge by writing to: Sprint Shareholder Relations, 6200 Sprint Parkway, Mailstop KSOPHF0302-3B206, Overland Park, Kansas 66251. If a provision of the ethics code required under the New York Stock Exchange corporate governance standards or the Sarbanes-Oxley Act is materially modified, or if a waiver of the ethics code is granted to a director or executive officer, the notice of such amendment or waiver will be posted on Sprint’s website. While only the board of directors or the Audit Committee may consider a waiver for an executive officer or director, Sprint does not expect to grant waivers.

Business Transformation
Currently, Sprint’s operations are divided into three segments: the global markets division, the local division and the PCS wireless telephony products and services business.

In an effort to enhance the focus on the needs and preferences of two distinct customer types – businesses and consumers, Sprint’s market-facing business units have been aligned into the Sprint Business Solutions (SBS) unit, Sprint Consumer Solutions (SGS) unit and the Sprint Local Consumer Solutions (SLCS) unit. This effort is expected to enable Sprint to more effectively and efficiently use its portfolio of assets to create customer-focused communications solutions.

During 2004, Sprint intends to continue to measure its activities using its current business segments, and begin to measure certain activities under this customer-focused approach. Throughout 2004, management anticipates continuing to make decisions using the current segmentation. However, part of the decision-making process will include viewing opportunities from a customer-centric perspective. Sprint intends to develop and deliver integrated products and services which will help our customers function more effectively in the workplace and in daily life.

In conjunction with these market-facing business unit realignments, Sprint is undertaking initiatives to improve productivity through:

- Consolidating systems and eliminating redundancies
- Application rationalization
- Automation
- Process re-engineering
- E-enablement
- Organizational redesign and streamlining

These efforts have resulted in restructuring charges and asset impairments in the fourth quarter of 2003 and will impact subsequent quarters. Ongoing efforts in these areas may have additional impacts in subsequent periods. See Note 5 of Notes to Consolidated Financial Statements for more information relating to these activities.

Sprint FON Group
General Overview of the Sprint FON Group
The FON Group is comprised of the global markets division, the local division and other businesses consisting primarily of wholesale distribution of telecommunications products. The main activities of the global markets division include domestic and international long distance communications (except for consumer long distance services used by customers within Sprint’s local franchise territories), broadband fixed wireless services and certain other ventures. The global markets division is the nation’s third-largest provider of long distance services based on revenues. The activities of the local division include local exchange communications and consumer long distance services used by customers within Sprint’s local franchise territories.
The FON Group is implementing a metropolitan area network (MAN) strategy through the lease and purchase of dark-fiber and lit rings in key U.S. cities. This fiber-optic infrastructure enables Sprint to reduce local access costs.

The FON Group also includes other businesses consisting primarily of wholesale distribution of telecommunication products. Finally, the FON Group includes investments in EarthLink, Inc., an Internet service provider; Call-Net Enterprises, Inc., a long distance provider in Canada; and certain other telecommunications investments.

Global Markets Division

The global markets division’s financial performance for 2003, 2002 and 2001 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues</td>
<td>$7,992</td>
<td>$8,943</td>
<td>$9,916</td>
</tr>
<tr>
<td>Operating income (loss) (1)</td>
<td>$(1,472)</td>
<td>$(200)</td>
<td>$(2,049)</td>
</tr>
</tbody>
</table>

(1) See Part II, Item 7 Segmental Results of Operations – Global Markets Division for more information regarding division financial performance.

General

The global markets division provides a broad suite of communications services targeted to domestic business and residential customers, multinational corporations and other communications companies. These services include domestic and international voice, data communications using various protocols such as Internet Protocol and frame relay (a data service that transfers packets of data over Sprint’s network), and managed network services. The global markets division also provides local service using Sprint’s facilities, leased facilities or unbundled network elements provided by other carriers in 36 states and the District of Columbia. The global markets division is selling into the cable telephony market through arrangements with cable companies that resell Sprint long distance service and use Sprint back office systems and network assets in support of their local telephone service provided over cable facilities. In addition, the global markets division provides consulting services and international data communications.

The global markets division also includes the operating results of the wireless high speed data and cable TV service operations of the broadband fixed wireless companies. In 2001, Sprint announced it would halt further deployment of Multipoint Multichannel Distribution Services (MMDS) services using current line of sight technology. Current video and high speed data customers continue to receive service. In the third quarter of 2003, Sprint’s ongoing evaluation of its business use for the MMDS spectrum resulted in a decision to end pursuit of a residential fixed wireless strategy and an impairment to spectrum value. Sprint is now focusing its efforts on a broad range of alternative strategies. Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum.

In the 2003 second quarter, Sprint announced the wind-down of its web hosting business.

Competition

The division competes with AT&T, MCI (formerly WorldCom), the Regional Bell Operating Companies (RBOCs): Verizon, BellSouth, SBC Communications and Qwest, Level 3 and cable operators and other telecommunications providers in all segments of the long distance communications market. AT&T continues to have the largest market share of the domestic long distance communications market. Some competitors are targeting the high-end data market and are offering deeply discounted rates in exchange for high-volume traffic as they attempt to fill their networks with traffic volume. The RBOCs have received authority to provide in-region long distance service in 48 states and the District of Columbia, which has heightened competition. As the RBOCs have entered the long distance service market, they have proven to be formidable long distance competitors. In addition, long distance services provided by wireless service providers and Internet-based services are expected to continue to adversely affect the global markets division. Competition in long distance is based on price and pricing plans, the types of
services offered, customer service, and communications quality, reliability and availability. Sprint’s ability to compete successfully will depend on its ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions, and pricing strategies. Many carriers are competing in the residential and small business markets by offering bundled packages of both local and long distance services.

Strategy
In order to achieve profitable market share growth in an increasingly competitive long distance communications environment, the global markets division intends to leverage its principal strategic assets: its high-capacity national fiber-optic network, its tier one Internet Protocol network, its base of business and residential customers, its established national brand, and offerings available from other Sprint operating entities and other relationships. The long distance operation will focus on expanding its presence in the data communications markets. The global markets division continues to deploy network and systems infrastructure which provides reliability, cost effectiveness and technological improvements.

Local Division
General
The local division consists mainly of regulated local phone companies serving approximately 7.9 million access lines in 18 states. The local division provides local voice and data services, including Digital Subscriber Line (DSL), for customers within its franchise territories, access by phone customers and other carriers to the local division’s local network, nationwide long distance services to residential customers located within its franchise territories, sales of telecommunications equipment, and other services within specified calling areas to residential and business customers. The local division provides wireless services to customers in its franchise territories through agency relationships. DSL enables high speed transmission of data over existing copper telephone lines.

The local division’s financial performance for 2003, 2002 and 2001 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003 (millions)</th>
<th>2002 (millions)</th>
<th>2001 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues</td>
<td>$6,143</td>
<td>$6,257</td>
<td>$6,294</td>
</tr>
<tr>
<td>Operating income (loss) (1)</td>
<td>$1,788</td>
<td>$1,830</td>
<td>$1,783</td>
</tr>
</tbody>
</table>

(1) See Part II, Item 7 Segmental Results of Operations – Local Division for more information regarding division financial performance.

Competition
The local division’s franchise territories are principally in suburban and rural markets. Competition in these markets is occurring more gradually than for the RBOCs. In urban areas there is already substantial competition and there is increasing competition in less urban areas. Cable companies selling cable modems continue to provide competition for high-speed data services for residential customers. In addition, the use of e-mail and wireless services have eroded the local division’s access and long distance revenues. Cable companies are beginning to provide telecommunication services to the home. Certain mergers or other combinations involving competitors may increase competition. Competition in these services is based on price and pricing plans, the types of services offered, customer service, and communications quality, reliability and availability.

Strategy
The local division’s strategy is focused on growing its share of communications spending within its franchised service areas through broad-based product and service differentiation. To do so, the local division will bundle Sprint’s entire portfolio of wireline and wireless services, expand DSL coverage, and add video capability in partnership with Echostar Communications Corp. In addition, the division plans to enhance its customers’ service experience by developing a single, clear invoice and integrating customer care for all bundled services.

Sprint PCS Group
General Overview of the Sprint PCS Group
The PCS Group includes Sprint’s wireless PCS operations. It operates a 100% digital PCS wireless network with licenses to provide service to the entire United States population, including Puerto Rico and the U.S. Virgin
Islands, using a single frequency band and a single technology. The PCS Group, together with third party affiliates, operates PCS systems in over 300 metropolitan markets, including the 100 largest U.S. metropolitan areas. The PCS Group’s service, including third party affiliates, reaches a quarter billion people. The PCS Group provides nationwide service through a combination of:

- operating its own digital network in major U.S. metropolitan areas using code division multiple access (CDMA), which is a digital spread-spectrum wireless technology that allows a large number of users to access a single frequency band by assigning a code to all speech bits, sending a scrambled transmission of the encoded speech over the air and reassembling the speech into its original format;
- affiliating with other companies that use CDMA, mainly in and around smaller U.S. metropolitan areas,
- roaming on other providers’ digital networks that use CDMA, and
- roaming on other providers’ analog cellular networks using multi-mode and multi-band handsets.

Sprint PCS customers can use their phones through roaming agreements in countries other than the United States, including areas of:

- Asia Pacific, including China, Guam, Hong Kong and New Zealand,
- Canada and Mexico,
- Central and South America, including Argentina, Bolivia, Chile, Colombia, Ecuador, Guatemala, Paraguay and Uruguay, and
- Most major Caribbean Islands.

Sprint launched nationwide third generation (3G) capability in the 2002 third quarter. This capability allows more efficient utilization of the network when voice calls are made using 3G-enabled handsets. It also provides enhanced data services. The service, marketed as “PCS Vision,” allows consumer and business customers to use their Vision-enabled PCS devices to exchange personal and corporate e-mail, take, send and receive pictures, exchange instant messages, play games with full-color graphics and polyphonic sounds and browse the Internet wirelessly with speeds up to 144 kbps (with average speeds of 50 to 70 kbps).

The PCS Group supplements its own network through affiliation arrangements with other companies that use CDMA. Under these arrangements, these companies offer PCS services using Sprint’s spectrum under the Sprint brand name on CDMA networks built and operated at their own expense. Several of these affiliates are experiencing financial difficulties and are evaluating or have completed restructuring activities. Two affiliates have filed for bankruptcy protection and made claims against us in the bankruptcy courts. One other affiliate has filed suit against us. We are in negotiations with some of the affiliates regarding restructuring our relationship with them, and have reached agreement with several. Sprint has amended the existing agreements to provide for a simplified pricing mechanism, as well as refining and changing various business processes. The amended agreements cover approximately 40% of the customers served by all affiliates. For further discussion see Risk Factors Relating to Sprint.

The PCS Group also includes an investment in Virgin Mobile, USA, a joint venture to market wireless services, principally to youth and pre-pay segments. This investment is accounted for using the equity method.

The PCS Group also provides wireless services to companies that resell wireless service to their customers on a retail basis under their own brand. These companies bear the costs of acquisition, billing and customer service.

The financial performance for the PCS Group for 2003, 2002 and 2001 is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues</td>
<td>$12,690</td>
<td>$12,074</td>
<td>$9,725</td>
</tr>
<tr>
<td>Operating income (loss) (1)</td>
<td>$551</td>
<td>$475</td>
<td>$(647)</td>
</tr>
</tbody>
</table>

(1) See Part II, Item 7 Segmental Results of Operations – PCS Group for more information regarding division financial performance.
**Competition**

The market for wireless services is highly competitive. Sprint’s wireless PCS operations compete against a number of carriers including five national wireless companies: Verizon Wireless, Cingular Wireless, AT&T Wireless Services, Nextel Communications and T-Mobile. Each of the markets in which the PCS Group competes is served by other wireless service providers. A majority of the markets, including each of the top 50 metropolitan markets, have six or more wireless service providers including the PCS Group. Many of the PCS Group’s competitors have been operating for a number of years and serve a substantial subscriber base. Competition may continue to increase to the extent that licenses are transferred from smaller stand-alone operators to larger, better capitalized, and more experienced wireless communications operators, or as new firms enter the market as additional radio spectrum is made available for commercial wireless services. Consolidation of the industry is occurring with the pending merger of Cingular Wireless and AT&T Wireless Services. The impact of this proposed merger is uncertain, but if completed, the new entity will emerge as the largest competitor. In January 2003, the Federal Communications Commission (FCC) rule imposing limits on the amount of spectrum that can be held by one provider in a specific market was lifted. Although the spectrum cap was lifted, the FCC still reviews the competitive impact of any license transfer, assignment or combination on a case by case basis.

**Strategy**

The PCS Group intends to increase capacity and enhance network coverage, and to increase market penetration by aggressively marketing competitively priced PCS products and services under the Sprint brand name, offering enhanced voice and data services and seeking to provide superior customer service. It also expects to increase market penetration through its investment in Virgin Mobile, USA, which targets the youth and pre-pay segments, and from its wholesale offerings. The principal elements of the PCS Group’s strategy for achieving these goals are:

- using state-of-the-art technology,
- leveraging the operating scale of the PCS Group’s national network to achieve significant cost advantages in purchasing power, operations, and marketing,
- delivering superior service to its customers,
- growing its customer base using multiple distribution channels,
- delivering innovative products and services,
- continuing to increase capacity and enhance coverage, and
- offering Sprint’s entire product portfolio.

**Legislative and Regulatory Developments**

Telecommunications services are subject to regulation at the federal level by the FCC and at the state level by public utilities commissions. In general, incumbent local exchange carriers (ILECs) such as Sprint’s local phone companies are subject to the most extensive regulation. Regulation not only covers rates and service terms, but also the terms on which ILECs provide connections and network elements to potential competitors known as competitive local exchange carriers (CLECs). Long distance providers such as the global markets division are subject to less regulation, but still must comply with various statutory requirements and regulations. Commercial mobile radio service (CMRS) providers such as Sprint’s wireless operations are not regulated from a retail pricing standpoint, but are subject to various licensing and technical requirements imposed by the FCC, including provisions related to the acquisition, assignment or transfer of radio licenses, and mandates, such as E-911 and wireless local number portability (WLNP). CMRS providers are also subject to state regulation over terms and conditions of service.

Telecommunications have been and remain the subject of legislative initiatives at both the federal and state levels. The Telecommunications Act of 1996 (Telecom Act) was the first comprehensive update of the Communications Act of 1934. Among other things, the Telecom Act provided a framework for local competition, but required the passage of implementing rules by the FCC and the states. These rules have been the subject of numerous appeals to both the courts and to Congress. In virtually every session of Congress since the adoption of the Telecom Act, legislation has been proposed to amend it. In addition, members of Congress use Congressional hearings and letters to emphasize points to regulators. Congressional participation in the development of regulatory policy and enforcement makes the regulatory process less predictable and potentially adverse to Sprint’s interest. Similar legislative involvement occurs in various states.
Sprint FON Group – Wireline Operations

Competitive Local Service

The Telecom Act was designed to promote competition in all aspects of telecommunications. It eliminated legal and regulatory barriers to entry into local phone markets. It also required ILECs to allow local resale at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to unbundled network elements and allow colocation of interconnection equipment by competitors. The rules implementing the Telecom Act are the subject of legal challenges and uncertainty. Moreover, many of the CLECs that invested money to participate in local competition have filed for bankruptcy. Thus, the future of local competition remains unclear.

Sprint is impacted by local competition rules from two perspectives: primarily, as an ILEC serving approximately 4% of the access lines in the United States and, secondarily, as a potential CLEC for the remainder of the country’s access lines. Sprint is engaged as a CLEC providing local service to residential customers and small and medium business customers utilizing its own facilities, leased facilities and a platform of unbundled network elements, referred to as “UNE-P,” provided by the ILEC.

In August 2003, the FCC issued revised rules on unbundled network elements, including UNE-P, broadband deregulation and high-capacity loops. Under the order, ILECs continue to be required to make available loop and transport elements such as those needed for the CLEC services being provided to medium and small business customers described above, but the order establishes a mechanism to require state regulatory commissions to remove the transport and high-capacity loop elements from the required list if certain competitive tests are met. The order further presumes that UNE-P should initially remain available for mass-market customers nationwide but requires state regulatory commissions to examine, on a market-by-market basis and using FCC-formulated criteria, whether UNE-P should continue to be available for mass-market customers. If a state should determine that UNE-P should no longer be required, the order establishes a 27 month phase-out period. Both RBOCs and CLECs appealed various aspects of this order. In March 2004, the D.C. Circuit Court of Appeals vacated significant aspects of the FCC’s order. The court’s decision will be subject to requests for stay of its effectiveness and to requests for rehearing and/or review by the Supreme Court. If allowed to take effect, the court’s decision will foreclose the use of UNE-P unless or until the FCC adopts new rules reinstating UNE-P as an option for competitive local service. Such foreclosure would require Sprint to discontinue its use of UNE-P unless the RBOCs were to agree to allow continued use of UNE-P at negotiated prices. The court also vacated FCC rules requiring high-capacity transport to be made available as an unbundled element. This ruling would not have a material effect on the global markets division’s current competitive local offerings to medium and large business customers.

Separately, the FCC is considering whether it should establish performance measures for ILEC provision of unbundled network elements and special access services, and it has convened a proceeding to determine the appropriate regulatory requirements for ILEC provision of domestic broadband telecommunications. In September 2003, the FCC also initiated a rulemaking proceeding to re-examine the methodology the states must use to establish prices for unbundled network elements.

Larger ILECs, including the local division, were required to provide intermodal WLNP in the 100 largest metropolitan statistical areas in November 2003. Intermodal WLNP allows customers to retain existing telephone numbers when switching from a wireline carrier to a wireless carrier, subject to certain limitations. The intermodal WLNP requirements impose increased operating costs on the local exchange service providers and are likely to result in some loss of customers to wireless carriers.

Universal Service Requirements and Access Reform

The FCC continues to address issues related to universal service and access reform. In 2000, the FCC adopted an access reform plan that substantially reduced switched access charges paid by long distance carriers to the large ILECs and created a new universal service fund that offsets a portion of this reduction in access charges. In connection with its advocacy of this plan, Sprint committed that it would flow through the reductions in switched access costs over the five-year life of the plan to both business and residential customers. Sprint also committed to certain other pricing actions, including eliminating charges to residential and single-line business customers which had been used to pass through certain access costs that were eliminated by this plan, and maintaining, for the duration of the plan, at least one pricing option that does not include a minimum usage charge. The FCC order adopting this access reform plan requires Sprint to adhere to these commitments.

The FCC and many states have established “universal service” programs to ensure affordable, quality local telecommunications services for all U.S. residents. Sprint’s assessment to fund these programs is typically a percentage of interstate and international end-user revenues. The local division is also a recipient of support funds in several of its states.
In 2001, the FCC initiated a proceeding to determine whether the carrier assessment program described in the preceding paragraph should be changed. In a December 2002 decision, the FCC asked for further comment on whether to move from a carrier assessment based on revenues to a per-line or per-number assessment. This issue is still pending with the FCC. In addition, it revised the revenue-based assessment from one based on historical revenues to one based on projected revenues in order to better account for RBOC entry into long distance and the loss of market share by other long distance carriers. The FCC also increased, from 15% to 28.5%, the “safe harbor” estimate of the amount of wireless revenues that can be attributed to interstate and international services. This “safe harbor” can be used by wireless carriers in lieu of attempting to measure how much of their traffic and revenues are from interstate and international calls (and thus subject to federal universal service contributions). This increase in the “safe harbor” has increased the overall share of federal universal service funding borne by wireless carriers. At current funding levels, this FCC decision has slightly reduced the contributions of Sprint’s wireline operations to the federal universal service funds.

In 2001, the FCC launched a proceeding to determine whether access charges, as well as reciprocal compensation for local interconnected calls, should be replaced either by a “bill-and-keep” system under which intercarrier compensation would be eliminated and all carriers would recover their costs solely from end-user customers or by a unified intercarrier compensation system in which the same rates would apply to all forms of intercarrier compensation (access and reciprocal compensation). This proceeding remains pending with the FCC and it is difficult to predict the changes that might result or their timing and impact.

With the growing use of Voice over Internet Protocol (VoIP), the FCC is considering the regulatory status of various forms of VoIP. The outcome of these proceedings will determine whether and how retail VoIP offerings should be regulated, as well as whether VoIP providers should pay access charges and should contribute to the federal universal service fund. In February 2004, the FCC issued an order finding that one form of VoIP, involving a specific form of computer-to-computer services for which no charge is assessed, is an unregulated “information service,” rather than a telecommunications service, and preempting any attempts by state regulatory authorities to regulate this service. The FCC also voted in February 2004 to initiate a rulemaking to consider other forms of VoIP and is considering a petition filed by AT&T regarding the status of a long distance offering in which calls that begin and end on the ordinary public switched telephone network are transmitted in part through the use of Internet Protocol.

Communications Assistance for Law Enforcement Act

The Communications Assistance for Law Enforcement Act (CALEA) was enacted in 1994 to preserve electronic surveillance capabilities authorized by federal and state law in light of emerging technologies that might be more difficult for law enforcement officials to monitor. CALEA required telecommunications companies to meet certain “assistance capability requirements” by June 30, 2000. The local division agreed to a CALEA deployment schedule with the Department of Justice (DOJ) and obtained an extension for CALEA compliance from the FCC until June 30, 2002. The local division has timely filed a petition for further extension until June 30, 2004. This petition and similar petitions filed by other carriers have not been acted on, but based on past practice, no penalties are likely to be imposed for the period after the expiration of the previous extension.

Reallocation of Spectrum

The FCC has issued an order reallocating certain spectrum (the 2150-2162 MHz band) currently used by Sprint and others in the provisioning of MMDS for advanced wireless services. The order provides that incumbents such as Sprint will be relocated to a band that will be identified later and will be reimbursed for their relocation costs. The FCC is currently considering this issue.

MMDS License Conditions

The FCC auctioned certain MMDS licenses – those licensed on a basic trading area (BTA) geographic basis – in 1996 for a term of ten years. The licenses may be renewed by the FCC for additional ten year terms. The FCC rules require all licensees of auctioned MMDS spectrum to meet certain buildout requirements in order to retain their licenses of this spectrum. Before August 16, 2003, Sprint filed certifications for 62 of its 93 BTAs indicating that it has met the buildout requirements. However, it has not yet received confirmation from the FCC that the requirement has been met in any BTA. Sprint, other MMDS licensees and the MMDS trade association have asked the FCC to delay the buildout deadline and to amend its rules regarding the buildout obligation along with other rule changes affecting MMDS service. Those requests remain pending. Failure to comply with FCC requirements in a given market could result in the loss of the MMDS BTA license for that part of the service area in which the buildout requirements are not met.
The FCC sets rules, regulations and policies to, among other things:

- grant licenses for PCS frequencies and license renewals,
- rule on assignments and transfers of control of PCS licenses,
- govern the interconnection of PCS networks with other wireless and wireline carriers,
- establish access and universal service funding provisions,
- impose fines and forfeitures for violations of any of the FCC’s rules,
- regulate the technical standards governing wireless services, and
- impose other obligations that it determines to be in the public interest.

In January 2003, the FCC eliminated its spectrum cap rule prohibiting a single entity from having a combined attributable interest in broadband PCS, cellular and specialized mobile radio licenses totaling more than 55MHz in any geographic area. The FCC now analyzes transactions involving spectrum on a case-by-case basis and imposes limits on the amount of spectrum a single entity may hold in a geographic area only if market conditions warrant such restrictions. In certain instances sales or acquisitions of wireless systems are also subject to DOJ or Federal Trade Commission review.

In late 2003, the FCC adopted new rules that will allow CMRS licensees to lease spectrum to other parties. Under the new rules, which go into effect in early 2004, licensees will have more flexibility to use and potentially monetize spectrum assets. At this time it is unclear how this increased flexibility will impact the value of Sprint’s PCS spectrum holdings or the highly competitive marketplace for wireless services.

In 2003, the FCC reallocated additional spectrum for 3G purposes. The FCC identified which spectrum bands should be used for advanced wireless services and is considering the technical parameters and service rules to govern operation in these frequencies. After this process is complete, the FCC will auction this spectrum. The amount of spectrum that will be reallocated and the cost of moving incumbent users cannot be determined at this time. In addition, the FCC plans to auction additional spectrum in the 700 MHz band which is currently used for analog broadcasting. It is not clear if the allocation of additional spectrum for 3G purposes and the auction of 700 MHz spectrum for mobile services will impact the value of Sprint’s current spectrum licenses.

The FCC has initiated a number of proceedings to evaluate its rules and policies regarding spectrum licensing and usage. It is considering new “harmful interference” concepts that might permit unlicensed users to “share” licensed spectrum. These new uses could impact Sprint’s utilization of its licensed spectrum.

**PCS License Conditions**

All PCS licenses are granted for ten-year terms if the FCC’s construction requirements are met. Licenses may be revoked if the FCC’s construction requirements are not met. The licenses are also subject to renewal. All 30 MHz broadband major trading area (MTA) licensees must build PCS networks offering coverage to $\frac{1}{3}$ of the population within five years and $\frac{2}{3}$ within 10 years. In 2000, Sprint met the five-year buildout requirement in all of its MTA markets. Sprint has already met the ten-year buildout requirement in the majority of its MTA markets and expects to meet the ten-year buildout requirements in all of its MTA markets before the June 2005 deadline. All 10 MHz and 15 MHz broadband PCS licensees must construct networks offering coverage to at least $\frac{1}{4}$ of the population or make a showing of “substantial service” within five years of license grant. In 2002, Sprint met the 10/15 MHz five-year buildout requirement in all of its BTA markets.

PCS licenses may be renewed for additional ten-year terms. Renewal applications are not subject to auctions. If a renewal application is challenged, the FCC grants a preference commonly referred to as a license renewal expectancy to the applicant if it can demonstrate it has provided “substantial service” during the past license term and has substantially complied with the FCC’s rules.

**Other FCC Requirements**

Sprint’s PCS wireless operations began providing WLNP in the 100 largest metropolitan statistical areas (MSAs) in compliance with the FCC-mandated November 24, 2003 deadline. WLNP allows customers to retain existing telephone numbers when switching from one telecommunications carrier to another, subject to certain limitations.
We intend to implement WLNP beyond the largest 100 MSAs on May 24, 2004. The vast majority of PCS customers are resident in the 100 largest markets where WLNP is already available. The WLNP requirements impose increased operating costs on all CMRS carriers and are likely to result in higher subscriber churn.

Broadband PCS and other CMRS providers must implement enhanced emergency 911 capabilities in a two-tiered manner. In the first phase, wireless carriers must identify the base station from which a call originated. In the second phase, wireless carriers must provide location within a radius as small as fifty meters. Implementation of the second phase location requirements must generally begin within six months of a valid request by a public safety organization. Sprint has deployed system elements necessary to support Phase one and Phase two enhanced emergency 911 throughout its entire network. Actual availability of Phase one or Phase two enhanced emergency 911 services in any particular market is dependent upon receipt of a request for service and completion of necessary upgrades by local governments, and is not within Sprint’s control. We file regular reports with the FCC outlining our compliance with these obligations. Failure to comply with the FCC’s rules in this area may result in significant monetary penalties.

Communications Assistance for Law Enforcement Act

CALEA requires telecommunications carriers, including Sprint, to modify their equipment, facilities and services to allow for authorized electronic surveillance based on either industry or FCC standards. Like other CMRS carriers, our wireless operations have sought certain extensions of CALEA deadlines for packet-mode data services and these requests remain pending. Sprint believes that the FCC will grant extensions of the deadlines; however, the law enforcement community, led by the DOJ, Federal Bureau of Investigation (FBI), and Drug Enforcement Administration (DEA) are actively participating in a number of FCC proceedings relating to packet-mode data services. DOJ, FBI, and DEA are seeking determinations from the FCC that providers of packet-mode services – particularly Voice-Over-Packet communications – must provide electronic interception capabilities. Determinations in these FCC proceedings could affect disposition of Sprint’s CALEA extension requests for its wireless operations. If the extension requests are not granted, Sprint could be subject to fines if it is unable to comply with a surveillance request from a law enforcement agency. Sprint has also sought clarification from the FCC on the scope of telecommunications carriers’ obligation to intercept packet-mode data services.

Hearing Aid Compatibility

FCC rules require that telecommunications carriers make services accessible and usable to persons with disabilities. In August 2003, the FCC released an order lifting the exemption that cellular/PCS handsets had under the 1988 Hearing Aid Compatibility Act and imposed new obligations for wireless carriers and handset manufacturers. Among other requirements, by November 2005, 25% of all handset models that major CMRS providers sell must be hearing aid compatible by meeting certain technical requirements. Once finalized, these requirements will impose additional costs on Sprint.

Other Federal Regulations

Wireless systems must comply with certain FCC and Federal Aviation Administration (FAA) regulations about the siting, lighting and construction of transmitter towers and antennas. In addition, FCC rules subject certain cell site locations to National Environmental Policy Act (NEPA) and National Historic Preservation Act (NHPA) regulation. The FCC is currently evaluating modifications to its NEPA and NHPA rules that could result in additional land use and radio frequency requirements and might impact antenna siting efforts in certain areas.

Universal Service Requirements and Access Charges

The FCC and many states have established “universal service” programs to ensure affordable telecommunications services for all U.S. residents. As discussed above under “Sprint FON Group – Wireline Operations – Universal Service Requirements and Access Reform,” the FCC increased the “safe harbor” estimate of the amount of wireless revenues that can be attributed to interstate and international services. Although wireless carriers may still rely on their actual interstate traffic levels to determine universal service fund contributions, the FCC’s modification of the “safe harbor” increased the overall share of federal universal service funding borne by wireless carriers, including Sprint’s wireless operations.

In 2001, the FCC initiated a proceeding to consider a number of issues regarding compensation arrangements between carriers that exchange local and long distance traffic, including the issue of whether wireless carriers should be allowed to charge long distance carriers for terminating long distance calls to their wireless customers. Separately, in 2001, Sprint and AT&T filed petitions for a declaratory ruling with the FCC regarding the lawfulness
of Sprint’s practice of charging AT&T for terminating AT&T’s long distance calls to Sprint’s wireless customers. In July 2002, the FCC released a ruling affirming that nothing prohibited wireless carriers from imposing access charges for the use of their networks; however, the FCC also stated that inter-exchange carriers could not be unilaterally required to pay these charges without a contractual obligation to do so. This ruling was affirmed by the District of Columbia Circuit Court of Appeals. Sprint’s claim against AT&T for wireless access charges is currently pending before the Federal District Court for the Western District of Missouri.

State and Local Regulation
The Telecom Act generally preempts state and local regulation of market entry or the rates charged by a CMRS provider. States may, however, regulate “other terms and conditions” of mobile service, such as billing practices and other consumer-related issues. Several states have commenced proceedings to implement consumer protection and service quality regulations that would impose substantial incremental costs across the industry.

The location and construction of radio towers and antennas are also subject to a variety of state and local zoning, land use and regulatory requirements. Therefore, the time needed to obtain zoning approvals for the construction of additional wireless facilities varies from market to market and state to state. The cost of constructing wireless antenna facilities also varies by market and state.

The potential impact on Sprint and its operations of material regulatory developments is discussed under “Risk Factors Relating to Sprint.”

Environmental Compliance
Sprint has identified seven former manufactured gas plants where it may have some obligation to contribute to cleanup costs. Sprint continues to evaluate whether and to what extent it has liability with respect to each site and has reserved for cleanup costs. The manufactured gas plants are not currently owned or operated by Sprint, but may have been owned or operated by entities acquired by Sprint’s subsidiary, Centel Corporation, before Sprint acquired Centel Corporation. Other environmental compliance and remediation expenditures mainly result from the operation of standby power generators for its telecommunications equipment. The expenditures arise in connection with standards compliance, permits or occasional remediation, which are usually related to generators, batteries or fuel storage. Sprint’s environmental compliance and remediation expenditures have not been material to its financial statements or to its operations and are not expected to have any future material adverse effects on its financial statements or its operations.

Patents, Trademarks and Licenses
Sprint owns numerous patents, patent applications, service marks and trademarks in the United States and other countries. Sprint expects to apply for and develop trademarks, service marks and patents for its benefit in the ordinary course of business. “Sprint” and “Sprint PCS” are registered trademarks of Sprint. Sprint is also licensed under domestic and foreign patents and trademarks owned by others. In total, these patents, patent applications, trademarks, service marks and licenses are of material importance to the business. Generally, Sprint’s trademarks, trademark licenses and service marks have no limitation on duration; Sprint’s patents and licensed patents have remaining terms generally ranging from one to 19 years.

Sprint has granted licenses to others to use its registered trademark “Sprint” in certain situations, including to R.H. Donnelley in connection with the provision of telephone directories in Sprint’s local franchise territories and to Sprint’s third party PCS affiliates.

Employee Relations
At year-end 2003, Sprint had approximately 41,200 FON Group and approximately 25,700 PCS Group active employees. Approximately 7,900 FON Group employees were represented by unions. During 2003, Sprint had a work stoppage in New Jersey. It did not have a material effect on financial results.

In the 2003 fourth quarter, Sprint recognized charges from its organizational redesign initiatives. The restructuring was a company-wide effort to create a more customer focused organization. These decisions included work force reductions in the FON Group, PCS Group and corporate functions supporting these two groups.

In the 2003 second quarter, Sprint announced the wind-down of its web hosting business. Restructurings of other global markets division operations also occurred in the continuing effort to create a more efficient cost structure. These decisions included work force reductions in the FON Group.
In the 2002 fourth quarter, Sprint announced plans to consolidate its Network, Information Technology, and Billing and Accounts Receivable organizations, as well as steps to reduce operating costs. These decisions included work force reductions in the FON Group, PCS Group and corporate functions supporting these two groups. Additionally, in a separate action, the PCS Group announced it would reduce operating expenses through a further work force reduction.

In the 2002 third quarter, Sprint announced a restructuring integrating its E|Solutions’ web hosting sales, mobile computing consulting, marketing, and product sales support capabilities into Sprint Business while integrating its customer service operations into Network Services. Additionally, Sprint announced that its global markets division will discontinue offering and supporting facilities-based DSL services to customers. These decisions included work force reductions in the FON Group.

In the 2002 first quarter, the PCS Group announced plans to close five PCS customer solution centers, as well as additional steps to reduce operating costs in its network, sales and distribution, and customer service business units. These decisions included work force reductions in the PCS Group.

In the 2001 fourth quarter, Sprint terminated its efforts to provide its Sprint ION offerings and announced plans to reduce operating costs. These decisions included work force reductions in the FON Group and corporate functions.

See Note 5 of Notes to Consolidated Financial Statements, Restructuring and Asset Impairments, for more information on the impacts of these decisions.

Management
For information concerning the executive officers of Sprint, see “Executive Officers of the Registrant” in this document.

Information as to Business Segments
For information required by this section, refer to Sprint’s “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and also refer to Note 17 of Notes to Consolidated Financial Statements section of the Financial Statements filed as part of this document.

Considerations Relating to Tracking Stocks
On February 28, 2004, Sprint’s board of directors decided to recombine the tracking stocks and return to a single common stock. As a result, each share of the PCS common stock will convert automatically into 0.50 shares of FON common stock on April 23, 2004. The FON stock will represent the only outstanding common stock of Sprint. After the recombination, Sprint will continue to present consolidated financial information, but will not include group level information. The recombination will not impact Sprint’s current presentation of all required segment information.

Until the recombination, the FON common stock and the PCS common stock are intended to track the performance of the FON Group and the PCS Group, respectively. Because the FON common stock and the PCS common stock are classes of common stock of Sprint, not common stock of the group they are intended to track, the holders of the FON common stock and the PCS common stock are subject to the risks related to an equity investment in Sprint and all of Sprint’s businesses, assets and liabilities. Therefore, the market prices of the FON common stock and the PCS common stock may not accurately reflect the performance of the group they are intended to track. Between the announcement and the completion of the recombination, the price of the tracking stocks may reflect the expectation that a single common stock will result from the recombination, rather than reflecting the performance of the groups.

Sprint has a single board of directors. Consequently, there is no board of directors that owes separate duties to the holders of either the FON common stock or the PCS common stock. Conflicts of interest between holders of FON common stock and PCS common stock in transactions between the FON Group and the PCS Group or in our dealings with third parties could be resolved by our board of directors to the detriment of the holders of one or the other class of common stock.

After the recombination of the tracking stocks, events that would have benefited the holders of only one of the tracking stocks will benefit all Sprint shareholders.
Risk Factors Relating to Sprint

Failure to satisfy our capital requirements could cause us to delay or abandon our expansion plans. If we incur significant additional indebtedness, it could cause a decline in our credit rating and could limit our ability to raise additional capital.

We continue to have substantial indebtedness and we will continue to require additional capital to expand our businesses. We intend to fund these capital requirements with cash flow generated from operations. If we do not generate sufficient cash flow from operations, we may need to rely on additional financing to expand our businesses. In connection with the execution of our business strategies, we are continually evaluating acquisition opportunities, and we may elect to finance acquisitions by incurring additional indebtedness. We may not be able to arrange additional financing to fund our requirements on terms acceptable to us. Our ability to arrange additional financing will depend on, among other factors, our financial performance, general economic conditions, and prevailing market conditions. Many of these factors are beyond our control. Failure to obtain suitable financing could, among other things, result in the inability to continue to expand our businesses and meet competitive challenges. If we incur significant additional indebtedness, our credit rating could be adversely affected. As a result, our future borrowing costs would likely increase and our access to capital could be adversely affected.

If our wireless PCS operations do not achieve and maintain profitability or if the global markets division and the local division cannot sustain operating revenues, our ability to grow and compete effectively and our credit rating will likely be adversely affected.

If our wireless PCS operations do not achieve and maintain profitability on a timely basis, we may be unable to make the capital expenditures necessary to implement our business plan, meet our debt service requirements, or otherwise conduct our business in an effective and competitive manner. This would require us to divert cash from other uses, which may not be possible or may detract from the growth of our other businesses. These events could limit our ability to increase revenues and net income or cause these amounts to decline.

The global markets division and the local division have experienced declining operating revenues. If the global markets division and the local division cannot sustain revenues, they may be unable to make the capital expenditures necessary to implement their business plans or otherwise conduct their businesses in an effective and competitive manner. This could further damage our ability to maintain or increase our revenues as a whole.

If our wireless PCS operations do not achieve and maintain profitability on a timely basis or if the global markets division and the local division cannot sustain operating revenues, our credit rating will likely be adversely affected. If our credit rating is adversely affected, our future borrowing costs would likely increase and our access to capital could be adversely affected.

We face intense competition that may reduce our market share and harm our financial performance.

There is intense competition in the telecommunications industry. The traditional dividing lines between long distance, local, wireless, cable and Internet services are increasingly becoming blurred. Through mergers, joint ventures and various service bundling strategies, major providers, including Sprint, are striving to provide integrated solutions both within and across all geographical markets.

We expect competition to intensify as a result of the entrance of new competitors and the rapid development of new technologies, products, and services. We cannot predict which of many possible future technologies, products, or services will be important to maintain our competitive position or what expenditures will be required to develop and provide these technologies, products or services. Our ability to compete successfully will depend on marketing, sales and service delivery, and on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions, and discount pricing and other strategies by competitors. To the extent we do not keep pace with technological advances or fail to timely respond to changes in competitive factors in our industry, we could lose market share or experience a decline in revenue and net income.

**PCS Group—Wireless Operations.** Our wireless PCS operations compete in markets served by other wireless service providers. A majority of the markets including each of the top 50 metropolitan markets have six or more wireless service providers. Many of these competitors have been operating for a number of years and serve a
substantial subscriber base. In January 2003, the FCC rule imposing limits on the amount of spectrum that can be held by one provider in a specific market was lifted. Competition may continue to increase to the extent that there are mergers or other combinations involving our competitors or licenses are transferred from smaller stand-alone operators to larger, better capitalized, and more experienced wireless communications operators. These wireless communications operators may be able to offer customers network features or products not offered by us. The actions of these wireless communications operators could negatively affect our customer churn, ability to attract new customers, average revenue per user and operating costs.

We rely on agreements with competitors to provide automatic roaming capability to wireless customers in many of the areas of the United States not covered by our wireless network, which primarily serves metropolitan areas. Certain competitors may be able to offer coverage in areas not served by our wireless network or may be able to offer roaming rates that are lower than those offered by us. Certain competitors have sought to modify the FCC’s rules to reduce access to their networks for automatic roaming in certain areas. We could incur additional costs to enable our customers to roam, or our customers could be unable to roam, in those markets where cellular operators do not make their network available for roaming or roaming is not technically feasible. Beginning in November 2003, all wireless service providers were required to offer a database solution for WLNP in the 100 largest metropolitan statistical areas. WLNP allows customers to retain, subject to certain geographical limitations, their existing telephone numbers when switching from one carrier to another. In addition to imposing increased costs on our wireless PCS operations, this enables our customers to move to other carriers without losing established telephone numbers and is therefore expected to increase churn during 2004.

Many wireless providers have been upgrading their systems and provide advanced and digital services which compete with our PCS services. Many of these wireless providers require their customers to enter into long term contracts, which may make it more difficult for us to attract customers away from these wireless providers.

We anticipate that market prices for wireless voice services and products generally will continue to decrease in the future as a result of continued competition. All of these developments may lead to greater choices for customers, possible consumer confusion, and increased industry churn.

**FON Group—Wireline Operations**. The global markets division competes with AT&T, MCI (formerly WorldCom), the RBOCs and cable operators, as well as a host of smaller competitors in the provision of long distance and local services. Some of these companies have built high-capacity, Internet-based fiber-optic networks capable of supporting large amounts of bandwidth. These companies claim certain cost structure advantages which, among other factors, may position them well for the future. Increased competition and the significant increase in capacity resulting from new networks may drive already low prices down further.

The Telecom Act allows the RBOCs to provide long distance services in their respective regions if certain conditions are met. By year-end 2003, the RBOCs received authority to enter the long distance market in every state they serve. As the RBOCs have entered the market, they have proven to be formidable long distance competitors. In addition, long distance services provided by wireless, Internet-based and cable service providers are expected to continue to adversely affect sales of the global markets division. Inter-exchange and other carriers are allowed to compete for local services by resale, by using unbundled network elements, or through their own facilities.

The local division operates principally in suburban and rural markets. As a result, competition in the local division’s markets is occurring more gradually than for the RBOCs. In urban areas where the local division operates there is already substantial competition by CLECs and there is increasing competition in less urban areas. Cable companies selling cable modems continue to provide competition for high-speed data services for residential customers. E-mail and wireless services will continue to grow as an alternative to wireline services. Larger ILECs, including the local division, were required to provide intermodal WLNP in the 100 largest metropolitan statistical areas in November 2003. Intermodal WLNP allows customers to retain existing telephone numbers when switching from a wireline carrier to a wireless carrier, subject to certain limitations. The WLNP requirements impose increased operating costs on the local exchange service providers and are likely to result in some loss of customers to wireless carriers.

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**Any failure by our PCS wireless operations to improve customer service and continue to enhance the quality of its network and meet capacity requirements of its customer growth will likely impair its financial performance and adversely affect our results of operations.**

Our PCS wireless operations are working to improve customer service. Although improving customer service may increase the cost of supporting our subscribers, if we are unable to improve customer service, our subscribers may switch to other wireless providers.
Our PCS wireless operations must continue to enhance the quality of the wireless network. As we continue this enhancement, we must:

- obtain rights to a large number of cell sites,
- obtain zoning variances or other approvals or permits for network construction and expansion, and
- build and maintain additional network capacity to satisfy customer growth.

Network enhancements may not occur as scheduled or at the cost that we have estimated. Delays or failure to add network capacity, or increased costs of adding capacity, could limit our ability to satisfy our customers and retain or increase the revenues and operating margin of our PCS wireless operations or Sprint as a whole.

The financial difficulties being experienced by some of our wireless affiliates may force us to incur additional expenses and adversely affect our financial performance.

We supplement our wireless network buildout through affiliation arrangements with other companies that use CDMA. Under these arrangements, these companies offer PCS services using Sprint’s spectrum under the Sprint brand name on CDMA networks built and operated at their own expense. We pay these companies a fee based on billed or collected revenues for operating the network on our behalf. Several of these affiliates are experiencing financial difficulties and are evaluating or have completed restructuring activities. Two affiliates have filed for bankruptcy protection and made claims against us in the bankruptcy courts. One other affiliate has filed suit against us. Several of the affiliates are disputing and refusing to pay amounts owed to us. We are in negotiations with some of the affiliates regarding restructuring our relationship with them and have reached agreement with several. Sprint has amended the existing agreements to provide for a simplified pricing mechanism, as well as refining and changing various business processes. The amended agreements cover approximately 40% of the customers served by all affiliates. If any of the affiliates cease operations in all or part of their service area, we may incur roaming charges in areas where service was previously provided by the affiliates. We may also incur costs to meet FCC buildout and renewal requirements, as well as experience lower revenues. Failure to meet FCC buildout and renewal requirements could result in the loss of a PCS license or licenses depending on the service area.

Significant changes in the industry could cause a decline in demand for our services.

The wireless telecommunications industry is experiencing significant technological change, including improvements in the capacity and quality of digital technology such as the move to 3G wireless technology. This causes uncertainty about future customer demand for our wireless PCS services and the prices that we will be able to charge for these services. For example, the demands for our wireless data services may be affected by the proliferation of wireless local area networks using new technologies or the enactment of new laws or regulations restricting use of wireless handsets. The rapid change in technology may lead to the development of wireless telecommunications services or alternative services that consumers prefer over PCS. There is also uncertainty as to the extent to which airtime charges and monthly recurring charges may continue to decline.

The wireline industry is also experiencing significant technological change. Cable companies are beginning to provide telecommunications services to the home. Some carriers are providing local and long distance voice services over Internet Protocol (VoIP), in the process avoiding access charges on long distance calls.

As a result of these changes, the future prospects of the wireless and wireline industry and the success of our services remain uncertain.

A high rate of customer churn would likely impair our financial performance.

A key element in the economic success of telecommunications carriers is the rate of customer churn. The implementation of WLNP in November 2003 could potentially increase churn. Current strategies to reduce customer churn may not be successful. A high rate of customer churn would impair our ability to increase the revenues of, or cause a deterioration in the operating margin of, our operating units or Sprint as a whole.

Government regulation could adversely affect our prospects and results of operations.

**PCS Group—Wireless Operations.** The licensing, construction, operation, sale, and interconnection arrangements of wireless telecommunications systems are regulated by the FCC and, depending on the
jurisdiction, state and local regulatory agencies. The Communications Act of 1934 preempts state and local regulation of market entry by, and the rates charged by, CMRS providers, except in limited circumstances. States may regulate such things as billing practices and consumer-related issues. California has rulemakings underway that propose rules designed to impose consumer protections and service quality regulations. Several other states appear to be considering similar initiatives. If imposed, these regulations could increase the costs of our wireless operations. The Federal Trade Commission also regulates how wireless services are marketed.

The FCC, together with the FAA, also regulates tower marking and lighting. In addition, tower construction is affected by federal, state and local statutes addressing zoning, environmental protection and historic preservation. The FCC is currently evaluating significant changes to its environmental rules which could make it more difficult to deploy antenna facilities. The FCC, the FAA, or other governmental authorities having jurisdiction over our business could adopt regulations or take other actions that would adversely affect our business prospects or results of operations.

FCC licenses to provide PCS services are subject to renewal and revocation. Our metropolitan trading area licenses expire in 2005, and our basic trading area licenses expire in 2007. Metropolitan trading areas and basic trading areas are areas defined by the FCC for the purpose of issuing licenses for PCS. Several basic trading areas make up each metropolitan trading area. The licenses may be renewed by the FCC for additional ten-year terms. FCC rules require all PCS licensees to meet certain buildout requirements to retain their licenses. Although we have met most of these buildout requirements, there is no guarantee that our licenses will be renewed. Failure to comply with FCC requirements in a given license area could result in revocation of the PCS license for that license area.

The FCC has initiated a number of proceedings to evaluate its rules and policies regarding spectrum licensing and usage. It is considering new “harmful interference” concepts that might permit unlicensed users to “share” licensed spectrum. These new uses could impact Sprint’s utilization of its licensed spectrum.

CMRS providers must implement enhanced 911 capabilities in accordance with FCC rules. Failure to deploy 911 service consistent with FCC requirements could subject us to significant fines.

Failure by various regulatory bodies to make telephone numbers available in a timely fashion could result in our PCS operations not having enough local numbers to assign to new subscribers in certain markets. The FCC has adopted rules to promote the efficient use of numbering resources, including restrictions on the assignment of telephone numbers to carriers, including wireless carriers. The FCC has delegated to states the authority to assign, administer, and conserve telephone numbers. The FCC lifted its prohibition on area codes designated only for customers using a specific technology, such as an area code for only those using wireless technology, and now considers proposals submitted by state commissions seeking to implement this change on a case-by-case basis. Depending on the rules adopted by the states, the supply of available numbers could be adversely restricted. As a result, we:

• may be required to assign subscribers non-local telephone numbers, which may be a disincentive for potential customers to subscribe to PCS service,
• may incur significant costs to either acquire new numbers or reassign subscribers to new numbers, and
• may be unable to enroll new subscribers at projected rates.

**FON Group—Wireline Operations.** FCC licenses associated with MMDS spectrum are subject to renewal and revocation. In 1996, the FCC auctioned certain MMDS licenses—those licensed on a basic trading area geographic basis—for terms of ten years. Those licenses expire in 2006. The licenses may be renewed by the FCC for additional ten-year terms. The FCC rules require all licensees of auctioned MMDS spectrum to meet certain buildout requirements in order to retain their licenses for this spectrum. Although we have met these requirements in a number of our MMDS markets, there is no guarantee that our licenses will be renewed. Failure to comply with FCC requirements in a given market could result in the loss of the MMDS license for that part of the service area in which the buildout requirements are not met.

In March 2003, at the request of Sprint and other MMDS licensees, the FCC initiated a proceeding proposing to change the service rules governing the MMDS band, to promote flexible use and commercial development of MMDS spectrum. The FCC is also considering relocation of certain MMDS Channels. There is no guarantee that any actions taken by the FCC will promote our business plans.

The pending court review of the FCC’s August 2003 order on unbundled network elements and the FCC’s pending reexamination of pricing guidelines for unbundled network elements could affect our ability to use unbundled
elements to offer competing local services in areas outside the local division's franchise territories and could affect competition in the local division's franchise territories.

The regulatory uncertainty surrounding VoIP and the apparent use of VoIP by some long distance carriers as a strategy to minimize access charges may adversely affect both the local division's access revenues and the global markets division's competitive position to the extent it makes less use of VoIP than its competitors. Adoption by the FCC of intercarrier compensation reform could reduce or eliminate other opportunities for access charge arbitrage, but could also reduce the local division's revenues unless the plan provides a mechanism to replace those revenues with revenues from other sources.

**Failure to complete development, testing and rollout of new technology could affect our ability to compete in the industry and the technology we use could place us at a competitive disadvantage.**

On an ongoing basis, Sprint develops, tests and rolls out various new technologies and support systems intended to help us compete in the industry. Successful implementation of technology upgrades depends on the success of contract negotiations and vendors meeting their obligations in a timely manner. We may not successfully complete the development and rollout of new technology in a timely manner, and any new technology may not be widely accepted by customers. In either case, we may not be able to compete effectively in the industry. For example, the inability to develop the necessary technology contributed to the decision to end pursuit of a residential fixed wireless strategy using our MMDS licenses.

We use CDMA 2000 technology as our wireless air interface standard for our wireless PCS operations because we believe the technology is superior to the GSM family of air interface technologies. CDMA 2000 has a much smaller market share of global wireless subscribers compared to GSM. As a result, we have a risk of higher costs for handsets and network infrastructure than competitors who use GSM.

**We have entered into outsourcing agreements related to business operations. Any difficulties experienced in these arrangements could result in additional expense, loss of customers and revenue, and interruption of our services.**

We have entered into outsourcing agreements for the development and maintenance of certain software systems necessary for the operation of our business. We have also entered into agreements with third parties to provide customer service support to direct PCS customers. As a result, we must rely on third parties to execute our operational priorities and interface with our customers. In some cases, the policies of the United States, individual states and foreign countries could affect the provision of these services. If these third parties are unable to perform to our requirements, we would have to pursue alternative strategies to provide these services and that could result in delays, interruptions, additional expenses and loss of customers.

**Item 2. Properties**

Sprint’s gross property, plant and equipment totaled $54.2 billion at year-end 2003. Of this amount, $19.0 billion relates to the FON Group’s local division, $14.1 billion relates to the FON Group’s global markets division, $18.7 billion relates to the PCS Group and the remainder relates to the FON Group's product distribution properties and general support assets.

The FON Group’s gross property, plant and equipment totaled $35.5 billion at year-end 2003. These properties mainly consist of land, buildings, digital fiber-optic network, switching equipment, microwave radio and cable and wire facilities. Sprint leases certain switching equipment and several general office facilities. The long distance operation has been granted easements, rights-of-way and rights-of-occupancy, mainly by railroads and other private landowners, for its fiber-optic network. Under various long-term lease and services agreements, MCI (formerly WorldCom) provides Sprint access to network facilities that compose approximately 17% of Sprint’s long distance fiber network and a larger percentage of network traffic. These network facilities are also shared or utilized by MCI (formerly WorldCom).

The PCS Group's properties consist of network assets including base transceiver stations, switching equipment and towers, as well as leased and owned general office facilities and retail stores. The PCS Group leases space for base station towers and switch sites for its PCS network. At year-end 2003, the PCS Group had under lease (or options to lease) approximately 22,500 cell sites.

Sprint owns its corporate campus located in the greater Kansas City metropolitan area.
At December 2003, $960 million of Sprint’s debt outstanding represents first mortgage debt and other capital lease obligations and is secured by $15.5 billion of gross property, plant and equipment.

For additional information, see Note 16 of the Notes to Consolidated Financial Statements.

### Item 3. Legal Proceedings

In early March, 2004, six purported class action lawsuits relating to the recombination of the tracking stocks were filed against Sprint and its directors by PCS common stockholders. One suit was filed in the Supreme Court of the State of New York, which is that state’s trial court; the remaining five were filed in the District Court of Johnson County, Kansas. The actions allege breach of fiduciary duty in connection with the approval of the recombination, and seek injunctive relief or monetary damages.

In December 2003, the respective courts approved the settlements in the derivative action filed in 2000 by Amalgamated Bank, an institutional shareholder, and in the securities class action filed in 2001 by New England Healthcare Employees Pension Fund and other institutional shareholders. The derivative complaint alleged that the individual defendants breached their fiduciary duties to Sprint and were unjustly enriched by making undisclosed amendments to Sprint’s stock option plans, by failing to disclose certain information concerning regulatory approval of the proposed merger of Sprint and WorldCom, and by overstating Sprint’s earnings for the first quarter of 2000. The class action lawsuit alleged violations of the federal securities laws based on similar allegations. The derivative settlement included the adoption of certain corporate governance enhancements, certain restrictions on stock and options by individual defendants, and an award of attorneys’ fees to plaintiff’s counsel in the form of Sprint stock. The securities class action settlement provided for the payment of a total of $50 million to the plaintiff class. Sprint has recognized $40 million in insurance recoveries related to this action. Sprint does not expect to recover any additional insurance related to this action.

In April and May 2003, three putative class action lawsuits were filed in the U.S. District Court for the District of Kansas by individual participants in the Sprint Retirement Savings Plan and the Centel Retirement Savings Plan for Bargaining Unit Employees against Sprint, the plan committees, and various current and former officers of Sprint. In November 2003, a consolidated amended complaint was filed, naming additional officers and directors and Fidelity Management, the plan trustee, as defendants. In December, two additional complaints, making identical allegations, were filed and then also consolidated. The lawsuits allege that defendants breached their fiduciary duties to the plans and violated the ERISA statutes by including FON and PCS stock among the more than thirty investment options offered to plan participants, and seek to recover any decline in the value of FON and PCS stock during the class period.

We have been involved in legal proceedings in various states concerning the suspension of the processing or approval of permits for wireless telecommunications towers, the denial of applications for permits and other issues arising in connection with tower siting. There can be no assurance that such litigation and similar actions taken by others seeking to block the construction of individual cell sites of our PCS network will not, in the aggregate, significantly delay further expansion of our network coverage.

Various other suits, proceedings and claims, including purported class actions, typical for a business enterprise, are pending against Sprint.

While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with Sprint’s beliefs, Sprint expects that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on the financial condition or results of operations of Sprint or its business segments.

### Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted to a vote of security holders during the fourth quarter of 2003.
Item 10(b). Executive Officers of the Registrant

<table>
<thead>
<tr>
<th>Office</th>
<th>Name</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman and Chief Executive Officer</td>
<td>Gary D. Forsee (1)</td>
<td>53</td>
</tr>
<tr>
<td>President and Chief Operating Officer; President—Sprint PCS</td>
<td>Len J. Lauer (2)</td>
<td>46</td>
</tr>
<tr>
<td>President—Local Telecommunications Division</td>
<td>Michael B. Fuller (3)</td>
<td>59</td>
</tr>
<tr>
<td>President—Global Markets Group</td>
<td>Howard E. Janzen (4)</td>
<td>49</td>
</tr>
<tr>
<td>Executive Vice President—Chief Financial Officer</td>
<td>Robert J. Dellinger (5)</td>
<td>43</td>
</tr>
<tr>
<td>Executive Vice President—General Counsel and External Affairs</td>
<td>Thomas A. Gerke (6)</td>
<td>47</td>
</tr>
<tr>
<td>Executive Vice President—Chief Information Officer</td>
<td>Michael W. Stout (7)</td>
<td>57</td>
</tr>
<tr>
<td>Executive Vice President—Network Services</td>
<td>Kathryn A. Walker (8)</td>
<td>44</td>
</tr>
<tr>
<td>Senior Vice President and Treasurer</td>
<td>Gene M. Betts (9)</td>
<td>51</td>
</tr>
<tr>
<td>Senior Vice President—Strategic Planning and Corporate Development</td>
<td>William R. Blessing (10)</td>
<td>48</td>
</tr>
<tr>
<td>Senior Vice President—Human Resources</td>
<td>James G. Kissinger (11)</td>
<td>47</td>
</tr>
<tr>
<td>Senior Vice President and Controller</td>
<td>John P. Meyer (12)</td>
<td>53</td>
</tr>
</tbody>
</table>

(1) Mr. Forsee was elected Chief Executive Officer in March 2003 and Chairman in May 2003. Before joining Sprint, he served as Vice Chairman—Domestic Operations of BellSouth Corporation since January 2002, Chairman of Cingular Wireless since 2001 and President of BellSouth International since 2000. He had served as Executive Vice President and Chief Staff Officer of BellSouth Corporation since 1999. Before joining BellSouth, Mr. Forsee served as President and Chief Executive Officer of Global One, a joint venture of Sprint, Deutsche Telekom and France Telecom, beginning in 1998. Before joining Global One, he served as President and Chief Operating Officer of Sprint’s long distance division beginning in 1995.

(2) Mr. Lauer was elected President and Chief Operating Officer in September 2003. He became President—Sprint PCS in October 2002. He had served as President—Global Markets Division since September 2000. He had been elected President—Sprint Business in June 2000. Mr. Lauer served as President—Consumer Services Group of Sprint/United Management Company, a subsidiary of Sprint, from 1999 to 2000. He joined Sprint in 1998 as Senior Vice President—Quality, Development and Public Relations.

(3) Mr. Fuller was elected President—Local Telecommunications Division in 1996. He had served as Executive Vice President and Chief Financial Officer of Williams Communications Group, Inc., a high technology company, from 2001 until October 2002 when it emerged from bankruptcy as WilTel Communications Group, Inc. Williams Communications Group, Inc., filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in April 2002. He became President and Chief Executive Officer of Williams Communications Group, Inc. in 1995.

(4) Mr. Janzen was elected President—Global Markets Group in May 2003. Before joining Sprint, he served as Chairman, President and Chief Executive Officer of Williams Communications Group, Inc., a high technology company, from 2001 until October 2002 when it emerged from bankruptcy as WilTel Communications Group, Inc. Williams Communications Group, Inc., filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in April 2002. He became President and Chief Executive Officer of Williams Communications Group, Inc. in 1995.

(5) Mr. Dellinger was elected Executive Vice President—Chief Financial Officer in June 2002. He had served as Executive Vice President—Finance since April 2002. Before joining Sprint, he had served as President and Chief Executive Officer of GE Frankona Re based in Munich, Germany with responsibility for the European operations of General Electric’s Employers Reinsurance Corporation, a global reinsurer, from 2000 to 2002. From 2001 to 2002, he also served as President and Chief Executive Officer of General Electric’s Employers Reinsurance Corporation’s Property and Casualty Reinsurance Business in Europe and Asia. From 1997 to 2000, he served as Executive Vice President and Chief Financial Officer of General Electric’s Employers Reinsurance Corporation.

(6) Mr. Gerke became Executive Vice President—General Counsel and External Affairs in April 2003. He had served as Vice President—OMG—Business Development of the global markets division since June 2002. From September 2000 to June 2002, he served as Vice President—Corporate Secretary and Associate General Counsel of Sprint. He was elected Vice President—Law, General Business and Technology in 1999 and Assistant Vice President—Corporate Transactions in 1998.

(7) Mr. Stout was elected Executive Vice President—Chief Information Officer in May 2003. Before joining Sprint, he served as Vice President and Chief Technology and Information Officer for GE Capital, a global financial services company, since 1998.

(8) Ms. Walker was elected Executive Vice President—Network Services in October 2003. She had served as Senior Vice President—Network Operations for Sprint Communications Company L.P., Sprint’s long distance subsidiary, since 2002. She had served as a Vice President in the global markets division since 1998.

(9) Mr. Betts was elected Senior Vice President in 1990. He was elected Treasurer in 1998.

(10) Mr. Blessing was elected Senior Vice President—Strategic Planning and Corporate Development in October 2003. He had served as Vice President—Strategic Planning and Business Development—Sprint PCS for Sprint Spectrum L.P., a Sprint subsidiary, since 2000. He had been elected Vice President—Strategic Planning—Sprint PCS for Sprint/United Management Company in 1999. He was initially elected a Vice President of a Sprint subsidiary in 1986.

(11) Mr. Kissinger was elected Senior Vice President—Human Resources in April 2003. He had served as Vice President—HR Operations for Sprint/United Management Company since 1996.

(12) Mr. Meyer was elected Senior Vice President—Controller in 1993.

There are no known family relationships between any of the persons named above or between any of these persons and any outside directors of Sprint. Officers are elected annually.
Part II

Item 5. Market for Registrant’s Common Equity and Related Stockholder Matters

Common Stock Data

<table>
<thead>
<tr>
<th></th>
<th>2003 Market Price</th>
<th></th>
<th>2002 Market Price</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>Low</td>
<td>End of Period</td>
<td>High</td>
</tr>
<tr>
<td>FON Stock, Series 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First quarter</td>
<td>$16.76</td>
<td>$11.06</td>
<td>$11.75</td>
<td>$20.47</td>
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<tr>
<td>Second quarter</td>
<td>15.10</td>
<td>10.22</td>
<td>14.40</td>
<td>17.53</td>
</tr>
<tr>
<td>Fourth quarter</td>
<td>16.72</td>
<td>14.72</td>
<td>16.42</td>
<td>15.40</td>
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<tr>
<td>PCS Stock, Series 1</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>First quarter</td>
<td>5.28</td>
<td>3.10</td>
<td>4.36</td>
<td>25.20</td>
</tr>
<tr>
<td>Second quarter</td>
<td>6.48</td>
<td>3.40</td>
<td>5.75</td>
<td>13.45</td>
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<tr>
<td>Third quarter</td>
<td>6.79</td>
<td>4.80</td>
<td>5.73</td>
<td>6.93</td>
</tr>
<tr>
<td>Fourth quarter</td>
<td>6.31</td>
<td>3.80</td>
<td>5.62</td>
<td>6.38</td>
</tr>
</tbody>
</table>

As of February 27, 2004, Sprint had approximately 62,000 FON stock, Series 1 record holders, 56,000 PCS stock, Series 1 record holders and eight PCS stock, Series 2 record holders. The principal trading market for Sprint’s FON stock, Series 1 and PCS stock, Series 1 is the New York Stock Exchange. The PCS stock, Series 2 is not publicly traded. Sprint paid a FON stock dividend of $0.125 per share in each of the quarters of 2003 and 2002. Sprint does not intend to pay dividends on the PCS stock.

Sale of Unregistered Equity Securities

In October 2003, Sprint issued to Kathryn Walker, Sprint’s Executive Vice President-Network Services, 24,000 restricted stock units relating to shares of FON stock and 24,000 restricted stock units relating to shares of PCS stock. The restricted stock units were granted to Ms. Walker in connection with her promotion to Executive Vice President. Each restricted stock unit represents the right to one share of common stock once the unit vests. The restricted stock units also include dividend equivalent rights, which means that, when Sprint pays a dividend on the stock represented by the units, Ms. Walker is entitled to additional shares of the stock when the units vest. The units vest in 2006.

Neither the units nor the common stock issuable once the units vest were registered under the Securities Act of 1933. The issuance of the restricted stock units was exempt from registration under the Securities Act in reliance on the exemption provided by Section 4(2) of the Securities Act because the restricted stock units were issued in a transaction not involving a public offering. Sprint may in the future register the resale of the shares of stock to be received by Ms. Walker once the units vest.
Item 6. Selected Financial Data

**Consolidated Selected Financial Data**

<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Results of Operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$26,197</td>
<td>$26,679</td>
<td>$25,562</td>
<td>$23,166</td>
<td>$19,856</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>861</td>
<td>2,100</td>
<td>(901)</td>
<td>296</td>
<td>(484)</td>
</tr>
<tr>
<td>Income (Loss) from continuing operations</td>
<td>(367)</td>
<td>471</td>
<td>(1,553)</td>
<td>(736)</td>
<td>(919)</td>
</tr>
</tbody>
</table>

**Earnings (Loss) per Share and Dividends**

<table>
<thead>
<tr>
<th>Earnings (Loss) per common share from continuing operations:</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
<th>2000</th>
<th>1999</th>
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</thead>
<tbody>
<tr>
<td>Sprint FON Group (diluted)</td>
<td>0.33</td>
<td>1.18</td>
<td>(0.33)</td>
<td>1.28</td>
<td>1.80</td>
</tr>
<tr>
<td>Sprint FON Group (basic)</td>
<td>0.33</td>
<td>1.18</td>
<td>(0.33)</td>
<td>1.30</td>
<td>1.83</td>
</tr>
<tr>
<td>Sprint PCS Group (diluted and basic)</td>
<td>(0.66)</td>
<td>(0.58)</td>
<td>(1.28)</td>
<td>(1.95)</td>
<td>(2.73)</td>
</tr>
<tr>
<td>Dividends per FON common share</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
</tr>
</tbody>
</table>

**Financial Position**

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$42,850</td>
<td>$45,293</td>
<td>$45,793</td>
<td>$43,068</td>
<td>$39,721</td>
</tr>
<tr>
<td>Property, plant and equipment, gross</td>
<td>54,247</td>
<td>52,033</td>
<td>48,706</td>
<td>43,072</td>
<td>37,051</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>27,276</td>
<td>28,745</td>
<td>28,960</td>
<td>25,291</td>
<td>21,939</td>
</tr>
<tr>
<td>Total debt (including short-term and long-term borrowings, equity unit notes and redeemable preferred stock)</td>
<td>19,407</td>
<td>22,273</td>
<td>22,883</td>
<td>18,975</td>
<td>17,028</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>13,224</td>
<td>12,294</td>
<td>12,616</td>
<td>13,716</td>
<td>13,313</td>
</tr>
</tbody>
</table>

**Cash Flow Data**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash from operating activities—continuing operations</td>
<td>$ 6,542</td>
<td>$ 6,206</td>
<td>$ 4,563</td>
<td>$ 4,096</td>
<td>$ 1,801</td>
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<tr>
<td>Capital expenditures</td>
<td>3,824</td>
<td>4,849</td>
<td>9,046</td>
<td>7,152</td>
<td>6,088</td>
</tr>
</tbody>
</table>

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholders’ equity as previously reported. All prior period amounts have been restated to reflect the results of Sprint’s directory publishing business, which was sold in January 2003, as a discontinued operation.

See footnotes following Consolidating Selected Financial Data.
## Consolidating Selected Financial Data

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
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<tr>
<td></td>
<td>(millions)</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Results of Operations</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sprint FON Group</td>
<td>$14,185</td>
<td>$15,227</td>
<td>$16,415</td>
<td>$17,241</td>
<td>$16,750</td>
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<tr>
<td>Sprint PCS Group</td>
<td>$12,690</td>
<td>$12,074</td>
<td>$9,725</td>
<td>$6,341</td>
<td>$3,373</td>
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<tr>
<td>Elisions</td>
<td>(678)</td>
<td>(622)</td>
<td>(578)</td>
<td>(416)</td>
<td>(267)</td>
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<tr>
<td>Consolidated</td>
<td>$26,197</td>
<td>$26,679</td>
<td>$25,562</td>
<td>$23,166</td>
<td>$19,856</td>
</tr>
<tr>
<td>Operating income (loss)(1),(5)\</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sprint FON Group</td>
<td>$268</td>
<td>$1,592</td>
<td>$(265)</td>
<td>$2,224</td>
<td>$2,753</td>
</tr>
<tr>
<td>Sprint PCS Group</td>
<td>551</td>
<td>475</td>
<td>(647)</td>
<td>(1,928)</td>
<td>(3,237)</td>
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<tr>
<td>Elisions</td>
<td>42</td>
<td>33</td>
<td>11</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Consolidated</td>
<td>$861</td>
<td>$2,100</td>
<td>$(901)</td>
<td>$296</td>
<td>$(484)</td>
</tr>
<tr>
<td>Income (Loss) from continuing operations(1),(2),(5)\</td>
<td></td>
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<td></td>
<td></td>
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</tr>
<tr>
<td>Sprint FON Group</td>
<td>$294</td>
<td>$1,049</td>
<td>$(297)</td>
<td>$1,135</td>
<td>$1,583</td>
</tr>
<tr>
<td>Sprint PCS Group</td>
<td>(661)</td>
<td>(578)</td>
<td>(1,256)</td>
<td>(1,871)</td>
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<tr>
<td>Elisions</td>
<td>42</td>
<td>33</td>
<td>11</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Consolidated</td>
<td>$(367)</td>
<td>$471</td>
<td>$(1,553)</td>
<td>$(736)</td>
<td>$(919)</td>
</tr>
<tr>
<td><strong>Financial Position</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sprint FON Group</td>
<td>$21,862</td>
<td>$23,133</td>
<td>$24,272</td>
<td>$24,190</td>
<td>$22,247</td>
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<tr>
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<tr>
<td>Elisions</td>
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<td>(862)</td>
<td>(669)</td>
<td>(885)</td>
<td>(450)</td>
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<tr>
<td>Consolidated</td>
<td>$42,850</td>
<td>$45,293</td>
<td>$45,793</td>
<td>$43,068</td>
<td>$39,721</td>
</tr>
<tr>
<td>Property, plant and equipment, gross</td>
<td></td>
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<tr>
<td>Sprint FON Group</td>
<td>$35,515</td>
<td>$35,055</td>
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<td>9,411</td>
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<td>(862)</td>
<td>(669)</td>
<td>(885)</td>
<td>(450)</td>
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<td>$52,033</td>
<td>$48,706</td>
<td>$43,072</td>
<td>$37,051</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
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<td>Sprint FON Group</td>
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<td>Sprint PCS Group</td>
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<td>7,996</td>
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<td>(47)</td>
<td>(46)</td>
<td>(47)</td>
<td>(39)</td>
<td>(29)</td>
</tr>
<tr>
<td>Consolidated</td>
<td>$27,276</td>
<td>$28,745</td>
<td>$28,960</td>
<td>$25,291</td>
<td>$21,939</td>
</tr>
<tr>
<td>Total debt (including short-term and long-term borrowings, equity unit notes and redeemable preferred stock)</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Sprint FON Group</td>
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<td>12,015</td>
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<td>(280)</td>
<td>(280)</td>
<td>(449)</td>
<td>(430)</td>
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<tr>
<td>Consolidated</td>
<td>$19,407</td>
<td>$22,273</td>
<td>$22,883</td>
<td>$18,975</td>
<td>$17,028</td>
</tr>
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<td>Shareholders’ equity</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sprint FON Group</td>
<td>$13,372</td>
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<td>Sprint PCS Group</td>
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<td>480</td>
<td>912</td>
<td>1,366</td>
<td>2,794</td>
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<tr>
<td>Elisions</td>
<td>—</td>
<td>—</td>
<td>7</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Consolidated</td>
<td>$13,224</td>
<td>$12,294</td>
<td>$12,616</td>
<td>$13,716</td>
<td>$13,313</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash from operating activities—continuing operations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sprint FON Group</td>
<td>$4,039</td>
<td>$4,176</td>
<td>$4,457</td>
<td>$4,104</td>
<td>$3,562</td>
</tr>
<tr>
<td>Sprint PCS Group</td>
<td>2,503</td>
<td>2,030</td>
<td>106</td>
<td>(8)</td>
<td>(1,692)</td>
</tr>
<tr>
<td>Elisions</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Consolidated</td>
<td>$6,542</td>
<td>$6,206</td>
<td>$4,563</td>
<td>$4,096</td>
<td>$1,801</td>
</tr>
<tr>
<td></td>
<td>Sprint FON Group</td>
<td>Sprint PCS Group</td>
<td>Consolidated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>---------------------</td>
<td>------------------</td>
<td>------------------</td>
<td>--------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>$1,674</td>
<td>$2,181</td>
<td>$3,824</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>$2,150</td>
<td>$2,668</td>
<td>$4,849</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Income</td>
<td>$5,295</td>
<td>$3,751</td>
<td>$9,046</td>
<td></td>
<td></td>
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<tr>
<td>Interest Expense</td>
<td>$4,105</td>
<td>$3,047</td>
<td>$7,152</td>
<td></td>
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<tr>
<td>Income before tax</td>
<td>$3,508</td>
<td>$2,580</td>
<td>$6,088</td>
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</tr>
</tbody>
</table>

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholders’ equity as previously reported. All prior period amounts have been restated to reflect the results of Sprint’s directory publishing business, which was sold in January 2003, as a discontinued operation.

See footnotes following Consolidating Selected Financial Data.
Item 6. Selected Financial Data (continued)

(1) In 2003, Sprint recorded net charges reducing Sprint’s operating income by $2.1 billion and reducing income from continuing operations by $1.3 billion resulting in an overall loss from continuing operations. The FON Group recorded charges reducing operating income by $1.7 billion and reducing income from continuing operations by $1.1 billion. The charges taken by the FON Group related primarily to restructurings, asset impairments, long-term disability accruals relating to prior years, and executive separation agreements, offset by recoveries of fully reserved MCI (formerly WorldCom) receivables. The PCS Group recorded charges reducing operating income by $390 million and increasing loss from continuing operations by $246 million. The PCS Group charges related primarily to restructurings, asset impairments, executive separation agreements and long-term disability accruals relating to prior years.

In 2002, Sprint recorded charges reducing Sprint’s operating income by $402 million and reducing income from continuing operations by $253 million. The FON Group recorded charges reducing operating income by $291 million and reducing income from continuing operations by $176 million. The charges taken by the FON Group related primarily to restructurings, asset impairments and expected loss on WorldCom (now MCI) receivables. The PCS Group recorded charges reducing operating income by $121 million and increasing loss from continuing operations by $77 million. The PCS Group charges also related primarily to restructurings, asset impairments and expected loss on WorldCom (now MCI) receivables.

In 2001, Sprint recorded charges reducing Sprint’s operating income by $1,837 million to an operating loss and increasing the loss from continuing operations by $1,151 million. The charge to the FON Group reduced operating income by $1,827 million and reducing income from continuing operations by $1,144 million. The charge to the PCS Group increased operating loss by $10 million and increased loss from continuing operations by $7 million. The charges taken by both the FON and PCS Groups related primarily to restructuring and asset impairments.

In 2000, Sprint recorded charges reducing Sprint’s operating income by $425 million and increasing the loss from continuing operations by $273 million. The FON Group recorded charges that reduced operating income by $401 million and reduced income from continuing operations by $257 million. The PCS Group recorded charges that increased operating loss by $24 million and increased loss from continuing operations by $16 million. Charges relating to the terminated WorldCom (now MCI) merger were taken by both the FON and PCS Groups. Additional asset impairment charges were also taken by the FON Group.

In 2003, Sprint recorded charges of $36 million in Other income (expense), net, for premiums paid on the early retirement of debt and for the settlement of a securities class action lawsuit relating to the failed merger with WorldCom (now MCI). Additionally, Sprint recorded a $49 million tax benefit for the recognition of certain income tax credits and adjustments for state tax apportionments. In total, these items reduced loss from continuing operations by $27 million. These items increased the FON Group’s income from continuing operations by $27 million, and had no net effect on the PCS Group’s loss from continuing operations.

In 2002, the PCS Group recorded in Other income (expense), net, a gain on the sale of its investment in Pegaso of $67 million with the same impact on loss from continuing operations. The FON Group recorded in Other income (expense), net, charges of $201 million which reduced income from continuing operations by $216 million. These amounts primarily included a write-down of an investment due to declining market value offset by a gain on the sale of customer contracts. In the 2002 third quarter, Sprint recognized a tax benefit related to capital losses not previously recognizable of $292 million. The benefit to the FON Group was $235 million. The benefit to the PCS Group was $57 million.

In 2001, the FON Group recorded in Other income (expense), net, charges of $48 million which increased the loss from continuing operations by $81 million. These amounts primarily included a write-down of an equity investment offset by a curtailment gain on the modification of certain retirement plan benefits and a gain on investment activities.

In 2000, Sprint recorded charges of $68 million, which increased the loss from continuing operations by $74 million. The FON Group recorded charges of $96 million relating primarily to write-downs of certain equity investments, which reduced income from continuing operations by $92 million. The PCS Group recorded a $28 million gain from the sale of customers and network infrastructure to a PCS third party affiliate, which reduced loss from continuing operations by $18 million.

In 1999, the FON Group recorded net gains of $54 million from investment activities which reduced the loss from continuing operations by $35 million.

(2) In 2003, Sprint recorded charges of $36 million in Other income (expense), net, for premiums paid on the early retirement of debt and for the settlement of a securities class action lawsuit relating to the failed merger with WorldCom (now MCI). Additionally, Sprint recorded a $49 million tax benefit for the recognition of certain income tax credits and adjustments for state tax apportionments. In total, these items reduced loss from continuing operations by $27 million. These items increased the FON Group’s income from continuing operations by $27 million, and had no net effect on the PCS Group’s loss from continuing operations.

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In 1999, the FON Group recorded net gains of $54 million from investment activities which reduced the loss from continuing operations by $35 million.

(3) In the 2000 first quarter, Sprint effected a two-for-one stock split of Sprint’s PCS common stock. In the 1999 second quarter, Sprint effected a two-for-one stock split of its Sprint FON common stock. As a result, diluted and basic earnings per common share and dividends for Sprint FON common stock and diluted and basic loss per common share for Sprint PCS common stock have been restated for periods before these stock splits.

(4) As the effects of including the incremental shares associated with options, restricted stock units and Employees Stock Purchase Plan shares are antidilutive, both basic loss per share and diluted loss per share reflect the same calculation for all periods presented for the PCS Group and for the year ended December 31, 2001 for the FON Group.

(5) Sprint adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets on January 1, 2002. Accordingly, amortization of goodwill, spectrum licenses and trademarks ceased as of that date because they are indefinite life intangibles.
Sprint includes certain estimates, projections and other forward-looking statements in its reports and in other publicly available material. Statements regarding expectations, including performance assumptions and estimates relating to capital requirements, as well as other statements that are not historical facts, are forward-looking statements.

These statements reflect management’s judgments based on currently available information and involve a number of risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. With respect to these forward-looking statements, management has made assumptions regarding, among other things, customer and network usage, customer growth and retention, pricing, operating costs and the economic environment.

Future performance cannot be ensured. Actual results may differ materially from those in the forward-looking statements. Some factors that could cause actual results to differ include:

- extent and duration of any economic downturn;
- the effects of vigorous competition in the markets in which Sprint operates;
- the costs and business risks associated with providing new services and entering new markets;
- adverse change in the ratings afforded our debt securities by ratings agencies;
- the ability of our wireless operations and the global markets division to continue to grow a significant market presence;
- the ability of Sprint’s wireless operations to continue to improve profitability;
- the ability of the global markets division and the local division to improve cash flow generation;
- the effects of mergers and consolidations in the telecommunications industry and unexpected announcements or developments from others in the telecommunications industry;
- the uncertainties related to the outcome of bankruptcies affecting the telecommunications industry;
- the impact of financial difficulties of third-party affiliates on Sprint’s wireless network coverage;
- the uncertainties related to Sprint’s investments in networks, systems, and other businesses;
- the uncertainties related to the implementation of Sprint’s business strategies, including our initiative to realign services to enhance the focus on business and consumer customers;
- the impact of new, emerging and competing technologies on Sprint’s business;
- unexpected results of litigation filed against Sprint;
- the impact of wireless local number portability (WLNP) on Sprint’s wireless operation’s growth and churn rates, revenues and expenses;
- the possibility of one or more of the markets in which Sprint competes being impacted by changes in political or other factors such as monetary policy, legal and regulatory changes, including the impact of the Telecommunications Act of 1996 (Telecom Act), or other external factors over which Sprint has no control; and
- other risks referenced from time to time in Sprint’s filings with the Securities and Exchange Commission (SEC).

The words “estimate,” “project,” “intend,” “expect,” “believe,” “target,” and similar expressions are intended to identify forward-looking statements. Forward-looking statements are found throughout Management’s Discussion and Analysis. The reader should not place undue reliance on forward-looking statements, which speak only as of the date of this report. Sprint is not obligated to publicly release any revisions to forward-looking statements to reflect events after the date of this report or unforeseen events. Sprint provides a detailed discussion of risk factors in various SEC filings, and you are encouraged to review these filings.
Overview

Business
Sprint is a global communications company and a leader in integrating long-distance, local service, and wireless communications. Sprint is also one of the largest carriers of Internet traffic using its tier one Internet Protocol network, which provides connectivity to any point on the Internet either through its own network or via direct connections with other backbone providers.

Sprint is the nation’s third-largest provider of long distance services, based on revenues, and operates nationwide, all-digital long distance and tier one Internet Protocol networks. Sprint currently serves approximately 7.9 million access lines in its franchise territories in 18 states. Additionally, Sprint provides local service using its facilities, leased facilities or unbundled network elements provided by other carriers in a total of 36 states and the District of Columbia. Sprint is selling into the cable telephony market through arrangements with cable companies that resell Sprint long distance service and use Sprint back office systems and network assets in support of their local telephone service provided over cable facilities. Sprint also operates a 100% digital PCS wireless network with licenses to provide service to the entire United States population, including Puerto Rico and the U.S. Virgin Islands, using a single frequency band and a single technology. The PCS Group, together with third party affiliates, operates PCS systems in over 300 metropolitan markets, including the 100 largest U.S. metropolitan areas. The PCS Group’s service, including third party affiliates, reaches a quarter billion people. The PCS Group, combined with our wholesale and affiliate partners, served more than 20 million customers at the end of 2003.

Industry Environment
Sprint operates in industries that have been and continue to be subject to consolidation and dynamic change. Therefore, Sprint routinely reassesses its business strategies. Due to changes in the telecommunications industry, including bankruptcies, over-capacity and the current economic environment, Sprint continually assesses the implications on its operations. Any such assessment may impact the valuation of its long-lived assets.

As part of its overall business strategy, Sprint regularly evaluates opportunities to expand and complement its business and may at any time be discussing or negotiating a transaction that, if consummated, could have a material effect on its business, financial condition, liquidity or results of operations.

In 2003, Sprint sold its directory publishing business to R.H. Donnelley for $2.23 billion in cash.

Business Transformation
Currently, Sprint’s operations are divided into three segments: the global markets division, the local division, and the PCS wireless telephony products and services business.

In an effort to enhance the focus on the needs and preferences of two distinct customer types—businesses and consumers, Sprint’s market-facing business units have been aligned into the Sprint Business Solutions (SBS) unit, Sprint Consumer Solutions (SCS) unit and the Sprint Local Consumer Solutions (SLCS) unit. This effort is expected to enable Sprint to more effectively and efficiently use its portfolio of assets to create customer-focused communications solutions.

During 2004, Sprint intends to continue to measure its activities using its current business segments, and begin to measure certain activities under this customer-focused approach. Throughout 2004, management anticipates continuing to make decisions using the current segmentation. However, part of the decision-making process will include viewing opportunities from a customer-centric perspective. Sprint intends to develop and deliver integrated products and services which will help our customers function more effectively in the workplace and in daily life.

In conjunction with these market-facing business unit realignments, Sprint is undertaking initiatives to improve productivity through:

- Consolidating systems and eliminating redundancies
- Application rationalization
- Automation
- Process re-engineering
- E-enablement
- Organizational redesign and streamlining
These efforts have resulted in restructuring charges and asset impairments in the fourth quarter of 2003 and will continue to impact subsequent quarters. Ongoing efforts in these areas may have additional impacts in subsequent periods. See Note 5 of Notes to Consolidated Financial Statements for more information relating to these activities.

**Tracking Stock Structure**

In November 1998, Sprint’s shareholders approved the allocation of all of Sprint’s assets and liabilities into two groups, the FON Group and the PCS Group, as well as the creation of the FON stock and the PCS stock. FON common stock and PCS common stock are intended to reflect the financial results and economic value of the FON and PCS Groups. However, they are classes of common stock of Sprint, not of the group they are intended to track.

The FON Group is comprised of the global markets division, the local division and other businesses consisting primarily of wholesale distribution of telecommunications products. The global markets division is the nation’s third-largest provider of long distance services based on revenues. The activities of the local division include local exchange communications and consumer long distance services used by customers within Sprint’s local franchise territories. The FON Group also includes its investments in EarthLink, Inc. (EarthLink), an Internet Service provider, and Call-Net Enterprises, Inc. (Call-Net), a long distance provider in Canada.

The PCS Group includes Sprint’s wireless PCS operations. The PCS Group also includes its investment in Virgin Mobile, USA, a joint venture to market wireless services, principally to youth and pre-pay segments.

**Considerations Relating to Tracking Stocks**

On February 28, 2004, Sprint’s board of directors decided to recombine the tracking stocks and return to a single common stock. As a result, each share of the PCS common stock will convert automatically into 0.50 shares of FON common stock on April 23, 2004. The FON stock will represent the only outstanding common stock of Sprint. After the recombination, Sprint will continue to present consolidated financial information, but will not include group level information. The recombination will not impact Sprint’s current presentation of all required segment information.

Until the recombination, the FON common stock and the PCS common stock are intended to track the performance of the FON Group and the PCS Group, respectively. Because the FON common stock and the PCS common stock are classes of common stock of Sprint, not common stock of the group they are intended to track, the holders of the FON common stock and the PCS common stock are subject to the risks related to an equity investment in Sprint and all of Sprint’s businesses, assets and liabilities. Therefore, the market prices of the FON common stock and the PCS common stock may not accurately reflect the performance of the group they are intended to track. Between the announcement and the completion of the recombination, the price of the tracking stocks may reflect the expectation that a single common stock will result from the recombination, rather than reflecting the performance of the groups.

Sprint has a single board of directors. Consequently, there is no board of directors that owes separate duties to the holders of either the FON common stock or the PCS common stock. Conflicts of interest between holders of FON common stock and PCS common stock in transactions between the FON Group and the PCS Group or in our dealings with third parties could be resolved by our board of directors to the detriment of the holders of one or the other class of common stock.

After the recombination of the tracking stocks, events that would have benefited the holders of only one of the tracking stocks will benefit all Sprint shareholders.

**Consolidated Results of Operations**

Total net operating revenues were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003 (millions)</th>
<th>2002 (millions)</th>
<th>2001 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FON Group</td>
<td>$14,185</td>
<td>$15,227</td>
<td>$16,415</td>
</tr>
<tr>
<td>PCS Group</td>
<td>12,690</td>
<td>12,074</td>
<td>9,725</td>
</tr>
<tr>
<td>Intergroup eliminations</td>
<td>(678)</td>
<td>(622)</td>
<td>(578)</td>
</tr>
<tr>
<td><strong>Net operating revenues</strong></td>
<td><strong>$26,197</strong></td>
<td><strong>$26,679</strong></td>
<td><strong>$25,562</strong></td>
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</tbody>
</table>
Income (Loss) from continuing operations was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003 (millions)</th>
<th>2002 (millions)</th>
<th>2001 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FON Group</td>
<td>$294</td>
<td>$1,049</td>
<td>$(297)</td>
</tr>
<tr>
<td>PCS Group</td>
<td>$(661)</td>
<td>$(578)</td>
<td>$(1,256)</td>
</tr>
<tr>
<td>Income (Loss) from continuing operations</td>
<td>$(367)</td>
<td>$471</td>
<td>$(1,553)</td>
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</table>

Income (loss) from continuing operations as presented in the above table includes the after-tax impacts of the items discussed in the following paragraphs.

In 2003, Sprint recorded net restructuring charges and asset impairments of $1.2 billion. These charges were associated with the write-down to fair value of the FON Group’s Multipoint Multichannel Distribution Services (MMDS) spectrum, other asset impairment charges, facilities and severance charges associated with the termination of the web hosting business, impairment charges associated with the termination of development of a new billing platform, impairment charges associated with the termination of software development projects, and severance costs associated with Sprint’s transformation to a customer-focused organizational design, offset by the finalization of all 2001 and 2002 restructuring liabilities. Also included in 2003 was a charge related to Sprint’s long-term disability plan of $72 million, a $22 million charge in connection with the separation agreements agreed to by Sprint and three former executive officers, a $13 million charge mainly reflecting the premiums paid on a debt tender offer and the early retirement of local division debt, and a $9 million charge to settle a securities class action and derivative lawsuit relating to the failed merger with WorldCom (now MCI). These charges were partially offset by a $49 million tax benefit for recognition of certain income tax credits relating to various taxing jurisdictions and adjustments for state tax apportionments and a $31 million settlement of accounts receivable claims with MCI (formerly WorldCom) that had previously been fully reserved.

In the 2002 fourth quarter, Sprint recorded restructuring charges and asset impairments of $154 million representing consolidations in Sprint’s Network, Information Technology, and Billing and Accounts Receivable organizations, impairment of a network asset, abandoned network project costs and additional steps to reduce overall operating costs. Also included in 2002 were the expected loss on receivables due to the bankruptcy declaration of WorldCom (now MCI) of $23 million, a net restructuring and asset impairment charge of $76 million, a gain on the sale of the PCS Group’s investment in Pegaso Telecomunicaciones, S.A. de C.V. (Pegaso) of $67 million, a gain from the sale of customer contracts of $25 million, the write-down of an investment due to declining market value of $241 million, and a tax benefit related to capital losses not previously recognizable of $292 million.

In the 2001 fourth quarter, Sprint recorded a restructuring charge and asset impairment of $1,136 million representing the termination of Sprint ION, as well as additional steps to reduce overall operating costs. Additionally, in 2001, Sprint recorded a litigation charge of $15 million, a write-down of the FON Group’s equity method investment in Intelig Telecommunicacoes, Ltda. (Intelig) of $157 million which had an other than temporary decline in market value, a loss on the sale of a portion of the FON Group’s investment in EarthLink of $8 million, a benefit plan curtailment gain of $75 million and net gains from other investment activities of $9 million.

Critical Accounting Policies

The fundamental objective of financial reporting is to provide useful information that allows a reader to comprehend the business activities of Sprint. To aid in that understanding, management has identified Sprint’s “critical accounting policies”. These policies are considered “critical” because they have the potential to have a material impact on Sprint’s financial statements, and because they require judgements and estimation due to the uncertainty involved in measuring, at a specific point in time, events which are continuous in nature.

- **Long-lived Asset Recovery**— A significant portion of Sprint’s total assets consist of long-lived assets, consisting primarily of property, plant and equipment (“PP&E”) and definite life intangibles, as well as goodwill and indefinite life intangibles. Changes in technology or in Sprint’s intended use of these assets, as well as changes in broad economic or industry factors, may cause the estimated period of use or the value of these assets to change.

**Depreciable Lives of Assets**

Sprint performs annual internal studies to confirm the appropriateness of depreciable lives for each category of PP&E. These studies utilize models, which take into account actual usage, physical wear and tear, replacement history, and assumptions about technology evolution, and use in certain instances actuarially-determined probabilities to calculate remaining life of our asset base.
Sprint believes that the accounting estimate related to the establishment of asset depreciable lives is a “critical accounting estimate” because: (1) it requires Sprint management to make assumptions about technology evolution and competitive uses of assets, and (2) the impact of changes in these assumptions could be material to our financial position, as well as our results of operations. Management’s assumptions about technology and its future development require significant judgement because the timing and impacts of technology advances are difficult to predict, and actual experience has varied from previous assumptions and could continue to do so.

If Sprint’s studies had resulted in a depreciable rate that was 5% higher or lower than those used in the preparation of Sprint’s consolidated financial statements, recorded depreciation expense would have been impacted by approximately $265 million. The impact to FON Group depreciation expense would have been approximately $135 million and the impact to PCS Group depreciation expense would have been approximately $130 million.

Property, Plant and Equipment and Definite Life Intangibles Impairment

PP&E and definite life intangibles are evaluated for impairment whenever indicators of impairment exist. Accounting standards require that if an impairment indicator is present, Sprint must assess whether the carrying amount of the asset is unrecoverable by estimating the sum of the future cash flows expected to result from the asset, undiscounted and without interest charges. If the carrying amount is more than the recoverable amount, an impairment charge must be recognized, based on the fair value of the asset.

Sprint believes that the accounting estimate related to asset impairment is a “critical accounting estimate” because: (1) it requires Sprint management to make assumptions about future revenues and costs of sales over the life of the asset, and (2) the impact that recognizing an impairment would have on our financial position, as well as our results of operations, could be material. Management’s assumptions about future revenues require significant judgement because actual revenues have fluctuated in the past and may continue to do so.

In estimating future revenues, we use our internal business forecasts. We develop our forecasts based on recent revenue data for existing products and services, planned timing of new products and services, and other industry and economic factors.

When indicators are present, Sprint tests for impairment. This resulted in total PP&E impairments of $652 million, $198 million and $1,327 million in 2003, 2002 and 2001, respectively. In 2003, FON Group recorded $303 million associated with the termination of its web hosting business and software development projects. PCS Group recorded $349 million associated with the terminated development of a new billing platform and a software development project. These impairments represent 2 percent of the December 31, 2003 consolidated net PP&E. In 2002, FON Group recorded $156 million for network asset impairments and PCS Group recorded $42 million for abandoned network projects. These impairments represent less than 1 percent of the December 31, 2002 consolidated net PP&E. In 2001, FON Group recorded $1,327 million with the termination of efforts to provide its Sprint ION consumer and business offerings. This impairment represents 4.6 percent of the December 31, 2001 consolidated net PP&E.

Goodwill and Indefinite Life Intangibles

Goodwill and indefinite life intangibles are reviewed at least annually for impairment, or more frequently if indicators of impairment exist. Goodwill is tested by comparing net book value of the reporting unit (identified as Sprint’s operating segments) to fair value. Indefinite life intangibles are tested by comparing book value to estimated fair value.

Sprint believes that the accounting estimate related to goodwill and indefinite life intangibles is a “critical accounting estimate” because (1) it requires Sprint management to make assumptions about fair values, and (2) the impact of recognizing an impairment could be material to our financial position, as well as our results of operations. Management’s assumptions about fair values require significant judgement because broad economic factors, industry factors and technology considerations can result in variable and volatile fair values.

Management completed impairment analyses on both goodwill and indefinite life intangibles in the 2003 fourth quarter. These tests were performed internally. As of December 31, 2003, no goodwill impairment existed. Similarly, wireless spectrum and trademark value were not impaired.
However, in the 2003 third quarter, the FON Group’s global markets division decided to end pursuit of a residential fixed wireless strategy using its MMDS spectrum. This decision required an impairment analysis of the asset. Sprint FON Group recorded a pre-tax, non-cash charge of $1.2 billion related to the write-down in the fair value of its MMDS spectrum. Sprint is now focusing its efforts on a broad range of alternative strategies. Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum.

**Employee Benefit Plan Assumptions**— Retirement benefits are a significant cost of doing business for Sprint and yet represent obligations that will be settled far in the future. Retirement benefit accounting is intended to reflect the recognition of the future benefit costs over the employee’s approximate service period based on the terms of the plans and the investment and funding decisions made by Sprint. The accounting requires that management make assumptions regarding such variables as the return on assets, the discount rate and future health care costs. Changes in these key assumptions can have a significant impact on the projected benefit obligation and periodic benefit cost incurred by Sprint.

Sprint believes that the accounting estimate related to retirement benefit accounting is a “critical accounting estimate” because: (1) it requires Sprint management to make assumptions about discount rates, future health care costs, and future return on assets funding the obligation; and (2) the impact that changes in actual performance versus these estimates would have on the projected benefit obligation reported on our balance sheet and the benefit cost could be material.

In determining pension obligations assumptions are required concerning market performance. Market performance has fluctuated in the recent past and could have continued volatility in the future. In selecting its assumptions, Sprint uses historical experience, as well as objective indices, as benchmarks, and tests the benchmarks against historical industry data on these assumptions provided by an independent actuary. An increase in the discount rate would reduce the reported projected benefit obligation. In contrast, if the discount rate in 2003 used in determining the projected benefit obligation was 25 basis points lower, it would generate a $137 million increase in the projected benefit obligation reported on the balance sheet, and an $18 million increase in the benefit costs. Similarly, if the expected return on assets assumption was 25 basis points lower, it would generate an $8 million increase in current year benefit costs. This assumption is not used in calculation of the pension projected benefit obligation.

In determining post-retirement medical and life insurance benefit obligations, assumptions are made concerning the cost of health care. A one-percentage point increase in the assumed medical inflation rate would generate a $107 million increase in the accumulated postretirement benefit obligation reported on the balance sheet, and a $6 million increase in benefit expense. An increase in the discount rate would reduce the reported accumulated postretirement benefit obligation. In contrast, if the discount rate in 2003 used in determining the accumulated postretirement benefit obligation was 25 basis points lower, it would generate an $8 million increase in current year benefit costs. This assumption is not used in calculation of the pension projected benefit obligation.

**Allocation Policies between Tracking Stocks**— As discussed previously, the FON common stock is intended to reflect the financial results and economic value of the FON Group and the PCS common stock is intended to reflect the financial results and economic value of the PCS Group. The FON common stock and the PCS common stock are both classes of the common stock of Sprint, and together, the groups reflect 100% of Sprint’s business activities.

Sprint believes that the accounting estimate related to allocation policies is a “critical accounting estimate” because: (1) it requires Sprint management to make assumptions about market interest rates and group use of shared costs; and (2) the impact that recognizing a change in this allocation would have on the net assets, use of resources or operating results of either group could be material.

Allocation policies regarding shared activities impact the business results of the FON Group and the PCS Group. Sprint performs internal studies to confirm the appropriateness of assignment of costs when direct assignment is not possible or practical. The methods used for indirect assignment include time studies, and factors related to marketing or headcount studies.

Sprint manages the financing activities of the groups on a centralized basis. Debt incurred by Sprint on behalf of the groups is specifically allocated to and reflected in the financial statements of the applicable group. Interest expense is assigned to the PCS Group based on an estimated rate that is substantially equal to the rate it would be able to obtain from third parties as a direct or indirect wholly owned Sprint subsidiary, but without the benefit of any guarantee by Sprint or any member of the FON Group. Additionally, Sprint’s
A centralized cash management program allows one group to advance funds to the other group. These advances are accounted for as short-term borrowings between the groups and bear interest at a rate that is substantially equal to the rate that group would be able to obtain from third parties on a short-term basis.

Management utilizes credit rating agencies and investment banks to provide an objective basis for determining appropriate assumptions concerning market interest rates. Sprint uses this information in arriving at the assumptions used to determine our allocations.

The allocation of assets, financial resources and certain expenses require judgement by management and the allocation methods used are subject to the discretion of the board of directors in its fulfillment of its fiduciary duties to all of Sprint’s shareholders. Holders of FON stock and PCS stock may have interests that differ from or conflict with the interests of holders of the other stock. Our tracking stock policies provide that our board of directors, in resolving material matters in which holders of FON stock and PCS stock have potentially divergent interests, will act in the best interest of Sprint and all of its common stockholders after giving fair consideration to the potentially divergent interests of the holders of the separate classes of common stock.

**Tax Valuation Allowances**— Sprint is required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in its financial statements or tax returns for each taxing jurisdiction in which it operates. This process requires Sprint’s management to make assessments regarding the timing and probability of the ultimate tax impact. Sprint records valuation allowances on deferred tax assets to reflect the expected realizable future tax benefits. Actual income taxes could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which Sprint operates, Sprint’s inability to generate sufficient future taxable income or unpredicted results from the final determination of each year’s liability by taxing authorities. These changes can have a significant impact on the financial position of Sprint.

Sprint believes that the accounting estimate related to establishing tax valuation allowances is a “critical accounting estimate” because: (1) it requires Sprint management to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning opportunities, and (2) the impact changes in actual performance versus these estimates could have on the realization of tax benefit as reported in our results of operations could be material. Management’s assumptions require significant judgement because actual performance has fluctuated in the past and may continue to do so.

Sprint currently carries an income tax valuation allowance of $620 million on its books. This amount includes a valuation allowance for the total tax benefits related to net operating loss carryforwards which were acquired in connection with certain acquisitions. The remainder of the valuation allowance relates to state net operating loss and tax credit carryforwards. Assumption changes which result in a reduction of expected benefits from realization of state net operating loss and tax credit carryforwards by 10% would increase our valuation allowance by $30 million for PCS Group and $5 million for FON Group.

**Revenue Recognition Policies**— Sprint recognizes operating revenues as services are rendered or as products are delivered to customers in accordance with SEC Staff Accounting Bulletin No. 104, *Revenue Recognition*. In connection with recording revenue, estimates and assumptions are required in determining the expected conversion of the revenue streams to cash collected. The revenue estimation process requires management to make assumptions based on historical results, future expectations, the economic and competitive environment, changes in the credit worthiness of our customers, and other relevant factors. Changes in these key assumptions can have a significant impact on the projection of cash collected and the periodic revenue stream recognized by Sprint.

Sprint believes that the accounting estimate related to the establishment of revenue and receivable reserves and the associated provisions in the results of operations is a “critical accounting estimate” because: (1) it requires Sprint management to make assumptions about future billing adjustments for disputes with customers, unauthorized usage, future returns on asset sales and future access adjustments for disputes with competitive local exchange carriers and inter-exchange carriers, as well as the future economic viability of our customer base; and (2) the impact of changes in actual performance versus these estimates would have on the accounts receivable reported on our balance sheet and the results reported in our statements of operations could be material. In selecting these assumptions, Sprint uses historical trending of write-offs, industry norms, regulatory decisions and recognition of current market indicators about general economic conditions which might impact the collectibility of accounts.
Sprint’s business is divided into three segments: the global markets division, the local division, and the PCS wireless telephony products and services business.

**Global Markets Division**

The global markets division provides a broad suite of communications services targeted to domestic business and residential customers, multinational corporations and other communications companies. These services include domestic and international voice; data communications using various protocols such as Internet Protocol (IP) and frame relay (a data service that transfers packets of data over Sprint’s network), and managed network services. Additionally, the global markets division provides local service using Sprint’s facilities, leased facilities or unbundled network elements provided by other carriers in a total of 36 states and the District of Columbia. The global markets division is selling into the cable telephony market through arrangements with cable companies that resell Sprint long distance service and use Sprint back office systems and network assets in support of their local telephone service provided over cable facilities. In addition, the global markets division provides consulting services and international data communications.

The global markets division also includes the operating results of the wireless high speed data and cable TV service operations of the broadband fixed wireless companies. In 2001, Sprint announced it would halt further deployment of MMDS using current line of sight technology. In 2003, Sprint’s ongoing evaluation of its business use for the MMDS spectrum resulted in a decision to end pursuit of a residential fixed wireless strategy. This decision required an impairment analysis of this asset, resulting in a pre-tax, non-cash charge of $1.2 billion. Sprint is now focusing its efforts on a broad range of alternative strategies. Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum. In 2003, Sprint announced the wind-down of its web hosting business.

Net operating revenues decreased 11% in 2003 and 10% in 2002. Loss of a major wholesale customer and a large prepaid customer drove a minute volume decline of 3% in 2003. Minute growth of 5% in 2002 was driven in

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
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<tbody>
<tr>
<td><strong>Net operating revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice</td>
<td>$4,994</td>
<td>$5,768</td>
<td>$6,610</td>
</tr>
<tr>
<td>Data</td>
<td>1,845</td>
<td>1,847</td>
<td>1,857</td>
</tr>
<tr>
<td>Internet</td>
<td>973</td>
<td>1,009</td>
<td>964</td>
</tr>
<tr>
<td>Other</td>
<td>180</td>
<td>319</td>
<td>485</td>
</tr>
<tr>
<td><strong>Total net operating revenues</strong></td>
<td>7,992</td>
<td>8,943</td>
<td>9,916</td>
</tr>
</tbody>
</table>

| **Operating expenses** |             |             |             |
| Costs of services and products | 4,245       | 5,015       | 6,004       |
| Selling, general and administrative | 2,227       | 2,455       | 2,955       |
| Depreciation and amortization | 1,428       | 1,479       | 1,318       |
| Restructuring and asset impairments | 1,564       | 194         | 1,688       |
| **Total operating expenses** | 9,464       | 9,143       | 11,965      |

| **Operating income (loss)** | $ (1,472) | $(200) | $(2,049) |

**Capital expenditures**

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>$ 325</td>
<td>$ 733</td>
<td>$ 3,580</td>
</tr>
</tbody>
</table>

Sprint expects revenues to decline in 2004 as the division continues to be impacted by intense competitive pressures. These declines are expected to be somewhat offset by growing contributions from sales of strategic products. In addition, Sprint expects the transformation to a customer-centric organization to allow us to offer competitive differentiation, in an effort to increase our customers’ loyalty.
part by an increase in business minutes sold to the PCS Group, which was partially offset by the highly competitive pricing pressures on voice services. The decrease in 2002 net operating revenues also reflects the loss of revenues from this major wholesale customer.

Voice Revenues
Voice revenues decreased 13% in both 2003 and 2002. The 2003 and 2002 decreases are the result of a decline in consumer voice revenue due to wireless and e-mail substitution, aggressive competition from Regional Bell Operating Companies for consumer and small business customers and lower business voice pricing. Results in 2003 and 2002 were also impacted by the loss of a single major wholesale customer.

Data Revenues
Data revenues reflect sales of current-generation data services including asynchronous transfer mode (ATM) and frame relay services. Data revenues were flat in both 2003 and 2002. In 2003, increases in frame relay were offset by a decline in both ATM and private line. In 2002, increases in frame relay and ATM were offset by a decline in private line.

Internet Revenues
Internet revenues decreased 4% in 2003 and increased 5% in 2002. The 2003 decrease is primarily the result of a decline in dial IP due to the final contractually-scheduled repricing of the America Online, Inc., dial IP agreement, partially offset by revenues from a fourth quarter partial buyout of a portion of a dial IP contract. The 2002 increase was due to growth in dedicated IP revenues partially offset by a decrease in dial IP due to repricing of contracts and growth in web hosting. While Sprint has made the decision to exit the web hosting business, the 2003 period still reflects the increased web hosting revenue in the 2003 first and second quarters.

Other Revenues
Other revenues decreased 44% in 2003 and 34% in 2002. The decreases are primarily due to the sale of our consulting services business, Paranet, in the third quarter of 2002 and declines in miscellaneous equipment sales.

During the 2002 and 2001 periods, cable capacity sales and sales of ownership rights to transoceanic cable represented less than 0.02% and 0.2% of global market division’s net operating revenues, respectively. These transactions were executed primarily with Global One, and were in accordance with our transition services agreement. In 2003, the global markets division did not have any cable capacity sales.

Equipment sales completed in each of the periods discussed were routine in nature, were completed to support customer purchases of related telecommunications services, and represented less than 1.5%, 2%, and 3% of global market division’s net operating revenues for the 2003, 2002, and 2001 periods, respectively.

Costs of Services and Products
Costs of services and products include interconnection costs paid to local phone companies, other domestic service providers and foreign phone companies to complete calls made by the division’s domestic customers, costs to operate and maintain the long distance networks, and costs of equipment. Costs of services and products decreased 15% in 2003 and 16% in 2002. The 2003 decrease was due to volume declines, an improving product mix, initiatives to reduce access unit costs, favorable carrier access settlements and FCC-mandated access rate reductions. The 2002 decrease was a result of FCC-mandated access rate reductions, decreased network operating costs derived from Sprint’s 2001 fourth quarter restructuring actions, and favorable carrier access settlements, as well as other cost containment efforts, partially offset by volume growth. The FCC-mandated access rate reductions took effect in July 2001, July 2002 and July 2003.

Total costs of services and products for the global markets division were 53.1% of net operating revenues in 2003, 56.1% in 2002, and 60.5% in 2001.

Selling, General and Administrative Expense
Selling, general and administrative (SG&A) expense decreased 9% in 2003 and 17% in 2002. The 2003 decline was due to reduced bad debt expense including the MCI (formerly WorldCom) accounts receivable settlement, restructuring efforts, and general cost controls partially offset by the costs of the executive separation agreements recorded in the second quarter of 2003 and the long-term disability charge recorded in the fourth quarter of 2003. The 2002 decrease is related to restructuring efforts and tight management of discretionary expenses.
The reserve for bad debts requires management’s judgment and is based on customer specific indicators, as well as historical trending, industry norms and recognition of current market indicators about general economic conditions. Bad debt expense as a percentage of net revenues was 1.4% in 2003, 3.5% in 2002, and 3.8% in 2001. These reductions reflect an improvement in collections, aging and recoveries of previously written-off accounts. Reserve for bad debt as a percentage of outstanding accounts receivable was 11.1% in 2003, 14.9% in 2002, and 12.7% in 2001.

Total SG&A expense for the global markets division was 27.9% of net operating revenues in 2003, 27.5% in 2002, and 29.8% in 2001.

**Depreciation and Amortization Expense**

Estimates and assumptions are used in setting depreciable lives. Assumptions are based on internal studies of use, industry data on lives, recognition of technological advancements and understanding of business strategy. Depreciation and amortization expense decreased 3% in 2003 and increased 12% in 2002. The 2003 decrease was due to asset impairments associated with the wind-down of the web hosting business and lower capital spending. The 2002 increase is attributable to an increased asset base to meet anticipated increases in demand for voice and data-related services and other growth initiatives. This increase was partially offset by the discontinuation of the amortization of goodwill and indefinite life intangibles due to the adoption of Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. Depreciation and amortization expense was 17.9% of net operating revenues in 2003, 16.5% in 2002, and 13.3% in 2001.

**Restructuring and Asset Impairments**

In the 2003 fourth quarter, Sprint recorded restructuring charges representing severance costs associated with Sprint’s transformation to a customer-focused organization offset by the finalization of all 2001 and 2002 restructuring liabilities. This resulted in an expense reduction of $33 million allocated to the global markets division.

In the 2003 third quarter, the FON Group recorded a pre-tax, non-cash charge of $1.2 billion related to the write-down in the fair value of its MMDS spectrum. Sprint’s ongoing evaluation of its business use for this asset resulted in a decision to end pursuit of a residential fixed wireless strategy. This decision required an impairment analysis of the asset. Sprint is now focusing its efforts on a broad range of alternative strategies. Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum.

In the 2003 second quarter, Sprint announced the wind-down of its web hosting business. Restructurings of other global markets division operations also occurred in the continuing effort to create a more efficient cost structure. These decisions resulted in pre-tax charges of $348 million in the 2003 second quarter, $2 million in the 2003 third quarter and $26 million in the 2003 fourth quarter. The charge for asset impairments was $316 million, the charge for employee terminations was $15 million and the remaining $45 million was accrued for facility lease terminations. Sprint will record additional wind-down related charges for facility lease terminations, customer migration, employee termination, and other wind-down costs in subsequent periods. Sprint expects the aggregate pre-tax charge associated with the wind-down of the web hosting business to be approximately $440 million.

In the 2002 fourth quarter, Sprint recorded a net restructuring charge of $57 million to the global markets division related to consolidations in Sprint’s Network, Information Technology, and Billing and Accounts Receivable organizations as well as additional steps to reduce overall operating costs. Additionally, it recorded a network asset impairment related to the global markets division of $14 million. Sprint recorded a net restructuring charge and asset impairment of $123 million related to the global markets division in the 2002 third quarter. This consisted of a $202 million charge for the termination of high-speed data services, as well as additional steps to reduce operating costs. The charge was partially offset by a $79 million adjustment to finalize the restructuring charge taken in the 2001 fourth quarter to abandon the ION initiative and restructure operations in the global markets division. The 2001 fourth quarter actions, which resulted in a $1.7 billion charge to the global markets division, were taken in an effort to better focus on enterprise data and Internet services and to aggressively manage costs. For additional information see Note 5 of the Notes to Consolidated Financial Statements.

**Local Division**

The local division consists mainly of regulated local phone companies serving approximately 7.9 million access lines in 18 states. The local division provides local voice and data services, including digital subscriber line (DSL), for customers within its franchise territories, access by phone customers and other carriers to the local division’s
local network, nationwide long distance services to residential customers located within its franchise territories, sales of telecommunications equipment, and other services within specified calling areas to residential and business customers. The local division provides wireless services to customers in its franchise territories through agency relationships. DSL enables high speed transmission of data over existing copper telephone lines.

In 2003, the local division continued to be impacted by the economic environment, broadband competition for high-speed data in the consumer market, competition and product substitution for business customers and wireless substitution resulting in a decline in access lines and minutes of use. In 2003, Sprint recorded restructuring charges associated with Sprint’s transformation to a customer-focused organization offset by the finalization of 2001 and 2002 restructuring liabilities. These actions resulted in a $20 million charge to the local division’s operations. Additionally, a $4 million asset impairment was recorded related to the termination of a partnership to provide video on-demand to hotels. The local division expects a small revenue decline in 2004. Increases in revenue associated with bundled services and broadband sales is expected to be offset by a modest decline in access lines.

### Net Operating Revenues

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
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</thead>
<tbody>
<tr>
<td>Net operating revenues</td>
<td>(millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice</td>
<td>$4,659</td>
<td>$4,810</td>
<td>$4,877</td>
</tr>
<tr>
<td>Data</td>
<td>737</td>
<td>646</td>
<td>569</td>
</tr>
<tr>
<td>Other</td>
<td>747</td>
<td>801</td>
<td>848</td>
</tr>
<tr>
<td>Total net operating revenues</td>
<td>6,143</td>
<td>6,257</td>
<td>6,294</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of services and products</td>
<td>1,950</td>
<td>1,945</td>
<td>2,002</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>1,296</td>
<td>1,269</td>
<td>1,280</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,085</td>
<td>1,157</td>
<td>1,120</td>
</tr>
<tr>
<td>Restructuring and asset impairments</td>
<td>24</td>
<td>56</td>
<td>109</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>4,355</td>
<td>4,427</td>
<td>4,511</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>$1,788</td>
<td>$1,830</td>
<td>$1,783</td>
</tr>
<tr>
<td>Operating margin</td>
<td>29.1%</td>
<td>29.2%</td>
<td>28.3%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$1,240</td>
<td>$1,286</td>
<td>$1,337</td>
</tr>
</tbody>
</table>

In 2003, net operating revenues decreased 2% in 2003 and less than 1% in 2002. The slight decrease in both years was due to declines in long distance, fewer access lines and declines in equipment sales being partially offset by an increase in network-based services and DSL services. The local division ended 2003 with just over 7.9 million switched access lines, a decrease of 2.2% from the prior year. Access lines decreased 1.7% in 2002. The decreases in 2003 and 2002 were driven by wireless and broadband substitution, losses to competitive local providers, and the economic environment. The reduction in access lines is expected to continue although Sprint expects its ongoing rate of line loss to be less than loss rates experienced by other major carriers.

### Voice Revenues

Voice revenues, derived from local exchange services, long distance revenue and switched access revenue decreased 3% in 2003 and 1% in 2002 due to lower long distance minutes of use and the decrease in access lines, partially offset by the demand for network-based services driven by the success of bundled offerings.

### Data Revenues

Data revenues are mainly derived from DSL, local data transport services, and special access. Data revenues increased 14% in both 2003 and 2002 mainly as a result of strong growth in DSL services.

### Other Revenues

Other revenues decreased 7% in 2003 and 6% in 2002. These decreases were driven by a decline in equipment sales of 10% in 2003 and 14% in 2002. The decreases in equipment sales were a result of both a planned shift in focus to selling higher margin products and a reduction in customer demand for equipment.

### Costs of Services and Products

Costs of services and products include costs to operate and maintain the local network and costs of equipment sales. These costs were flat in 2003 and decreased 3% in 2002. In 2003, general expense controls and lower...
costs associated with long distance revenues were offset by higher pension costs. In 2002, the decrease was driven mainly by a reduction in reciprocal compensation expense, lower costs associated with long distance revenues, reduced volume of equipment sales, and a decline in other taxes due to changes in certain state tax laws. Costs of services and products were 31.7% of net operating revenues in 2003, 31.1% in 2002, and 31.8% in 2001.

Selling, General and Administrative Expense

SG&A expense increased 2% in 2003. In 2002, SG&A increased 1% despite increases in bad debt expense. The 2003 increase is driven by the long-term disability charge recorded in the fourth quarter, the executive separation agreements and higher pension costs somewhat offset by general cost controls and lower bad debt expense. The reserve for bad debt requires management’s judgment and is based on historical trending, industry norms and recognition of current market indicators about general economic conditions. Bad debt expense as a percentage of net revenues was 0.9% in 2003, 2.6% in 2002, and 2.5% in 2001. Reserve for bad debt expense as a percent of outstanding accounts receivable was 8.6% in 2003, 13.9% in 2002, and 6.9% in 2001. In 2003, the local division experienced continued improvement in its bad debt experience with end user customers as well as recoveries from previously written off accounts, principally MCI (formerly WorldCom). In 2002, improved bad debt experience with end user customers was more than offset by the need to establish reserves for certain competitive local exchange carriers and long distance companies, including WorldCom (now MCI), with financial difficulties.

SG&A expense was 21.1% of net operating revenues in 2003, 20.3% in 2002, and 20.3% in 2001.

Depreciation and Amortization Expense

Estimates and assumptions are used in setting depreciable lives. Assumptions are based on internal studies of use, industry data on lives, recognition of technological advancements and understanding of business strategy. Depreciation and amortization expense decreased 6% in 2003 and increased 3% in 2002. The 2003 decrease was driven by the implementation of SFAS No. 143, Accounting for Asset Retirement Obligations, which eliminated the accrual for removal cost from the depreciable rate, as well as declines in circuit switching depreciation rates due to a revised schedule for converting from a digital to a packet network. For further information on the implementation of SFAS No. 143 see Note 4 of Notes to Consolidated Financial Statements. The 2002 increase reflects capital spending to support voice-grade equivalent growth, service improvements, and ongoing build out of DSL services. Depreciation and amortization expense was 17.7% of net operating revenues in 2003, 18.5% in 2002, and 17.8% in 2001.

Restructuring and Asset Impairment

In the 2003 fourth quarter, Sprint recorded restructuring charges representing severance costs associated with Sprint’s transformation to a customer-focused organization offset by the finalization of all 2001 and 2002 restructuring liabilities. Net charges to the local division related to these items were $20 million. A $4 million asset impairment, also recorded by the local division, related to the termination of a partnership to provide video on-demand to hotels.

In the 2002 fourth quarter, Sprint recorded a restructuring charge representing consolidations in Sprint’s Network, Information Technology, and Billing and Accounts Receivable organizations, as well as additional steps to reduce overall operating costs. This decision resulted in a charge of $53 million to the local division.

In the fourth quarter of 2001, Sprint announced plans to take steps to improve its competitive position and reduce operating costs in the business units that comprise its FON Group. These efforts included consolidation and streamlining of marketing and network operations, as well as streamlining of corporate support functions. This decision resulted in a charge of $109 million associated with the severance costs of the work force reductions and contractual obligations. In the 2002 third quarter, Sprint performed an analysis to finalize the restructuring estimates recorded in the 2001 fourth quarter. This analysis resulted in the recognition of an additional charge of $3 million being recorded in the 2002 third quarter. For additional information see Note 5 of the Notes to Consolidated Financial Statements.

Other

Other businesses consist primarily of wholesale sales of telecommunications equipment. Net operating revenues were $840 million in 2003, $863 million in 2002, and $1,206 million in 2001. Nonaffiliated revenues, which accounted for 35% of revenues in 2003, declined 5% as capital spending continued to decline in the
telecommunications industry. Operating expenses decreased 2% in 2003 and 24% in 2002 driven by reduced cost of services and products. Operating loss for 2003 and 2002 was $32 million and $23 million, respectively, while operating income was $34 million in 2001. In 2004, Sprint plans to continue to leverage its web-enabled capabilities to improve revenues and expand value added services.

**PCS Group**
The PCS Group operates a 100% digital PCS wireless network with licenses to provide service to the entire United States population, including Puerto Rico and the U.S. Virgin Islands, using a single frequency band and a single technology. The PCS Group, together with third party affiliates, operates PCS systems in over 300 metropolitan markets, including the 100 largest U.S. metropolitan areas. The PCS Group’s service, including third party affiliates, reaches a quarter billion people. The PCS Group, combined with our wholesale and affiliate partners, served more than 20 million customers at the end of 2003. The PCS Group provides nationwide service through a combination of:

- operating its own digital network in major U.S. metropolitan areas using code division multiple access (CDMA), which is a digital spread-spectrum wireless technology that allows a large number of users to access a single frequency band by assigning a code to all speech bits, sending a scrambled transmission of the encoded speech over the air and reassembling the speech into its original format,
- affiliating with other companies that use CDMA, mainly in and around smaller U.S. metropolitan areas,
- roaming on other providers’ analog cellular networks using multi-mode and multi-band handsets, and
- roaming on other providers’ digital networks that use CDMA.

Sprint PCS customers can use their phones through roaming agreements in countries other than the United States, including areas of:

- Asia Pacific, including China, Guam, Hong Kong and New Zealand,
- Canada and Mexico,
- Central and South America, including Argentina, Bolivia, Chile, Colombia, Ecuador, Guatemala, Paraguay and Uruguay, and
- Most major Caribbean Islands.

Sprint launched nationwide third generation (3G) capability in the 2002 third quarter. This capability allows more efficient utilization of the network when voice calls are made using 3G-enabled handsets. It also provides enhanced data services. The service, marketed as “PCS Vision,” allows consumer and business customers to use their Vision-enabled PCS devices to exchange instant messages, exchange personal and corporate e-mail, take, send and receive pictures, play games with full-color graphics and polyphonic sounds and browse the Internet wirelessly with speeds up to 144 kbps (with average speeds of 50 to 70 kbps).

The PCS Group supplements its own network through affiliation arrangements with other companies that use CDMA. Under these arrangements, these companies offer PCS services using Sprint’s spectrum under the Sprint brand name on CDMA networks built and operated at their own expense. Several of these affiliates are experiencing financial difficulties and are evaluating or have completed restructuring activities. Two affiliates have filed for bankruptcy protection and made claims against us in the bankruptcy courts. One other affiliate has filed suit against us. Several of the affiliates are disputing and refusing to pay amounts owed to Sprint. Reserves have been established that are expected to provide for the ultimate resolution of these disputes, and Sprint is in negotiations with some of the affiliates regarding restructuring its relationship with them.

Sprint has reached agreements with several of its affiliates, including two of the largest who have completed restructuring activities. Sprint has amended the existing agreements to provide for a simplified pricing mechanism, as well as refining and changing various business processes. The amended agreements cover approximately 40% of the customers served by all affiliates. The agreements provide simplified and predictable long-term pricing for service bureau fees and stability to the rates charged for inter-area service fees. In addition, Sprint and the companies settled all significant outstanding disputes. The revised terms under the agreements are expected to have an immaterial impact on future PCS Group results.

The PCS Group may incur additional expenses to ensure that service is available to its customers in the areas served by its affiliates. If any of the PCS Group affiliates cease operations, the PCS Group may incur roaming charges in areas where service was previously provided by the affiliates and costs to meet FCC buildout and renewal requirements, as well as experience lower revenues.
The PCS Group also provides wireless services to companies that resell wireless services to their customers on a retail basis under their own brand. These companies bear the costs of acquisition, billing and customer service. In the 2003 third quarter, Sprint executed a five year wholesale agreement with Qwest Communications (Qwest) whereby Qwest wireless subscribers will use Sprint’s national PCS network and have access to Sprint branded Vision data services. Qwest will continue to provide sales and service support to its wireless customers, including the promotion and sale of handsets and price plans, as well as provide customer service, including billing and account information. Sprint will serve as the exclusive provider to Qwest of wireless services for resale in the markets served by the PCS Group. The transition of customers to the PCS network will begin in early 2004.

The wireless industry, including the PCS Group, typically generates a higher number of subscriber additions and handset sales in the fourth quarter of each year compared to the other quarters. This is due to the use of retailer distribution, which is dependent on the holiday shopping season; the timing of new products and service introductions; and aggressive marketing and sales promotions.

<table>
<thead>
<tr>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues</td>
<td>$12,690</td>
<td>$12,074</td>
</tr>
<tr>
<td>Operating expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Costs of services and products</td>
<td>6,155</td>
<td>5,783</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>3,136</td>
<td>3,411</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>2,486</td>
<td>2,267</td>
</tr>
<tr>
<td>Restructuring and asset impairment</td>
<td>362</td>
<td>138</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>12,139</td>
<td>11,599</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>$551</td>
<td>$475</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>$2,150</td>
<td>$2,668</td>
</tr>
</tbody>
</table>

The PCS Group made progress in improving its operating and service measures in 2003. The PCS Group exited the year with a 5% increase in net operating revenues and a $76 million improvement in operating income.

In 2004, Sprint expects the PCS Group to grow its customer base, while continuing to make strides towards a customer-centric organization. Competitive pressure on price is expected to continue, but is expected to be partially offset by increased usage and revenues from PCS Vision services, including data, e-mail, instant messaging, taking, sending and receiving photographs, games and Internet browsing, and Ready Link, a two-way walkie-talkie-style communication.

Sprint is a leader in wireless data, with over one-third of our PCS customer base subscribing to our 3G network. We continue to evaluate next generation wireless high speed data network options to ensure we maintain a leadership position, as well as to support our integration strategies.

The PCS Group markets its products through multiple distribution channels, including its own retail stores as well as other retail outlets. Equipment sales to one retail chain and the subsequent service revenues generated by sales to its customers accounted for 21% of net operating revenues in 2003, 22% in 2002 and 24% in 2001.

**Net Operating Revenues**

<table>
<thead>
<tr>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers at year-end (millions)</td>
<td>15.9</td>
<td>14.8</td>
</tr>
<tr>
<td>Average monthly service revenue per user (ARPU)</td>
<td>$61</td>
<td>$62</td>
</tr>
</tbody>
</table>

Average monthly service revenue per user (ARPU) is calculated by dividing wireless service revenues by weighted average monthly wireless subscribers. This is a measure which uses GAAP as the basis for the calculation. ARPU, which is used by most wireless companies, is a method of valuing the recurring activity by measuring revenue on a per user basis. Analysts and investors primarily use ARPU to compare relative value across the wireless industry.

Net operating revenues include service revenues and sales of handsets and accessory equipment. Service revenues consist of monthly recurring charges, usage charges, a pro rata portion of activation fees and miscellaneous fees such as directory assistance, operator-assisted calling, handset insurance and late payment charges. In 2003, Sprint saw increased pricing pressures and lower overage charges from usage-based plans,
which were offset by customers subscribing to higher usage service plans, increased revenues from data services and increased fees. Average monthly usage in 2003 was 13 hours compared to 10 hours in 2002. At the end of the period more than one-third of the customer base was using data services compared to approximately 20% at the end of 2002.

The PCS Group had 1.1 million post-paid retail customer additions in 2003 to end the year with 15.9 million customers. Resellers added 1.2 million customers in 2003, increasing their customer base to 1.6 million from 415,000 in 2002, principally due to Virgin Mobile, USA. The PCS Group third party affiliates added more than 297,000 customers in 2003. This brings the total number of customers served on the PCS network, including post-paid retail, affiliate, and resale customers, to approximately 20.4 million in more than 300 metropolitan markets nationwide at the 2003 year-end. In 2003, nearly 37 percent of new post-paid retail customers chose to include PCS Vision in their service package.

Service revenues increased 6% in 2003 mainly reflecting an increase in the number of direct customers, increased revenue from wholesale and affiliate partners, and stable ARPU. Service revenues increased 27% in 2002 mainly reflecting an increase in the number of customers and stable ARPU. In 2002, increased pricing pressures were offset by customers subscribing to higher usage service plans, and increased miscellaneous fees in 2001 and late payment fees in 2002. The PCS Group had 1.2 million post-paid retail customer additions in 2002 to end the year with 14.8 million customers. Resellers added 196,000 customers in 2002, which increased their customer base to 415,000 from 219,000 in 2001, principally due to Virgin Mobile, USA. The PCS Group third party affiliates added more than 544,000 customers in 2002, bringing the total number of customers served on the PCS network, including post-paid retail, affiliates and resale customers, to more than 17.7 million.

In 2003, the customer churn rate decreased to 2.7% from 3.3% in 2002. This was a slight increase from 2.6% in 2001. The 2003 improvement was primarily due to a reduction in the involuntary churn rate as the PCS Group benefited from effective customer retention programs and credit management policies initiated in the 2002 fourth quarter. This improvement was partially offset by a slight increase in voluntary churn due in part to the institution of WLNP in the fourth quarter of 2003. The 2002 increase resulted primarily from company-initiated churn largely associated with the deactivation of Clear Pay customers, as well as a slight increase in the voluntary churn rate.

In November 2003, WLNP was instituted for the 100 largest markets across the United States. While the PCS Group experienced an increase in churn in December following WLNP implementation, the fourth quarter impact on net additions was immaterial. We intend to implement WLNP beyond the 100 largest markets in May 2004. The vast majority of PCS customers are resident in the 100 largest markets where WLNP is already available.

Revenues from sales of handsets and accessories, including new customers and upgrades, were approximately 9.0% of net operating revenues in 2003, 10.0% in 2002 and 11.8% in 2001. These declines were mainly due to higher rebates and lower gross additions. As part of the PCS Group’s marketing plans, handsets, net of rebates, are usually sold at prices below cost.

Other service revenues consist of net fees collected from affiliates for network operation and customer maintenance and also include revenues from the wholesale of PCS services to companies that resell to their customers on a retail basis. Other revenues represented 2.6% of net operating revenues in 2003, 1.8% in 2002 and 2.9% in 2001. The 2003 increase mainly reflects net additions to the affiliate base and the wholesale customer base through Virgin Mobile, USA. The 2002 decrease is primarily due to discontinuation of a specific reseller program.

The PCS Group assesses access charges to long distance carriers for the termination of landline originated calls. Though regulations generally entitle a carrier that terminates a call on behalf of another to be compensated for providing that service, these regulations were developed in a period where services of this nature were provided exclusively by local exchange carriers. Many long distance carriers have disputed the PCS Group’s assessment of these charges, as well as the corresponding rate at which the charges were determined. In July 2002, the FCC released a ruling affirming that nothing prohibited wireless carriers from imposing access charges for the use of their networks; however, the FCC also stated that inter-exchange carriers could not be unilaterally required to pay these charges without a contractual obligation to do so. The FCC referred the dispute back to the Federal District Court for the Western District of Missouri for a determination whether the PCS Group has stated a claim under
Missouri State law where the case is still pending. The FCC ruling was affirmed by the D.C. Circuit Court of Appeals. In light of this ruling, in the 2002 second quarter the PCS Group recorded an additional provision for outstanding receivables related to amounts previously billed.

Cost of Services and Products
The PCS Group’s costs of services and products mainly include handset and accessory costs, switch and cell site expenses, customer service costs and other network-related costs. These costs increased 6% in 2003 and 9% in 2002. The increases are primarily due to network support of a larger customer base, higher minutes of use, expanded market coverage and increased handset unit costs. These increases are somewhat offset by decreases in customer service expense. Handset and equipment costs were 39% of total costs of services and products in 2003 and 2002 and 37% in 2001. Costs of services and products were 48.5% of net operating revenue in 2003, 47.9% in 2002 and 54.4% in 2001.

Selling, General and Administrative Expense
SG&A expense mainly includes marketing costs to promote products and services as well as salary and benefit costs. SG&A expense decreased 8% in 2003 compared to an increase of 17% in 2002. The 2003 decrease was primarily due to a decline in bad debt expense due to a better credit class mix, leading to lower write-offs and higher recovery. This decrease was partially offset by increases in other sales and marketing costs due to more competitive market conditions and expanded direct sales presence and the executive separation agreements. The 2002 increase reflects increased marketing and selling costs associated with the PCS Vision launch and increased bad debt expense. SG&A expense was 24.7% of net operating revenues in 2003, 28.3% in 2002 and 30.0% in 2001. Bad debt expense as a percent of net operating revenues was 2.3% in 2003, 5.1% in 2002 and 3.9% in 2001. Reserve for bad debt as a percent of outstanding accounts receivable was 7.3% in 2003, 9.4% in 2002, and 9.1% in 2001. The 2003 improvements were mainly driven by credit management policies initiated in the 2002 fourth quarter resulting in lower involuntary churn and improved receivables aging.

Depreciation and Amortization Expense
Estimates and assumptions are used in setting depreciable lives. Assumptions are based on internal studies of use, industry data on lives, recognition of technological advancements and understanding of business strategy. Depreciation and amortization expense consists mainly of depreciation of network assets and amortization of intangible assets. The definite life intangible assets include various customer bases, which became fully amortized in August 2002.

Depreciation and amortization expense increased 10% in 2003 and 5% in 2002 mainly reflecting depreciation of the network assets placed in service during 2002 and 2003. Amortization of goodwill and indefinite life intangibles ceased upon adoption of SFAS No. 142 at January 1, 2002. Depreciation and amortization expense was 19.6% of net operating revenues in 2003, 18.8% in 2002, and 22.1% in 2001.

Restructuring and Asset Impairment
In 2003, the PCS Group recorded asset impairments of $349 million primarily related to the termination of development of a new billing platform. The PCS Group also recorded a restructuring charge of $13 million for severance costs associated with Sprint’s transformation to a customer-focused organization and contractual obligations related to the terminated development of a new billing platform, offset by the finalization of all 2001 and 2002 restructuring activities.

In 2002, the PCS Group recorded a restructuring charge of $78 million representing the consolidations in Sprint’s Network, Information Technology, and Billing and Accounts Receivable organizations, as well as other reductions to create a more competitive cost structure by reducing operating expenses. Additionally, the PCS Group recorded an asset impairment of $42 million representing abandoned network projects.

In 2002, the PCS Group incurred an $18 million charge associated with the closing of five PCS customer solution centers, as well as additional steps to reduce operating costs in the PCS business units.

In 2001, Sprint consolidated and streamlined marketing and network operations, as well as streamlined corporate support functions. This resulted in a charge of $10 million to the PCS Group associated with severance costs and termination of contractual obligations. For additional information see Note 5 of the Notes to Consolidated Financial Statements.
**Nonoperating Items**

**Interest Expense**

The effective interest rates in the following table reflect interest expense on long-term debt only. Interest costs on short-term borrowings and interest costs on deferred compensation plans have been excluded so as not to distort the effective interest rates on long-term debt. See “Liquidity and Capital Resources” for more information on Sprint’s financing activities.

<table>
<thead>
<tr>
<th>Effective interest rate on long-term debt</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7.0%</td>
<td>6.9%</td>
<td>6.7%</td>
</tr>
</tbody>
</table>

The effective interest rate includes the effect of interest rate swap agreements. See Note 3 in the Notes to Consolidated Financial Statements for more details regarding interest rate swaps. Sprint’s effective interest rate on long-term debt increased in 2003 due to the retirement of fixed-rate debt with lower interest rates. The effective interest rate increased in 2002 due to additional fixed-rate debt with higher interest rates.

**Allocation of Group Financing**

Financing activities for the groups are managed by Sprint on a centralized basis. Debt incurred by Sprint on behalf of the groups is specifically allocated to and reflected in the financial statements of the applicable group. Interest expense is allocated to the PCS Group based on an interest rate that is substantially equal to the rate it would be able to obtain from third parties as a direct or indirect wholly owned Sprint subsidiary, but without the benefit of any guarantee by Sprint or any member of the FON Group. That interest rate is higher than the rate Sprint obtains on borrowings. The difference between Sprint’s actual interest rate and the rate charged to the PCS Group is reflected as a reduction in the FON Group’s interest expense and totaled $374 million in 2003, $336 million in 2002, and $288 million in 2001. These amounts are reflected in the “Intergroup interest charge” on the Consolidated Statements of Operations.

The FON Group earned intergroup interest income and the PCS Group incurred intergroup interest expense of $15 million in 2001 primarily related to the FON Group’s ownership of PCS Group debt securities. Sprint redeemed these securities in the 2001 fourth quarter. As a result of this redemption, the FON Group recognized an $11 million pre-tax gain to other non-operating income and the PCS Group recorded an $11 million pre-tax loss to premium on early retirement of debt.

Under Sprint’s centralized cash management program, one group may advance funds to the other group. These advances are accounted for as short-term borrowings between the groups and bear interest at a market rate that is substantially equal to the rate that group would be able to obtain from third parties on a short-term basis.

The allocation of group financing activities may change at the discretion of the Sprint board and does not require shareholder approval.

**Discount (Premium) on Early Retirement of Debt**

In the third quarter of 2003, Sprint recorded a net premium of $2 million due to the early retirement of $118 million of debt primarily consisting of the local division’s first mortgage bonds. This debt had interest rates ranging from 5.7% to 9.3% and maturity dates ranging from 2003 to 2021.

In March 2003, Sprint completed a tender offer to purchase $442 million principal amount of current senior notes before their scheduled maturity. The notes had an interest rate of 5.7% and a maturity date of November 15, 2003. A premium of $6 million was paid as part of the tender offer.

Also in March 2003, Sprint completed a tender offer to purchase $635 million principal amount of its long-term senior notes before their scheduled maturity. The notes had an interest rate of 5.9% and a maturity date of May 1, 2004. A premium of $13 million was paid as part of the tender offer.

In 2002, Sprint repurchased, before scheduled maturities, $67 million of debt allocated to the FON Group. These borrowings had interest rates ranging from 6.0% to 7.1%. This resulted in a discount for Sprint of $4 million.

In 2001, Sprint redeemed, before scheduled maturities, $18 million of debt allocated to the FON Group and $558 million of debt allocated to the PCS Group. These borrowings had interest rates ranging from 9.9% to 12.5%. This resulted in a discount of $6 million for Sprint.
Other Income (Expense), Net

Other income (expense), net consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2003 (millions)</th>
<th>2002 (millions)</th>
<th>2001 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividend and interest income</td>
<td>$ 51</td>
<td>$ 31</td>
<td>$ 33</td>
</tr>
<tr>
<td>Royalties</td>
<td>13</td>
<td>9</td>
<td>—</td>
</tr>
<tr>
<td>Equity in net losses of affiliates</td>
<td>(77)</td>
<td>(117)</td>
<td>(157)</td>
</tr>
<tr>
<td>Net losses from investments</td>
<td>(3)</td>
<td>(258)</td>
<td>(188)</td>
</tr>
<tr>
<td>Gains (losses) on sales of other assets</td>
<td>—</td>
<td>117</td>
<td>10</td>
</tr>
<tr>
<td>Amortization of debt costs</td>
<td>(35)</td>
<td>(36)</td>
<td>(20)</td>
</tr>
<tr>
<td>Losses from disposal of PP&amp;E</td>
<td>(9)</td>
<td>(13)</td>
<td>(4)</td>
</tr>
<tr>
<td>Benefit plan curtailment gain</td>
<td>—</td>
<td>—</td>
<td>120</td>
</tr>
<tr>
<td>Foreign currency transactions</td>
<td>(5)</td>
<td>7</td>
<td>—</td>
</tr>
<tr>
<td>Litigation settlement</td>
<td>(15)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other, net</td>
<td>(9)</td>
<td>(5)</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(89)</strong></td>
<td><strong>(265)</strong></td>
<td><strong>(202)</strong></td>
</tr>
</tbody>
</table>

Dividend and interest income for all years reflects dividends earned on cost method investments and interest earned on temporary investments.

Beginning in January 2002, Call-Net began making a royalty payment of 2.5% of revenues to Sprint. Currently, this is approximately $3 million per quarter.

Equity in net losses of affiliates in 2003 was primarily driven by the PCS Group’s investment in Virgin Mobile, USA. Sprint made an additional investment of $20 million in Virgin Mobile, USA in 2003 and immediately recognized an equal amount of losses associated with this additional investment. The 2003 decrease was primarily lower equity loss pick-ups related to Pegaso due to the 2002 sale of this investment, offset by equity losses of Virgin Mobile, USA.

In 2002, equity in net losses of affiliates was driven by the PCS Group’s investment in Virgin Mobile, USA and Pegaso, and the FON Group’s investment in Call-Net. Sprint made an additional investment of $16 million in Call-Net in the 2002 second quarter and immediately recognized an equal amount of losses associated with the investment. The 2002 decrease was due to a reduction in equity losses following the write-down of the investment in Intelig and the sale of Pegaso, partially offset by Virgin Mobile, USA and Call-Net losses.

In 2001, equity in net losses of affiliates was driven by the PCS Group’s investment in Pegaso and the FON Group’s investment in Intelig. In the first quarter of 2001, Sprint modified its relationship with EarthLink which resulted in its investment in common stock no longer being accounted for using the equity method.

Net losses from investments in 2003 are driven by a loss on sale of EarthLink shares. The 2002 losses mainly consist of the write-down of EarthLink preferred shares to market value. Net losses from investments in 2001 mainly include a $162 million write-down of an equity investment in Intelig and a $25 million loss on the partial sale of EarthLink shares.

Gains on sales of other assets in 2002 were driven by the sale of Sprint’s investment in Pegaso, certain customer contracts and stock received during a company’s demutualization. Gains on sales of other assets in 2001 resulted from the sale of PCS customers to a PCS third party affiliate.

The benefit plan curtailment gain in 2001 resulted from an amendment of certain medical retirement plan benefits.

In the 2003 first quarter, Sprint recorded a $50 million net charge to settle shareholder litigation. In the 2003 third and fourth quarters, Sprint recorded a $17 million and $18 million credit, respectively, from insurance settlements related to this action. See Note 16 of Notes to Consolidated Financial Statements for additional information.

Income Taxes

Sprint’s consolidated effective tax rates were 41.1% in 2003, (8.8)% in 2002, and 31.8% in 2001. See Note 14 of Notes to Consolidated Financial Statements for information about the differences that caused the effective income tax rates to vary from the statutory federal rate for income taxes related to continuing operations.
**Discontinued Operations, Net**

In the 2002 third quarter, Sprint reached a definitive agreement to sell its directory publishing business to R.H. Donnelley for $2.23 billion in cash. The sale closed on January 3, 2003. The pretax gain recognized in 2003 was $2.14 billion, $1.32 billion after tax.

**Financial Condition**

<table>
<thead>
<tr>
<th></th>
<th>2003 (millions)</th>
<th>2002 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FON Group</td>
<td>$21,862</td>
<td>$23,133</td>
</tr>
<tr>
<td>PCS Group</td>
<td>21,846</td>
<td>23,022</td>
</tr>
<tr>
<td>Intergroup eliminations</td>
<td>(858)</td>
<td>(862)</td>
</tr>
<tr>
<td>Consolidated assets</td>
<td>$42,850</td>
<td>$45,293</td>
</tr>
</tbody>
</table>

Sprint's consolidated assets decreased $2.4 billion in 2003. Cash and equivalents increased $1.4 billion due to improved operating cash flows, reduced capital expenditures and the sale of Sprint's directory publishing business to R.H. Donnelley in the 2003 first quarter. In connection with the gain recognized from this sale, Sprint utilized nearly $800 million in deferred tax assets. Net property, plant and equipment decreased $1.5 billion as capital expenditures were more than offset by depreciation expense and asset impairments. Spectrum licenses declined due to an impairment charge of $1.2 billion related to the write-down in fair value of Sprint's MMDS spectrum.

The Sprint debt-to-total-capital ratio was 58.7% at year-end 2003 versus 63.7% at year-end 2002. The rating agencies generally give some form of equity treatment for equity unit notes in determining debt-to-total-capital ratios. Assuming that the Sprint equity unit notes are treated as 80% equity and 20% debt, this ratio would be 54.5% at year-end 2003, versus 59.7% at year-end 2002. Accordingly, this debt-to-total-capital ratio for Sprint is calculated defining “debt” as short-term borrowings, long-term debt, capital lease obligations and 20% of the equity unit notes carrying amount. Total capital is defined as “debt,” plus the remaining 80% of the equity unit notes value, redeemable preferred stock and total shareholders’ equity. See “Liquidity and Capital Resources” for more information about changes in Sprint’s Consolidated Balance Sheets.

**Liquidity and Capital Resources**

Sprint’s board of directors exercises discretion regarding the liquidity and capital resource needs of its business segments. This includes the ability to prioritize the use of capital and debt capacity, to determine cash management policies and to make decisions regarding the timing and amount of capital expenditures.

**Operating Activities**

<table>
<thead>
<tr>
<th></th>
<th>2003 (millions)</th>
<th>2002 (millions)</th>
<th>2001 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FON Group</td>
<td>$4,039</td>
<td>$4,176</td>
<td>$4,457</td>
</tr>
<tr>
<td>PCS Group</td>
<td>2,503</td>
<td>2,030</td>
<td>106</td>
</tr>
<tr>
<td>Cash flows provided (used) by operating activities of continuing operations</td>
<td>$6,542</td>
<td>$6,206</td>
<td>$4,563</td>
</tr>
</tbody>
</table>

Operating cash flows increased $336 million in 2003 and $1.6 billion in 2002. The 2003 increase was mainly due to growth in the PCS Group partially offset by higher working capital requirements in both the FON and PCS Groups. The 2002 increase was driven mainly by growth in the PCS Group. Cost controls and reductions in work force in the FON Group mitigated the revenue erosion seen in the global market division. The receipt of $480 million of tax refunds generated by the economic stimulus bill passed in the 2002 first quarter also contributed to the increase. The 2002 increase was partially offset by higher working capital requirements.

**Investing Activities**

<table>
<thead>
<tr>
<th></th>
<th>2003 (millions)</th>
<th>2002 (millions)</th>
<th>2001 (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FON Group</td>
<td>$(1,876)</td>
<td>$(1,987)</td>
<td>$(5,036)</td>
</tr>
<tr>
<td>PCS Group</td>
<td>(2,181)</td>
<td>(2,608)</td>
<td>(3,742)</td>
</tr>
<tr>
<td>Cash flows provided (used) by investing activities of continuing operations</td>
<td>$(4,057)</td>
<td>$(4,595)</td>
<td>$(8,778)</td>
</tr>
</tbody>
</table>
The FON Group’s capital expenditures totaled $1.7 billion in 2003, $2.2 billion in 2002, and $5.3 billion in 2001. Global markets division capital expenditures were incurred mainly to enhance network reliability and upgrade capabilities for providing new products and services. The local division incurred capital expenditures to accommodate voice-grade equivalent growth, maintain or improve service delivery capabilities, expand capabilities for providing enhanced services, convert our network from circuit to next generation packet switching and continue the build-out of high-speed DSL services. The decline in FON Group capital expenditures was driven mainly by the termination of Sprint ION in 2001 and reduced spending for data-related services. The PCS Group capital expenditures, totaling $2.2 billion in 2003, $2.7 billion in 2002, and $3.8 billion in 2001, were incurred to increase capacity and expand coverage. The 2002 and 2001 amounts also include approximately $100 million and $600 million, respectively, of expenditures related to deployment of 3G technology which was launched nationwide in 2002. Network efficiencies gained from 3G technology contributed to lower capital requirements in 2003.

Investing activities also include contributions of $32 million to Virgin Mobile, USA in 2003; proceeds of $116 million due to sales and dissolutions of investments in 2002; and contributions of $66 million to EarthLink, Virgin Mobile, USA, Intelig, SVC BidCo L.P., and Pegaso in 2001. See Note 2 of Notes to Consolidated Financial Statements for more information on investments.

Additionally, other investing activities include proceeds from sales of other assets totaling $101 million in 2003, $138 million in 2002, and $301 million in 2001. In 2003, investing activities mainly include proceeds from the partial sale of the FON Group’s investment in EarthLink stock and proceeds from the sale of certain network and administrative assets. In 2002, investing activities mainly include proceeds from the sale of the PCS Group’s investment in Pegaso and the FON Group’s sale of certain customer contracts, investment securities and other administrative assets. The 2001 activities mainly include proceeds from sale of PCS customers to an affiliate and certain network and administrative assets.

### Financing Activities

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>FON Group</td>
<td>$(2,702)</td>
<td>$(1,836)</td>
<td>463</td>
</tr>
<tr>
<td>PCS Group</td>
<td>(627)</td>
<td>793</td>
<td>3,688</td>
</tr>
<tr>
<td>Cash flows provided (used) by financing activities of continuing operations</td>
<td>$(3,329)</td>
<td>$(1,043)</td>
<td>4,161</td>
</tr>
</tbody>
</table>

Financing activities mainly reflect a $2.9 billion reduction of debt in 2003 and a $642 million reduction in 2002, compared to a net borrowing of $4.0 billion in 2001. The reduction in the debt requirements in 2003 and 2002 was due to Sprint’s continuing operating cash flow improvement, reduced capital expenditures, and proceeds from the sale of Sprint’s directory publishing business in the 2003 first quarter. In 2001, cash provided by financing activities was used mainly to fund capital investments and working capital requirements. Financing activities also reflect net proceeds from the issuance of common stock of $12 million in 2003, $3 million in 2002, and $608 million in 2001. Sprint paid dividends of $457 million in 2003, $454 million in 2002, and $451 million in 2001. Also included in financing activities are proceeds from options exercised under Sprint’s employee stock benefit plans, debt issuance costs and other financing activities of $24 million in 2003, $50 million in 2002, and $16 million in 2001.

### Capital Requirements

Sprint’s 2004 investing activities, mainly consisting of capital expenditures, are expected to total approximately $4.0 billion. FON Group capital expenditures are expected to be $1.6 billion. These expenditures are primarily to support the growth in demand for enterprise services. They also include investments for broadband initiatives and the phased transition from circuit to packet switching. PCS Group capital expenditures are expected to be $2.4 billion. These investments are targeted largely for network capacity and coverage. Sprint continues to review capital expenditure requirements closely and will adjust spending and capital investment in concert with growth. Dividend payments are expected to be approximately $670 million in 2004 including the impact of the recombination of the tracking stocks in April 2004. Sprint expects overall cash from operations to be $6.5 billion in 2004, with $3.6 billion from the FON Group and $2.9 billion from the PCS Group.

In 1998, Sprint adopted a tax sharing agreement providing for the allocation of income taxes between the FON Group and the PCS Group. That agreement expired with the 2001 tax year and Sprint adopted a continuation of that tax sharing arrangement except for the elimination of provisions addressing certain types of acquisitions or
restructurings, which never became operable under the original arrangement. Sprint expects the FON Group to continue to make significant payments to the PCS Group under this arrangement because of expected PCS Group tax losses in the near future and from using the PCS Group’s tax loss carryforwards. These payments reflect the PCS Group’s incremental cumulative effect on Sprint’s consolidated federal and state tax liability and tax credit position. The PCS Group received payments from the FON Group totaling $1.1 billion in 2003, which includes $700 million in connection with the gain on the sale of Sprint’s directory publishing business, $360 million in 2002, and $292 million in 2001. See Note 1 of Notes to Consolidated Financial Statements, “Intergroup Transactions and Allocations—Allocation of Federal and State Income Taxes,” for more details.

**Liquidity**

In recent years, Sprint has used the long-term bond market as well as other financial markets to fund its needs. As a result of its improved liquidity position, Sprint currently does not expect to borrow funds through the capital markets in 2004 to fund capital expenditures and operating and working capital requirements.

In January 2003, Sprint closed on the $2.23 billion cash sale of its directory publishing business to R.H. Donnelley.

In June 2003, Sprint entered into a new revolving credit facility with a syndicate of banks. The facility is unsecured, with no springing liens, and is structured as a 364-day credit line with a subsequent one-year, $1.0 billion term-out option. Sprint does not intend to draw against this facility. Sprint had standby letters of credit serving as a backup to various obligations of approximately $134 million at year-end 2003.

Sprint has a PCS Group accounts receivable asset securitization facility that provides Sprint with up to $500 million of additional liquidity. The facility expires in 2005, is subject to annual renewals and does not include any ratings triggers that would allow the lenders involved to terminate the facility in the event of a credit rating downgrade. The maximum amount of funding available is based on numerous factors and fluctuates each month. Sprint has not drawn against the facility and slightly more than $223 million was available as of year-end 2003.

Sprint also has a global markets division accounts receivable asset securitization facility that provides Sprint with up to $700 million of additional liquidity. The facility, which expires in 2005, is subject to annual renewals and does not include any ratings triggers that would allow the lenders involved to terminate the facility in the event of a credit rating downgrade. The maximum amount of funding available is based on numerous factors and fluctuates each month. In February 2003, Sprint prepaid all outstanding borrowings under this facility. As of December 31, 2003, Sprint had more than $468 million total funding available under the facility.

The undrawn loan facilities described above have interest rates equal to LIBOR or Prime Rate plus a spread that varies depending on Sprint’s credit ratings.

Debt maturities, including capital lease obligations, during 2004 total $594 million. Sprint’s $2.4 billion cash balance at December 31, 2003, and expected net cash provided by operating activities of continuing operations in excess of capital requirements of $2.0 billion in 2004 more than fund these requirements.

Any borrowings Sprint may incur are ultimately limited by certain debt covenants. Sprint could borrow up to an additional $6.7 billion at year-end 2003 under the most restrictive of its debt covenants. The most restrictive covenant is contained in the new revolving credit facility, which is referenced in exhibit 10(c) to this annual report on Form 10-K, and limits debt, as defined in the agreement, to a multiple of income, adjusted for various items as set forth in the agreement. The same restrictive covenant is contained in the PCS Group and the global markets division accounts receivable asset securitization facilities. Sprint is currently in compliance with all debt covenants associated with its borrowings.

Sprint completed its tender offers to repurchase senior notes in March 2003 in the amount of $1.1 billion and repaid, before scheduled maturities, $118 million of debt primarily consisting of the local division’s first mortgage bonds in the 2003 third quarter. In September 2003, Sprint repaid the $300 million Export Development Canada loan. Sprint continually evaluates various factors and, as a result, may repurchase additional debt in the future.

In December 2002, Sprint repurchased long-term debt in the amount of $67 million.

In March 2002, Sprint issued $5 billion of debt securities. These borrowings have interest rates ranging from 7.9% to 8.8% and maturities ranging from 2005 to 2032. The proceeds were allocated 5% to the FON Group and 95% to the PCS Group and were used to extinguish outstanding commercial paper and for general corporate purposes.
Fitch Ratings (Fitch) currently rates Sprint’s long-term senior unsecured debt at BBB with a stable outlook. Standard and Poor’s Corporate Ratings (Standard and Poor’s) currently rates Sprint’s long-term senior unsecured debt at BBB- with a stable outlook. In June 2003, Moody’s Investors Service (Moody’s) raised Sprint’s outlook to stable. Moody’s currently rates Sprint’s long-term senior unsecured debt at Baa3.

Sprint’s ability to fund its capital needs is ultimately impacted by the overall capacity and terms of the bank, term-debt and equity markets. Given the volatility in the markets, Sprint continues to monitor the markets closely and to take steps to maintain financial flexibility and a reasonable capital structure cost. Other than the remarketing of its equity unit notes as discussed in Note 9 of Notes to the Consolidated Financial Statements, Sprint currently plans to access the markets only for extension, replacement or renewal of current credit arrangements.

As of December 31, 2003, Sprint’s contractual obligations are summarized below and are fully disclosed in Notes 2, 7, 8, 9, 10, and 16 to Sprint’s Consolidated Financial Statements.

<table>
<thead>
<tr>
<th>Payments Due by Period</th>
<th>Less than 1 year</th>
<th>1–3 years</th>
<th>4–5 years</th>
<th>After 5 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$17,141</td>
<td>$518</td>
<td>$1,949</td>
<td>$3,311</td>
</tr>
<tr>
<td>Equity unit notes</td>
<td>1,725</td>
<td>—</td>
<td>1,725</td>
<td>—</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>294</td>
<td>76</td>
<td>195</td>
<td>23</td>
</tr>
<tr>
<td>Estimated future interest payments</td>
<td>16,046</td>
<td>1,356</td>
<td>2,414</td>
<td>1,930</td>
</tr>
<tr>
<td>Redeemable preferred stock</td>
<td>247</td>
<td>—</td>
<td>—</td>
<td>247</td>
</tr>
<tr>
<td>Estimated dividends on redeemable preferred stock</td>
<td>33</td>
<td>7</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Operating leases</td>
<td>2,665</td>
<td>768</td>
<td>1,050</td>
<td>407</td>
</tr>
<tr>
<td>Unconditional purchase obligations</td>
<td>2,971</td>
<td>1,446</td>
<td>1,429</td>
<td>96</td>
</tr>
<tr>
<td>Investment commitment</td>
<td>10</td>
<td>10</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Total contractual obligations</td>
<td>$41,132</td>
<td>$4,181</td>
<td>$8,775</td>
<td>$6,027</td>
</tr>
</tbody>
</table>

Unconditional Purchase Obligations

The FON Group has minimum purchase commitments with various vendors through 2009. Outstanding commitments at year-end 2003 were approximately $1.2 billion. The outstanding commitments consist primarily of network equipment and maintenance, access commitments, information technology services, advertising and marketing and other expenses related to normal business operations.

The PCS Group has minimum purchase commitments with various vendors through 2008. Outstanding commitments at year-end 2003 were approximately $1.8 billion. The outstanding commitments consist primarily of network equipment and maintenance, handset purchases, access commitments, information technology services, customer support provided by third parties, advertising and marketing and other expenses related to normal business operations.

Off-Balance Sheet Financing

Sprint does not participate in, nor secure, financings for any unconsolidated, special purpose entities.

Regulatory Developments

See Legislative and Regulatory Developments in Part I. of this filing.

Financial Strategies

General Risk Management Policies

Sprint selectively enters into interest rate swap agreements to manage its exposure to interest rate changes on its debt. Sprint also enters into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Sprint seeks to minimize counterparty credit risk through stringent credit approval and review processes, the selection of only the most creditworthy counterparties, continual review and monitoring of all counterparties, and thorough legal review of contracts. Sprint also controls exposure to market risk by regularly monitoring changes in foreign exchange and interest rate positions under normal and stress conditions to ensure they do not exceed established limits.
Sprint’s derivative transactions are used principally for hedging purposes and comply with board-approved policies. Senior management receives frequent status updates of all outstanding derivative positions.

**Interest Rate Risk Management**

**Fair Value Hedges**
Sprint enters into interest rate swap agreements to manage exposure to interest rate movements and achieve an optimal mixture of floating and fixed-rate debt while minimizing liquidity risk. The interest rate swap agreements designated as fair value hedges effectively convert Sprint’s fixed-rate debt to a floating rate by receiving fixed rate amounts in exchange for floating rate interest payments over the life of the agreement without an exchange of the underlying principal amount. During 2003, Sprint entered into interest rate swap agreements, which were designated as fair value hedges.

**Cash Flow Hedges**
Sprint enters into interest rate swap agreements designated as cash flow hedges to reduce the impact of interest rate movements on future interest expense by effectively converting a portion of its floating-rate debt to a fixed-rate. As of December 31, 2003, Sprint had no outstanding interest rate cash flow hedges.

**Other Derivatives**
In certain business transactions, Sprint is granted warrants to purchase the securities of other companies at fixed rates. These warrants are supplemental to the terms of the business transaction and are not designated as hedging instruments.

During 2002 and 2003, Sprint entered into variable prepaid forward contracts to monetize equity securities held as available for sale. The derivatives have been designated as cash flow hedges to reduce the variability in expected cash flows related to the forecasted sale of the underlying equity securities.

**Foreign Exchange Risk Management**
Sprint’s foreign exchange risk management program focuses on reducing transaction exposure to optimize consolidated cash flow. Sprint’s primary transaction exposure results from payments made to and received from overseas telecommunications companies for completing international calls made by Sprint’s domestic customers and from the operation of its international subsidiaries. These international operations were not material to the consolidated financial position, results of operations or cash flows at year-end 2003. Sprint has not entered into any significant foreign currency forward contracts or other derivative instruments to reduce the effects of adverse fluctuations in foreign exchange rates. As a result, Sprint was not subject to material foreign exchange risk.

**Recently Issued Accounting Pronouncements**
In December 2003, the Financial Accounting Standards Board revised SFAS No. 132, *Employers’ Disclosures About Pensions and Other Postretirement Benefits*. This statement adds to the disclosures required by SFAS No. 132. Effective for 2003 year-end financial statements, additional disclosures are required for the types of assets in the plan, investment policies, plan obligations, and plan contributions for defined benefit pension plans and other defined benefit postretirement plans. For interim periods beginning after December 15, 2003, additional disclosures are required for net periodic benefit cost and plan contributions. This guidance does not change the requirements for the measurement or recognition of pension and other postretirement benefit plans prescribed by SFAS No. 87, *Employers’ Accounting for Pensions*, SFAS No. 88, *Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, and SFAS No. 106, *Employers’ Accounting for Postretirement Benefits Other Than Pensions*. Sprint adopted this statement effective December 31, 2003.

See Note 13 of Notes to Consolidated Financial Statements for Sprint’s discussion of its pension and other postretirement benefits.
Item 7A. Quantitative and Qualitative Disclosures about Market Risk

The risk inherent in Sprint’s market risk sensitive instruments and positions is the potential loss arising from adverse changes in those factors. Sprint is susceptible to certain risks related to changes in interest rates and foreign currency exchange rate fluctuations. Sprint does not purchase or hold any derivative financial instruments for trading purposes.

Interest Rate Risk

The communications industry is a capital intensive, technology driven business. Sprint is subject to interest rate risk primarily associated with its borrowings. Sprint selectively enters into interest rate swap and cap agreements to manage its exposure to interest rate changes on its debt.

Approximately 97% of Sprint’s debt at December 31, 2003 is fixed-rate debt excluding interest rate swaps. While changes in interest rates impact the fair value of this debt, there is no impact to earnings and cash flows because Sprint intends to hold these obligations to maturity unless market conditions are favorable.

As of December 31, 2003, Sprint held fair value interest rate swaps with a notional value of $1 billion. These swaps were entered into as hedges of the fair value of a portion of our senior notes. These interest rate swaps have maturities ranging from 2008 to 2012. On a semiannual basis, Sprint pays a floating rate of interest equal to the six-month LIBOR plus a fixed spread which averaged 4.0% as of December 31, 2003, and received an average interest rate equal to the coupon rates stated on the underlying senior notes of 7.2%. Assuming a one percentage point increase in the prevailing forward yield curve, the fair value of the interest rate swaps and the underlying senior notes would change by $55 million. These interest rate swaps met all the requirements for perfect effectiveness under derivative accounting rules; therefore, there is no impact to earnings and cash flows for any fair value fluctuations.

Sprint performs interest rate sensitivity analyses on its variable rate debt including interest rate swaps. These analyses indicate that a one percentage point change in interest rates would have an annual pre-tax impact of $13 million on the statements of operations and cash flows at December 31, 2003. While Sprint’s variable-rate debt is subject to earnings and cash flows impacts as interest rates change, it is not subject to changes in fair values.

Sprint also performs a sensitivity analysis on the fair market value of its outstanding debt. A 10% decline in market interest rates would cause a $568 million increase in fair market value of its debt to $19.7 billion. This analysis includes the hedged debt, but excludes Sprint’s equity unit notes.

Foreign Currency Risk

Sprint also enters into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Sprint uses foreign currency derivatives to hedge its foreign currency exposure related to settlement of international telecommunications access charges and the operation of its international subsidiaries. The dollar equivalent of Sprint’s net foreign currency payables from international settlements was $28 million and net foreign currency receivables from international operations was $32 million at December 31, 2003. The potential immediate pre-tax loss to Sprint that would result from a hypothetical 10% change in foreign currency exchange rates based on these positions would be approximately $3 million.

Item 8. Financial Statements and Supplementary Data

The information required by Item 8 is incorporated by reference to the section beginning on page F-1.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

KPMG LLP (KPMG) was engaged as Sprint’s independent auditor for the year ending December 31, 2004 on December 1, 2003.

As previously reported, on October 14, 2003, the Audit Committee of Sprint’s board of directors determined that Ernst & Young LLP (Ernst & Young) would be replaced by KPMG as the independent auditor for Sprint for the year ending December 31, 2004. This action effectively dismissed Ernst & Young as Sprint’s independent auditor for the year ending December 31, 2004; however, Ernst & Young continued as Sprint’s independent auditor for the audit of the consolidated financial statements as of December 31, 2003 and the fiscal year then ended until the filing date of this Form 10-K.
Ernst & Young’s reports on Sprint’s consolidated financial statements as of December 31, 2003 and 2002 and for each of the two fiscal years in the period ended December 31, 2003 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles. During the fiscal years ended December 31, 2002 and 2003 and through the filing date of this Form 10-K, there were no disagreements between Sprint and Ernst & Young on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which, if not resolved to the satisfaction of Ernst & Young, would have caused Ernst & Young to make reference to the matter in their report. None of the “reportable events” described in Item 304(a)(1)(v) of Regulation S-K of the SEC have occurred during the fiscal years ended December 31, 2002 or 2003 or through the filing date of this Form 10-K.

Sprint has requested Ernst & Young to furnish Sprint with a letter addressed to the SEC stating whether Ernst & Young agrees with the above statements. A copy of Ernst & Young’s letter is attached as Exhibit 16 to this Form 10-K.

During the fiscal years ended December 31, 2001 and 2002 and thereafter until the date Sprint engaged KPMG, neither Sprint nor anyone acting on its behalf consulted KPMG regarding (1) either the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on Sprint’s consolidated financial statements, or (2) any matter that was either the subject of a disagreement with Ernst & Young on accounting principles or practices, financial statement disclosure, or auditing scope or procedures, which, if not resolved to the satisfaction of Ernst & Young, would have caused Ernst & Young to make reference to the matter in their report, or a “reportable event” as described in Item 304(a)(1)(v) of Regulation S-K of the SEC.

**Item 9A. Controls and Procedures**

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in Sprint’s reports under the Securities Exchange Act of 1934, such as this Form 10-K, is reported in accordance with the Securities and Exchange Commission’s rules. Disclosure controls are also designed with the objective of ensuring that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Form 10-K and as of December 31, 2003, Sprint’s Chief Executive Officer and Chief Financial Officer directed Sprint’s internal auditors to conduct a review of the effectiveness of Sprint’s disclosure controls and procedures and report their conclusions. The Chief Executive Officer and Chief Financial Officer also met with other members of management, members of the financial accounting and legal departments, and Sprint’s independent auditors to discuss and evaluate Sprint’s disclosures and the effectiveness of the disclosure controls and procedures. Based on these discussions and the report of the internal auditors, the Chief Executive Officer and Chief Financial Officer concluded the design and operation of the disclosure controls and procedures were effective and enabled Sprint to disclose all material financial and non-financial information affecting its businesses as required by the rules covering this report. Other than as described below there have been no changes in Sprint’s internal controls over financial reporting during the fourth quarter that have materially affected or are reasonably likely to materially affect Sprint’s financial reporting.

In the fourth quarter of 2003, in conjunction with our periodic review of the liability for medical coverage for participants in Sprint’s long term disability plan, we determined the liability on the balance sheet relating to costs incurred in periods prior to 2003 was understated by $114 million. The expense, if properly recorded in the years ended December 31, 2002 and December 31, 2001, would have decreased annual earnings per share for the FON Group by less than $0.02 per share in each of those prior periods, and would not have impacted the PCS Group’s reported loss per share for those same periods.

As the impact to prior years’ annual financial statements was not material, Sprint recorded additional expense of $114 million, $72 million after-tax, in the 2003 fourth quarter to appropriately reflect the liability as of December 31, 2003. This adjustment decreased the FON Group’s earnings from continuing operations in the 2003 fourth quarter by $66 million, and increased the PCS Group’s loss from continuing operations by $6 million.

The liability was understated principally because of reliance on an inaccurate report identifying plan participants. Process corrections have been instituted to accurately report this information in the future.

See Note 17 of Notes to Consolidated Financial Statements for the pro forma impact on 2003 quarterly reporting related to this adjustment.
Part III

Item 10. Directors and Executive Officers of the Registrant

Pursuant to Instruction G(3) to Form 10-K, the information relating to directors of Sprint required by Item 10 is incorporated by reference from Sprint’s definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint’s fiscal year ended December 31, 2003.

For information pertaining to Executive Officers of Sprint, as required by Instruction 3 of Paragraph (b) of Item 401 of Regulation S-K, refer to the Executive Officers of the Registrant section of Part I of this document.

Pursuant to Instruction G(3) to Form 10-K, the information relating to compliance with Section 16(a) required by Item 10 is incorporated by reference from Sprint’s definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint’s fiscal year ended December 31, 2003.

Pursuant to Instruction G(3) to Form 10-K, the information relating to Sprint’s Code of Ethics required by Item 10 is incorporated by reference from Sprint’s definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint’s fiscal year ended December 31, 2003.

Item 11. Executive Compensation

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 11 is incorporated by reference from Sprint’s definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint’s fiscal year ended December 31, 2003.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 12, other than equity compensation plan information below, is incorporated by reference from Sprint’s definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint’s fiscal year ended December 31, 2003.

Equity Compensation Plan Information

Sprint has several equity compensation plans under which Sprint may issue awards of FON stock and PCS stock to employees and directors. All of these plans have been approved by Sprint’s shareholders. These plans consist of the 1985 Stock Option Plan, the 1997 Long-Term Stock Incentive Program, the Management Incentive Stock Option Plan (MISOP), and the Employees Stock Purchase Plan (ESPP). The board of directors of Sprint authorized the Stock Option Plan (stock option grants), the Restricted Stock Plan (awards of restricted stock) and the Special Award Stock Plan (stock awards for outstanding contributions and for humanitarian service) pursuant to the 1997 Long-Term Stock Incentive Program and its predecessor, which was approved by shareholders. In addition, that plan or its predecessor also provided for options to be granted to directors and director share purchases (purchase of FON stock and PCS stock by directors with director fees). The Stock Option Plan and the Restricted Stock Plan were merged with and into the 1997 Long-Term Stock Incentive Program in February 2004. The remaining options outstanding under the 1985 Stock Option Plan were exercised in January 2004 and the plan was terminated.

The settlement of the derivative action filed in 2000 by Amalgamated Bank, an institutional shareholder, included an award of attorney’s fees to plaintiff’s counsel in the form of 250,000 shares of FON stock and 500,000 shares of PCS stock. The settlement was approved by the court in December 2003, and the shares were issued in January 2004.

The following table provides information about the shares of FON stock and PCS stock that may be issued upon exercise of awards as of year-end 2003.

<table>
<thead>
<tr>
<th>Plan Category</th>
<th>Number of securities to be issued upon exercise of outstanding options, warrants and rights (1)</th>
<th>Weighted-average exercise price of outstanding options, warrants and rights (1),(2)</th>
<th>Number of securities remaining available for future issuance under equity compensation plans (3),(4),(5),(6)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity compensation plans approved by Shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FON stock</td>
<td>103,428,502</td>
<td>$23.60</td>
<td>40,039,802</td>
</tr>
<tr>
<td>PCS stock</td>
<td>78,654,451</td>
<td>$16.60</td>
<td>82,694,571</td>
</tr>
<tr>
<td>Equity compensation plans not approved by Shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FON stock</td>
<td>250,000</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>PCS stock</td>
<td>500,000</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(1) Excludes purchase rights accruing under the ESPP. Under the ESPP, each eligible employee may purchase FON stock and PCS stock at annual intervals at a purchase price equal to the fair market value of the FON stock or PCS stock on the date of purchase.
price per share equal to 85% of the market value on the grant date or the exercise date, whichever is lesser.
The weighted average exercise price does not take into account the 1,438,386 shares of FON stock and the 1,403,105 shares of PCS stock issuable upon vesting of restricted stock units, which have no exercise price. The weighted average price also does not take into account the 2,688 shares of FON stock and the 14,049 shares of PCS stock issuable as a result of the purchase of those shares by directors with 2003 fourth quarter directors' fees; the purchase price was $15.01 for each share of FON stock and $4.54 for each share of PCS stock.

Of these shares, 12,899,423 shares of FON stock and 28,333,116 shares of PCS stock were available under the 1997 Long-Term Stock Incentive Program. Although it is not Sprint's intention to do so, all of the shares, plus any shares that become available due to forfeiture of outstanding awards, could be issued in a form other than options, warrants, or rights.

Includes 14,924,891 shares of FON stock and 40,008,373 shares of PCS stock available for issuance under the ESPP.

Under the 1997 Long-Term Stock Incentive Program, the number of shares increased on January 1 of each year by 1.5% of the FON stock outstanding on that date and 1.5% of the PCS stock, Series 1 and 2, outstanding on that date. Following the recombination of the PCS stock and the FON stock, the number of shares will increase on January 1 of each year by 1.5% of the FON stock, Series 1 and 2, outstanding on that date. No awards may be granted after April 15, 2007.

Under MISOP, the number of shares increased on January 1 of each year by 0.9% of the FON stock outstanding on that date and 0.9% of the PCS stock, Series 1 and 2, outstanding on that date; however, the board of directors capped the shares so that no additional shares were added on January 1, 2004 and no additional shares will be added in 2005. No options may be granted after April 18, 2005.

Item 13. Certain Relationships and Related Transactions

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 13 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 2003.

Item 14. Principal Accounting Fees and Services

Pursuant to Instruction G(3) to Form 10-K, the information required by Item 14 is incorporated by reference from Sprint's definitive proxy statement which is to be filed pursuant to Regulation 14A within 120 days after the end of Sprint's fiscal year ended December 31, 2003.
(a)1. The consolidated financial statements of Sprint filed as part of this report are listed in the Index to Financial Statements, Financial Statement Schedule and Exhibits.

2. The consolidated financial statement schedule of Sprint filed as part of this report is listed in the Index to Financial Statements, Financial Statement Schedule and Exhibits. All other financial statement schedules are not required under the related instructions, or are inapplicable and therefore have been omitted.

3. The following exhibits are filed as part of this report:

EXHIBITS

(3) Articles of Incorporation and Bylaws:

(a) Articles of Incorporation, as amended (filed as Exhibit 3.1 to Amendment No. 6 to Sprint Corporation’s Registration Statement on Form 8-A relating to its FON Common Stock, filed December 17, 2003, and incorporated herein by reference).

(b) Bylaws, as amended (filed as Exhibit 3(b) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, and incorporated herein by reference).

(4) Instruments defining the Rights of Sprint’s Security Holders:

(a) The rights of Sprint’s equity security holders are defined in the Fifth, Sixth, Seventh and Eighth Articles of Sprint’s Articles of Incorporation. See Exhibit 3(a).

(b) Provision regarding Kansas Control Share Acquisition Act is in Article II, Section 5 of the Bylaws. Provisions regarding Stockholders’ Meetings are set forth in Article III of the Bylaws. Provisions regarding the Capital Stock Committee are set forth in Article IV, Section 12 of the Bylaws. See Exhibit 3(b).

(c) Amended and Restated Rights Agreement dated as of November 23, 1998, between Sprint Corporation and UMB Bank, n.a., as Rights Agent (filed as Exhibit 4.1 to Amendment No. 1 to Sprint Corporation’s Registration Statement on Form 8-A relating to Sprint’s PCS Group Rights, filed November 25, 1998, and incorporated herein by reference).

(d) Amendment dated March 28, 2003, to Amended and Restated Rights Agreement between the Registrant and UMB, n.a., as Rights Agent (filed as Exhibit 4.2 to Amendment No. 3 to Sprint Corporation’s Registration Statement on Form 8-A relating to Sprint’s PCS Group Rights, filed April 2, 2003, and incorporated herein by reference).

(e) Tracking Stock Policies of Sprint Corporation, as amended (filed as Exhibit 4(c) to Sprint Corporation’s Annual Report on Form 10-K/A for the year ended December 31, 2001 and incorporated herein by reference).


(g) Indenture, dated as of October 1, 1998, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(b) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and incorporated herein by reference), as supplemented by the First Supplemental Indenture, dated as of January 15, 1999, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(b) to Sprint Corporation’s Current Report on Form 8-K dated February 2, 1999 and incorporated herein by reference), and as supplemented by the Second Supplemental Indenture dated as of October 15, 2001, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A. as Trustee (filed as Exhibit 99 to Sprint Corporation’s Current Report on Form 8-K/A dated October 17, 2001 and incorporated herein by reference).
(h) Indenture, dated as of October 1, 1998, between Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(a) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and incorporated herein by reference), as supplemented by the First Supplemental Indenture, dated as of January 15, 1999, between Sprint Corporation and Bank One, N.A., as Trustee (filed as Exhibit 4(a) to Sprint Corporation’s Current Report on Form 8-K dated February 2, 1999 and incorporated herein by reference).

(i) Purchase Contract Agreement, dated as of August 10, 2001, between Sprint Corporation and Bank One, National Association, as purchase contract agent (filed as Exhibit 4(e) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference).

(j) Form of Corporate Units Certificates, including the form of Purchase Contract (included as Exhibit A to the Purchase Contract Agreement filed as Exhibit 4(e) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference).

(k) Pledge Agreement, dated as of August 10, 2001, among Sprint Corporation and Bank One, National Association, as collateral agent and as purchase contract agent (filed as Exhibit 4(g) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference).

(l) Remarketing Agreement, dated as of August 10, 2001, among Sprint Corporation, Sprint Capital Corporation, Bank One, National Association, as purchase contract agent, and UBS Warburg LLC, as remarketing agent (filed as Exhibit 4(h) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference).

(m) Terms of 6% notes due 2006, including form of note (filed as Exhibit 4(i) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by reference).

(10) Material Agreements

(a) Registration Rights Agreement, dated as of November 23, 1998, among Sprint Corporation, Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (filed as Exhibit 10.2 to Amendment No. 1 to Sprint Corporation Registration Statement on Form S-3 (No. 333-64241) and incorporated herein by reference).

(b) Standstill Agreement, dated May 26, 1996, between Sprint Corporation and Tele-Communications, Inc. (filed as Exhibit 10(g) to Sprint Corporation Annual Report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference).

(c) 364-Day Credit Agreement, dated as of June 24, 2003, among Sprint Corporation and Sprint Capital Corporation, as Borrowers, the initial Lenders named therein, as Initial Lenders, Citibank, N.A., as Administrative Agent, Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., as joint lead arrangers and as book managers, and J.P. Morgan Chase Bank, as syndication agent, and Bank of America, N.A., Deutsche Bank A.G. New York Branch and UBS AG, Cayman Islands Branch, as documentation agents (filed as Exhibit 10(a) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference).

(10) Executive Compensation Plans and Arrangements:

(d) Executive Deferred Compensation Plan, as amended. Summary of Amendments to the Executive Deferred Compensation Plan (filed as Exhibit 10(i) to Sprint Corporation’s Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

(e) Management Incentive Stock Option Plan, as amended.

(f) 1997 Long-Term Stock Incentive Program, as amended (filed as Exhibit 4 to Post-effective Amendment No. 2 to Sprint Corporation’s Registration Statement on Form S-8 No. 333-59349 and incorporated herein by reference).

(g) Sprint Supplemental Executive Retirement Plan, as amended (filed as Exhibit 10(l) to Sprint Corporation’s Annual Report on Form 10-K/A for the year ended December 31, 2001 and incorporated herein by reference).

(h) Amended and Restated Centel Directors Deferred Compensation Plan (filed as Exhibit 10(m) to Sprint Corporation’s Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
Executive Management Incentive Plan (filed as Exhibit 10(k) to Sprint Corporation’s Annual Report on Form 10-
K for the year ended December 31, 1993 and incorporated herein by reference).

Management Incentive Plan, as amended (filed as Exhibit 10(r) to Sprint Corporation’s Annual Report on Form 10-
K for the year ended December 31, 2000 and incorporated herein by reference).

Retirement Plan for Directors, as amended (filed as Exhibit 10(u) to Sprint Corporation’s Annual Report on Form 10-
Q for the quarter ended September 30, 1996 and incorporated herein by reference).

Key Management Benefit Plan, as amended (filed as Exhibit 10(g) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 and incorporated herein by reference).

Agreement Regarding Special Compensation and Post Employment Restrictive Covenants between Sprint Corporation and one of its Executive Officers (Mr. Betts) (filed as Exhibit 10(h) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended December 31, 1999 and incorporated herein by reference).

Director’s Deferred Fee Plan, as amended (filed as Exhibit 10(v) to Sprint Corporation’s Annual Report on Form 10-
K for the year ended December 31, 1999 and incorporated herein by reference).

Form of Indemnification Agreements between Sprint Corporation and its Directors and Officers (filed as Exhibit 10(e) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, and incorporated herein by reference).

Summary of Executive Officer Benefits and Board of Directors Benefits and Fees.

Special Incentive Plan (filed as Exhibit 10(g) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2000 and incorporated herein by reference).

Executive Agreement dated as of July 30, 2001 by and among Sprint Corporation, Sprint/United Management Company, and Len Lauer (filed as Exhibit 10(bb) to Sprint Corporation’s Annual Report on Form 10-K/A for the year ended December 31, 2001 and incorporated herein by reference).

Employment Agreement dated as of March 19, 2003, by and among Sprint Corporation, Sprint/United Management Company and Gary D. Forsee (filed as Exhibit 10(c) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 and incorporated herein by reference).

Letter Agreement dated April 9, 2003 and Separation Agreement dated as of April 9, 2003 by and among Sprint Corporation, Sprint/United Management Company and Ronald T. LeMay (filed as Exhibit 10(d) to Sprint Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2003 and incorporated herein by reference).

Separation Agreement dated as of May 12, 2003 by and among Sprint Corporation, Sprint/United Management Company and William T. Esrey (filed as Exhibit 99(b) to Sprint Corporation’s Current Report on Form 8-K dated June 10, 2003 and incorporated herein by reference).

Form of Award Agreement (awarding restricted stock units) with Directors (filed as Exhibit 10(g) to Sprint Corporations Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference).

Form of Award Agreement (awarding restricted stock units and stock options) with Executive Officers (filed as Exhibit 10(h) to Sprint Corporations Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference).

Employment Agreements and other compensation arrangements between Sprint Corporation and certain of its Executive Officers (Messrs. Blessing, Dellinger, Fuller, Gerke, Janzen, Kissinger, Stout and Ms. Walker).

(12) Computation of Ratio of Earnings to Fixed Charges
(16) Letter to the Securities and Exchange Commission from Ernst & Young
(21) Subsidiaries of Registrant
(23) Consent of Independent Auditors


(32) (a) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Sprint will furnish to the Securities and Exchange Commission, upon request, a copy of the instruments defining the rights of holders of its long-term debt. The total amount of securities authorized under any of said instruments (other than those listed above) does not exceed 10% of the total assets of Sprint.

(b) Reports on Form 8-K

Sprint filed a Current Report on Form 8-K/A dated October 14, 2003 and filed December 2, 2003 in which it reported that the Audit Committee of its board of directors had determined that Sprint’s independent auditor, Ernst & Young LLP, would be replaced by KPMG LLP as the independent auditor for Sprint for the year ending December 31, 2004. This action effectively dismissed Ernst & Young as Sprint’s independent auditor for the year-ended December 31, 2004; however Ernst & Young will continue as Sprint’s independent auditor for the year ended December 31, 2003.

Sprint filed a Current Report on Form 8-K dated October 23, 2003, in which it reported that it announced third quarter 2003 results. The news release which was furnished as an exhibit to the Current Report, included the following financial information:

Sprint Corporation Consolidated Statements of Operations
Sprint Corporation Consolidated Balance Sheets
Sprint Corporation Condensed Consolidated Cash Flow Information
Sprint Corporation Reconciliation of Non-GAAP Liquidity Measures
Sprint Corporation FON Group Operating Statistics
Sprint Corporation PCS Group Operating Statistics

Sprint filed a Current Report on Form 8-K dated December 1, 2003, in which it reported that KPMG LLP had been engaged as independent auditors for Sprint for the year ending December 31, 2004.

Sprint filed a Current Report on Form 8-K dated December 8, 2003, in which it reported that it had announced the appointment of two new independent directors, E. Linn Draper, Jr., Chairman, President and Chief Executive Officer of American Electric Power Company, and Gerald L. Storch, Vice Chairman of Target Corporation, to the Sprint board of directors.

Sprint filed a Current Report on Form 8-K dated February 3, 2004, in which it reported that it announced fourth quarter and full-year results. The news release, which was furnished as an exhibit to the Current Report, included the following information:

Sprint Corporation Consolidated Statements of Operations
Sprint Corporation Consolidated Balance Sheets
Sprint Corporation Condensed Consolidated Cash Flow Information
Sprint Corporation Reconciliation of Non-GAAP Liquidity Measures
Sprint Corporation FON Group Operating Statistics
Sprint Corporation PCS Group Operating Statistics
Sprint Corporation—FON Group—Local Division Selected Information

Sprint filed a Current Report on Form 8-K dated February 28, 2004, in which it reported that its board of directors had approved the recombination of PCS common stock and FON common stock effective April 23, 2004. The notice to shareholders was included as an exhibit to the Current Report.

Sprint filed a Current Report on Form 8-K dated February 29, 2004, in which it reported that it had announced that its board of directors had approved the recombination of PCS common stock and FON common stock. The news release was furnished as an exhibit to the Current Report.

Sprint filed a Current Report on Form 8-K dated March 2, 2004, in which it reported that it had announced the appointment of two new independent directors, Gordon M. Bethune, Chairman of the Board and Chief Executive Officer of Continental Airlines, Inc., and Deborah A. Henretta, President of Proctor & Gamble’s global baby care division, to the Sprint board of directors.
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPRINT CORPORATION

(Registrant)

By /s/ GARY D. FORSEE

Gary D. Forsee
Chairman and Chief Executive Officer

Date: March 8, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 8th day of March, 2004.

/s/ GARY D. FORSEE

Gary D. Forsee
Chairman and Chief Executive Officer

/s/ ROBERT J. DELLINGER

Robert J. Dellinger
Executive Vice President and
Chief Financial Officer

/s/ JOHN P. MEYER

John P. Meyer
Senior Vice President and Controller
Principal Accounting Officer
Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on the 8th day of March, 2004.

/s/ DuBose Ausley, Director
DuBose Ausley, Director

/s/ Linda K. Lorimer
Linda K. Lorimer, Director

/s/ Charles E. Rice
Charles E. Rice, Director

/s/ Louis W. Smith
Louis W. Smith, Director

/s/ Gary D. Forsee
Gary D. Forsee, Director

/s/ Gerald L. Storch
Gerald L. Storch, Director

/s/ Stewart Turley
Stewart Turley, Director

/s/ Irvine O. Hockaday, Jr.
Irvine O. Hockaday, Jr., Director
## Index to Financial Statements, Financial Statement Schedule and Exhibits

### Sprint Corporation

**Consolidated Financial Statements (including Consolidating Information)**

- Management Report: F-2
- Report of Independent Auditors: F-3
- Consolidated Statements of Operations for each of the three years in the period ended December 31, 2003: F-4
- Consolidated Statements of Comprehensive Income (Loss) for each of the three years in the period ended December 31, 2003: F-6
- Consolidated Balance Sheets as of December 31, 2003 and 2002: F-8
- Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2003: F-12
- Consolidated Statements of Shareholders’ Equity for each of the three years in the period ended December 31, 2003: F-14
- Notes to Consolidated Financial Statements: F-16

**Financial Statement Schedule**

- Schedule II—Consolidated Valuation and Qualifying Accounts for each of the three years in the period ended December 31, 2003: F-59

**Exhibits**

- (12)—Computation of Ratio of Earnings to Fixed Charges
- (21)—Subsidiaries of Registrant
- (23)—Consent of Independent Auditors
- (31)—(a) Certification of Chief Executive Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a)
- (31)—(b) Certification of Chief Financial Officer Pursuant to Securities Exchange Act of 1934 Rule 13a-14(a)
MANAGEMENT REPORT

Sprint Corporation's management is responsible for the integrity and objectivity of the information contained in this document. Management is responsible for the consistency of reporting this information and for ensuring that accounting principles generally accepted in the United States are used.

In discharging this responsibility, management maintains a comprehensive system of internal controls and supports an extensive program of internal audits, has made organizational arrangements providing appropriate divisions of responsibility and has established communication programs aimed at assuring that its policies, procedures and principles of business conduct are understood and practiced by its employees.

The financial statements included in this document have been audited by Ernst & Young LLP, independent auditors. Their audits were conducted using auditing standards generally accepted in the United States and their report is included herein.

The Board of Directors' responsibility for these financial statements is pursued mainly through its Audit Committee. The Audit Committee, composed entirely of directors who are not officers or employees of Sprint, meets periodically with the internal auditors and independent auditors, both with and without management present, to assure that their respective responsibilities are being fulfilled. The internal and independent auditors have full access to the Audit Committee to discuss auditing and financial reporting matters.

/s/ Gary D. Forsee
Gary D. Forsee
Chairman and Chief Executive Officer

/s/ Robert J. Dellinger
Robert J. Dellinger
Executive Vice President and Chief Financial Officer
REPORT OF INDEPENDENT AUDITORS
The Board of Directors and Shareholders
Sprint Corporation

We have audited the accompanying consolidated balance sheets of Sprint Corporation (Sprint) as of December 31, 2003 and 2002, and the related consolidated statements of operations, comprehensive income (loss), cash flows and shareholders’ equity for each of the three years in the period ended December 31, 2003. Our audits also included the financial statement schedule listed in the Index to Financial Statements, Financial Statement Schedule, and Exhibits. These financial statements and the schedule are the responsibility of the management of Sprint. Our responsibility is to express an opinion on these financial statements and the schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sprint at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 of the Notes to Consolidated Financial Statements, Sprint adopted Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002; as discussed in Note 1, Sprint adopted SFAS No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation—Transition and Disclosure, an Amendment of FASB Statement No. 123, effective January 1, 2003; and, as discussed in Note 4 of the Notes to Consolidated Financial Statements, Sprint adopted SFAS No. 143, Accounting for Asset Retirement Obligations, effective January 1, 2003.

Ernst & Young LLP
Kansas City, Missouri
February 3, 2004

F-3
# CONSOLIDATED STATEMENTS OF OPERATIONS

(millions)

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Operating Revenues</td>
<td>$26,197</td>
<td>$26,679</td>
<td>$25,562</td>
</tr>
</tbody>
</table>

## Operating Expenses

| Costs of services and products | 11,658 | 12,076 | 12,811 |
| Selling, general and administrative | 6,722 | 7,202 | 7,248 |
| Depreciation | 5,004 | 4,908 | 4,209 |
| Amortization | 4 | 1 | 4 |
| Restructuring and asset impairments | 1,951 | 389 | 1,813 |

Total operating expenses

| Total operating expenses | 25,336 | 24,579 | 26,463 |

## Operating Income (Loss)

| Operating Income (Loss) Interest expense | 861 | 2,100 | (901) |
| Intergroup interest charge | (1,374) | (1,406) | (1,180) |
| Discount (premium) on early retirement of debt | (21) | 4 | 6 |
| Other income (expense), net | (89) | (265) | (202) |

Income (loss) from continuing operations before income taxes

| Income (loss) from continuing operations before income taxes | (623) | 433 | (2,277) |
| Income tax (expense) benefit | 256 | 38 | 724 |

## Income (Loss) from Continuing Operations

| Income (Loss) from Continuing Operations | (367) | 471 | (1,553) |
| Discontinued operations, net | 1,324 | 159 | 150 |
| Cumulative effect of changes in accounting principles, net | 258 | — | 2 |

Net Income (Loss)

| Net Income (Loss) | 1,215 | 630 | (1,401) |
|Preferred stock dividends (paid) received | (7) | (7) | (7) |

Earnings (Loss) Applicable to Common Stock

| Earnings (Loss) Applicable to Common Stock | $1,208 | $623 | $(1,408) |

## Diluted Earnings (Loss) per Common Share

<table>
<thead>
<tr>
<th>Diluted Earnings (Loss) per Common Share</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discontinued operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle, net</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total

Diluted weighted average common shares

## Basic Earnings (Loss) per Common Share

<table>
<thead>
<tr>
<th>Basic Earnings (Loss) per Common Share</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations</td>
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<td></td>
</tr>
<tr>
<td>Discontinued operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle, net</td>
<td></td>
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</tr>
</tbody>
</table>

Total

Basic weighted average common shares

## DIVIDENDS PER COMMON SHARE

<table>
<thead>
<tr>
<th>DIVIDENDS PER COMMON SHARE</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>FON common stock</td>
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<td></td>
<td></td>
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<tr>
<td>Class A common stock</td>
<td></td>
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</tr>
</tbody>
</table>

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(1) As the effects of including the incremental shares associated with options, restricted stock units and Employees Stock Purchase Plan shares are antidilutive, both basic loss per share and diluted loss per share reflect the same calculation in these consolidated statements of operations for the PCS Group for all periods presented and for the year ended December 31, 2001 for the FON Group.

See accompanying Notes to Consolidated Financial Statements.
<table>
<thead>
<tr>
<th>Eliminations/Reclassifications</th>
<th>Sprint FON Group</th>
<th>Sprint PCS Group</th>
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<tr>
<td>$(678)</td>
<td>$(622)</td>
<td>$(578)</td>
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</tr>
<tr>
<td>$(678)</td>
<td>$(622)</td>
<td>$(578)</td>
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<td>—</td>
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<td>$0.125</td>
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F-5
## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(millions)

<table>
<thead>
<tr>
<th>Sprint Corporation</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>$1,215</td>
<td>$630</td>
<td>$(1,401)</td>
</tr>
<tr>
<td><strong>Other Comprehensive Income (Loss)</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized holding gains (losses) on securities</td>
<td>78</td>
<td>(47)</td>
<td>12</td>
</tr>
<tr>
<td>Income tax benefit (expense)</td>
<td>(30)</td>
<td>17</td>
<td>(5)</td>
</tr>
<tr>
<td>Net unrealized holding gains (losses) on securities during the period</td>
<td>48</td>
<td>(30)</td>
<td>7</td>
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<tr>
<td>Reclassification adjustments for gains (losses) included in net income (loss)</td>
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<td>(3)</td>
<td>(24)</td>
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<tr>
<td>Income tax expense on gain adjustments</td>
<td>3</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Net reclassification adjustments for gains (losses) included in net income (loss)</td>
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<td>(2)</td>
<td>(15)</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
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<td>8</td>
<td>(17)</td>
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<tr>
<td>Reclassification adjustments for foreign currency translation gains (losses) included in net income (loss)</td>
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<td>(7)</td>
<td>31</td>
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<tr>
<td>Total foreign currency translation adjustments</td>
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<td>14</td>
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<td>Unrealized gains (losses) on qualifying cash flow hedges</td>
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<td>Income tax benefit (expense)</td>
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<td>Net unrealized holding gains (losses) on qualifying cash flow hedges</td>
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<td>Additional minimum pension obligation</td>
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<td>Income tax benefit</td>
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<td>Net additional minimum pension obligation</td>
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<tr>
<td>Cumulative effect of change in accounting principle</td>
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<td>—</td>
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<td>Total other comprehensive income (loss)</td>
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<td>(715)</td>
<td>(7)</td>
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<td><strong>Comprehensive Income (Loss)</strong></td>
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<td>$(1,408)</td>
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*See accompanying Notes to Consolidated Financial Statements.*
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<thead>
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<th></th>
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<th>Sprint PCS Group</th>
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F-7
### CONSOLIDATED BALANCE SHEETS

(millions)

<table>
<thead>
<tr>
<th>December 31,</th>
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<th>2002</th>
</tr>
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<tr>
<td><strong>Assets</strong></td>
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<td>Current assets</td>
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<td>Cash and equivalents</td>
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<td>Accounts receivable, net of consolidated allowance for doubtful accounts of $276 and $414</td>
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<td>Inventories</td>
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<td>Deferred tax asset</td>
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<td>Prepaid expenses</td>
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<td>Intergroup receivable</td>
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<td>Other</td>
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<td>Total current assets</td>
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<tr>
<td>Assets of discontinued operation</td>
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<td>Property, plant and equipment</td>
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<td>FON Group</td>
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<td>PCS Group</td>
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<td>Total property, plant and equipment</td>
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<td>Accumulated depreciation</td>
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<td>Intangibles</td>
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<td>Goodwill</td>
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<td>Spectrum licenses</td>
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<td>Other intangibles</td>
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<td>Total intangibles</td>
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<td>Accumulated amortization</td>
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<td>Net intangibles</td>
<td>7,815</td>
<td>9,045</td>
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<tr>
<td>Other assets</td>
<td>1,148</td>
<td>1,034</td>
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<tr>
<td>Total</td>
<td>$42,850</td>
<td>$45,293</td>
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See accompanying Notes to Consolidated Financial Statements.

F-8
<table>
<thead>
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<th>Eliminations/Reclassifications</th>
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<td>(536)</td>
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<tr>
<td>$858</td>
<td>$862</td>
<td>$21,862</td>
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</table>

F-9
### CONSOLIDATED BALANCE SHEETS (continued)

(millions, except per share data)

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<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
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</thead>
<tbody>
<tr>
<td><strong>Liabilities and Shareholders' Equity</strong></td>
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<tr>
<td><strong>Current liabilities</strong></td>
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<tr>
<td>Short-term borrowings and current maturities of long-term debt</td>
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<td>$ 1,887</td>
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<tr>
<td>Current maturities of intergroup debt</td>
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<td>Accounts payable</td>
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<td>2,151</td>
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<tr>
<td>Accrued interconnection costs</td>
<td>503</td>
<td>626</td>
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<tr>
<td>Accrued taxes</td>
<td>407</td>
<td>358</td>
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<tr>
<td>Advance billings</td>
<td>572</td>
<td>510</td>
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<tr>
<td>Accrued restructuring costs</td>
<td>117</td>
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<tr>
<td>Payroll and employee benefits</td>
<td>683</td>
<td>579</td>
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<tr>
<td>Accrued interest</td>
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<tr>
<td>Other</td>
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<td><strong>Total current liabilities</strong></td>
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<td><strong>Liabilities of discontinued operation</strong></td>
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<tr>
<td><strong>Noncurrent liabilities</strong></td>
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<td>Long-term debt and capital lease obligations</td>
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<td>Intergroup debt</td>
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<td>Equity unit notes</td>
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<td>Deferred income taxes</td>
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<td>Postretirement and other benefit obligations</td>
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<td>1,712</td>
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<tr>
<td>Other</td>
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<tr>
<td><strong>Total noncurrent liabilities</strong></td>
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<tr>
<td><strong>Redeemable preferred stock</strong></td>
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<td>256</td>
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<td><strong>Shareholders' equity</strong></td>
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<tr>
<td>Common stock</td>
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<td></td>
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<tr>
<td>Class A FT, par value $0.00 and $0.50 per share, 0.0 and 100.0 shares authorized, 0.0 and 43.1 shares issued and outstanding</td>
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<tr>
<td>FON, par value $2.00 per share, 3,000.0 and 4,200.0 shares authorized, 904.3 and 895.1 shares issued and outstanding</td>
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<td>1,790</td>
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<tr>
<td>PCS, par value $1.00 per share, 4,000.0 and 4,600.0 shares authorized, 1,035.4 and 999.8 shares issued and outstanding</td>
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<td>1,000</td>
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<td>Capital in excess of par or stated value</td>
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<td>Retained earnings (deficit)</td>
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<tr>
<td>Accumulated other comprehensive income (loss)</td>
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<td>(701)</td>
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<td>Combined attributed net assets</td>
<td>—</td>
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<tr>
<td><strong>Total shareholders' equity</strong></td>
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<tr>
<td><strong>Total</strong></td>
<td>$42,850</td>
<td>$45,293</td>
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See accompanying Notes to Consolidated Financial Statements.

F-10
<table>
<thead>
<tr>
<th>Eliminations/Reclassifications</th>
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<tr>
<td>$ (858)</td>
<td>$ (862)</td>
<td>$21,862</td>
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F-11
### CONSOLIDATED STATEMENTS OF CASH FLOWS
(millions)

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<th>Years Ended December 31,</th>
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<th>2001</th>
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<td><strong>Operating Activities</strong></td>
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<td>Net income (loss)</td>
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<td>$630</td>
<td>$(1,401)</td>
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<td>Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:</td>
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<td></td>
</tr>
<tr>
<td>Discontinued operation, net</td>
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<td>(159)</td>
<td>(150)</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>(258)</td>
<td>—</td>
<td>(2)</td>
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<tr>
<td>Equity in net losses of affiliates</td>
<td>77</td>
<td>117</td>
<td>175</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>5,005</td>
<td>4,912</td>
<td>4,591</td>
</tr>
<tr>
<td>Deferred income taxes</td>
<td>395</td>
<td>556</td>
<td>(687)</td>
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<td>Non-cash portion of restructuring charge</td>
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</tr>
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<td>Benefit plan curtailment gain</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Net losses (gains) on sales of assets</td>
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<td>(111)</td>
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<td>Net losses on write-down of assets</td>
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<td>1,491</td>
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<td>Changes in assets and liabilities:</td>
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<tr>
<td>Accounts receivable, net</td>
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</tr>
<tr>
<td>Inventories and other current assets</td>
<td>204</td>
<td>(31)</td>
<td>136</td>
</tr>
<tr>
<td>Accounts payable and other current liabilities</td>
<td>(856)</td>
<td>(741)</td>
<td>274</td>
</tr>
<tr>
<td>Affiliate receivables and payables, net</td>
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<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Noncurrent assets and liabilities, net</td>
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<td>(46)</td>
<td>(140)</td>
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<tr>
<td>Other, net</td>
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<td>36</td>
<td>(10)</td>
</tr>
<tr>
<td><strong>Net cash provided (used) by operating activities of continuing operations</strong></td>
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<td><strong>Investing Activities</strong></td>
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<td>Capital expenditures</td>
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<tr>
<td>Investments in and loans to other affiliates, net</td>
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<td>116</td>
<td>(66)</td>
</tr>
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<td>Net proceeds from sales of assets</td>
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<td>Investments in debt securities</td>
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<td>Other, net</td>
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<td><strong>Net cash provided (used) by investing activities of continuing operations</strong></td>
<td>(4,057)</td>
<td>(4,595)</td>
<td>(8,778)</td>
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<td><strong>Financing Activities</strong></td>
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<td>Proceeds from debt</td>
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<td>Payments on debt</td>
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<td><strong>Net cash provided (used) by financing activities of continuing operations</strong></td>
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<td>(1,043)</td>
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<td><strong>Net cash from discontinued operations</strong></td>
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<td>164</td>
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<td><strong>Increase (Decrease) in Cash and Equivalents</strong></td>
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<tr>
<td>Cash and Equivalents at Beginning of Period</td>
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<td>722</td>
<td>110</td>
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<tr>
<td><strong>Cash and Equivalents at End of Period</strong></td>
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*See accompanying Notes to Consolidated Financial Statements.*
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<thead>
<tr>
<th>Eliminations/Reclassifications</th>
<th>Sprint FON Group</th>
<th>Sprint PCS Group</th>
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<td>1,635</td>
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F-13
## CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY

(millions)

<table>
<thead>
<tr>
<th></th>
<th>Class A FT Common Stock</th>
<th>Class A DT Common Stock</th>
<th>FON Common Stock</th>
<th>PCS Common Stock</th>
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<tbody>
<tr>
<td><strong>Beginning 2001 balance</strong></td>
<td>$108</td>
<td>$108</td>
<td>$1,598</td>
<td>$933</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>FON common stock dividends</td>
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<tr>
<td>Class A common stock dividends</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>PCS preferred stock dividends</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Conversion of common stock underlying Class A common stock</td>
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<td>(108)</td>
<td>172</td>
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<tr>
<td>PCS Series 1 common stock issued</td>
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<td>Treasury stock issued</td>
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<tr>
<td>Fair value of contract adjustment payment liability</td>
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<td>Tax (expense) benefit from stock compensation</td>
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<td>Intergroup stock compensation</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Other, net</td>
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<td></td>
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<tr>
<td><strong>Ending 2001 balance</strong></td>
<td>22</td>
<td></td>
<td>1,778</td>
<td>987</td>
</tr>
<tr>
<td>Net income (loss)</td>
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<td>FON common stock dividends</td>
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<tr>
<td>PCS preferred stock dividends</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>FON Series 1 common stock issued</td>
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<td></td>
</tr>
<tr>
<td>PCS Series 1 common stock issued</td>
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<td></td>
</tr>
<tr>
<td>Intergroup stock compensation</td>
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</tr>
<tr>
<td>Other, net</td>
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<td><strong>Ending 2002 balance</strong></td>
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<td>1,000</td>
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<td>Net income (loss)</td>
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<tr>
<td>FON common stock dividends</td>
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<td></td>
</tr>
<tr>
<td>PCS preferred stock dividends</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conversion of PCS common stock underlying Class A common stock</td>
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<td>FON Series 1 common stock issued</td>
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<td>Additional minimum pension liability</td>
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<td>Other, net</td>
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<tr>
<td><strong>Ending 2003 balance</strong></td>
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<td>$1,809</td>
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### Shares Outstanding

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<tr>
<td><strong>Beginning 2001 balance</strong></td>
<td>43.1</td>
<td>43.1</td>
<td>798.4</td>
<td>933.1</td>
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<td>Conversion of common stock underlying Class A DT common stock</td>
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<tr>
<td>Cancellation of Class A DT common stock</td>
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<td>(43.1)</td>
<td>86.2</td>
<td>21.6</td>
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<td>PCS Series 1 common stock issued</td>
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<td>Treasury stock issued</td>
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<td><strong>Ending 2001 balance</strong></td>
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<td>Conversion of common stock underlying Class A FT common stock</td>
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<td>Cancellation of Class A FT common stock</td>
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<td><strong>Ending 2003 balance</strong></td>
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</table>

(1) As of December 31, 2003, Accumulated other comprehensive loss consists of $738 million additional minimum pension liability and $17 million of unrealized net gains related to investments and derivatives.

*See accompanying Notes to Consolidated Financial Statements.*

F-14
<table>
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<tr>
<th>Capital In Excess of Par or Stated Value</th>
<th>Retained Earnings (Deficit)</th>
<th>Treasury Stock</th>
<th>Accumulated Other Comprehensive Income (loss)</th>
<th>Consolidated Total</th>
<th>Eliminations</th>
<th>Combined Attributed Net Assets</th>
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<tr>
<td>$10,084</td>
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<td>$ (721)</td>
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</table>

F-15
1. Summary of Significant Accounting Policies

**Tracking Stock Formation**

In November 1998, Sprint’s shareholders approved the allocation of all of Sprint’s assets and liabilities into two groups, the FON Group and the PCS Group, as well as the creation of the FON stock and the PCS stock. In addition, Sprint purchased the remaining ownership interests in Sprint Spectrum Holding Company, L.P. and PhillieCo, L.P. (together, Sprint PCS), other than a minority interest in Cox Communications PCS, L.P. (Cox PCS). Sprint acquired these ownership interests from Tele-Communications, Inc., Comcast Corporation and Cox Communications, Inc. (the Cable Partners). In exchange, Sprint issued the Cable Partners low-vote PCS shares and warrants to acquire additional PCS shares. Sprint also issued the Cable Partners shares of a new series of preferred stock convertible into PCS shares. The purchase of the Cable Partners’ interests is referred to as the PCS Restructuring. In the 1999 second quarter, Sprint acquired the remaining minority interest in Cox PCS.

Also in November 1998, Sprint reclassified each of its publicly traded common shares into one share of FON stock and ½ share of PCS stock. This recapitalization was tax-free to shareholders. In addition, the Class A common shares owned by France Telecom (FT) and Deutsche Telekom AG (DT) were reclassified into shares representing both FON stock and PCS stock. These transactions are referred to as the Recapitalization.

FT and DT no longer hold any Class A common shares or any FON or PCS shares.

FON common stock and PCS common stock are intended to reflect the financial results and economic value of the FON and PCS Groups. However, they are classes of common stock of Sprint, not of the group they are intended to track. Accordingly, FON and PCS shareholders are subject to the risks related to an equity investment in Sprint and all of Sprint’s businesses, assets and liabilities. Shares of FON common stock and PCS common 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 our assets and liabilities as a whole. Sprint’s board may, subject to the restrictions in Sprint’s articles of incorporation, change the allocation of the assets and liabilities that comprise each of the FON Group and the PCS Group without shareholder approval.

**Considerations Relating to Tracking Stocks**

As discussed in Note 20, a recombination of tracking stocks has been announced. Until the recombination, the FON common stock and the PCS common stock are intended to track the performance of the FON Group and the PCS Group, respectively. Because the FON common stock and the PCS common stock are classes of common stock of Sprint, not common stock of the group they are intended to track, the holders of the FON common stock and the PCS common stock are subject to the risks related to an equity investment in Sprint and all of Sprint’s businesses, assets and liabilities. Therefore, the market prices of the FON common stock and the PCS common stock may not accurately reflect the performance of the group they are intended to track. Between the announcement and the completion of the recombination, the price of the tracking stocks may reflect the expectation that a single common stock will result from the recombination, rather than reflecting the performance of the groups.

Sprint has a single board of directors. Consequently, there is no board of directors that owes separate duties to the holders of either the FON common stock or the PCS common stock. Conflicts of interest between holders of FON common stock and PCS common stock in transactions between the FON Group and the PCS Group or in our dealings with third parties could be resolved by our board of directors to the detriment of the holders of one or the other class of common stock.

After the recombination of the tracking stocks, events that would have benefited the holders of only one of the tracking stocks will benefit all Sprint shareholders.

**Basis of Consolidation and Presentation**

The consolidated financial statements include the accounts of Sprint, its wholly owned subsidiaries and subsidiaries it controls. Investments in entities in which Sprint exercises significant influence, but does not control, are accounted for using the equity method (see Note 2).
The consolidated financial statements are prepared using accounting principles generally accepted in the United States. These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Certain prior-year amounts have been reclassified to conform to the current-year presentation. These reclassifications had no effect on the results of operations or shareholders’ equity as previously reported.

**Classification of Operations**
Sprint’s business is divided into three segments: the global markets division, the local division, and the PCS wireless telephony products and services business.

**Global Markets Division**
The global markets division provides a broad suite of communications services targeted to domestic business and residential customers, multinational corporations and other communications companies. These services include domestic and international voice; data communications using various protocols such as Internet Protocol and frame relay (a data service that transfers packets of data over Sprint’s network), and managed network services. Additionally, the global markets division provides local services using Sprint’s facilities, leased facilities or using unbundled network elements provided by other carriers in a total of 36 states and the District of Columbia. The global markets division is selling into the cable telephone market through arrangements with cable companies that resell Sprint long distance service and use Sprint back office systems and network assets in support of their local telephone service provided over cable facilities. In addition, the global markets division provides consulting services and international data communications.

The global markets division also includes the operating results of the wireless high speed data and cable TV service operations of the broadband fixed wireless companies. In 2001, Sprint announced it would halt further deployment of Multipoint Multichannel Distribution Services (MMDS) services using current direct sight access technology. Current customers continue to receive service. In the third quarter of 2003, Sprint’s ongoing evaluation of its business use for the MMDS spectrum resulted in a decision to end pursuit of a residential fixed wireless strategy. This decision required an impairment analysis of this asset, resulting in a pre-tax, non-cash charge of $1.2 billion. Sprint is now focusing its efforts on a broad range of alternative strategies. Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum.

This division also includes investments in EarthLink, Inc. (EarthLink), an Internet service provider; Call-Net Enterprises, Inc. (Call-Net), a long distance provider in Canada; and certain other telecommunications investments and ventures.

**Local Division**
The local division consists mainly of regulated local phone companies serving approximately 7.9 million access lines in 18 states. The local division provides local voice and data services, including Digital Subscriber Line (DSL), for customers within its franchise territories, access by phone customers and other carriers to the local division’s local network, nationwide long distance services to residential customers located within its franchise territories, sales of telecommunications equipment, and other services within specified calling areas to residential and business customers. The local division provides wireless services to customers in its franchise territories through agency relationships. DSL enables high speed transmission of data over existing copper telephone lines.

**Sprint PCS Group**
The PCS Group includes Sprint’s wireless PCS operations. At year-end 2003, the PCS Group, together with third party affiliates, operated PCS systems in over 300 metropolitan markets, including the 100 largest U.S. metropolitan areas. The PCS Group has licenses to serve the entire U.S. population, including Puerto Rico and the U.S. Virgin Islands. The service offered by the PCS Group and its third party affiliates reaches a quarter billion people. The PCS Group, combined with our wholesale and affiliate partners, served more than 20 million customers at the end of 2003. The PCS Group provides nationwide service through a combination of:

- operating its own digital network in major U.S. metropolitan areas using code division multiple access technology (CDMA), which is a digital spread-spectrum wireless technology that allows a large number of
users to access a single frequency band by assigning a code to all speech bits, sending a scrambled transmission of the encoded speech over the air and reassembling the speech into its original format,

- affiliating with other companies that use CDMA, mainly in and around smaller U.S. metropolitan areas,
- roaming on other providers’ analog cellular networks using multi-mode and multi-band handsets, and
- roaming on other providers’ digital networks that use CDMA.

Sprint PCS customers can use their phones through roaming agreements in countries other than the United States, including areas of:

- Asia Pacific, including China, Guam, Hong Kong and New Zealand,
- Canada and Mexico,
- Central and South America, including Argentina, Bolivia, Chile, Colombia, Ecuador, Guatemala, Paraguay and Uruguay, and
- Most major Caribbean Islands.

Sprint launched nationwide third generation (3G) capability in the 2002 third quarter. This capability allows more efficient utilization of the network when voice calls are made using 3G-enabled handsets. It also provides enhanced data services. The service, marketed as “PCS Vision,” allows consumer and business customers to use their Vision-enabled PCS devices to exchange instant messages, exchange personal and corporate e-mail, take, send and receive pictures, play games with full-color graphics and polyphonic sounds and browse the Internet wirelessly with speeds up to 144 kbps (with average speeds of 50 to 70 kbps).

The PCS Group supplements its own network through affiliation arrangements with other companies that use CDMA. Under these arrangements, these companies offer PCS services using Sprint’s spectrum under the Sprint brand name on CDMA networks built and operated at their own expense.

Several of these affiliates are experiencing financial difficulties and are evaluating or have completed restructuring activities. Two affiliates have filed for bankruptcy protection and made claims against Sprint in the bankruptcy courts. One other affiliate has filed suit against Sprint. Several of the affiliates are disputing and refusing to pay amounts owed to Sprint. Reserves have been established that are expected to provide for the ultimate resolution of these disputes, and Sprint is in negotiations with some of the affiliates regarding restructuring its relationship with them.

Sprint has reached agreements with several of its affiliates, including two of the largest who have completed restructuring activities. Sprint has amended the existing agreements to provide for a simplified pricing mechanism, as well as refining and changing various business processes. The amended agreements cover approximately 40% of the customers served by all affiliates. The agreements provide simplified and predictable long-term pricing for service bureau fees and stability to the rates charged for inter-area service fees. In addition, Sprint and the companies settled all significant outstanding disputes. The revised terms under the agreements are expected to have an immaterial impact on future PCS Group results.

The PCS Group also includes its investment in Virgin Mobile, USA, a joint venture to market wireless services, principally to youth and pre-pay segments. This investment is accounted for using the equity method.

The PCS Group also provides PCS services to companies that resell PCS services to their customers on a retail basis under their own brand. These companies bear the costs of acquisition, billing and customer service.

Intergroup Transactions and Allocations

Intergroup Transactions

The PCS Group uses the long distance operation of the FON Group as its inter-exchange carrier and purchases wholesale long distance for resale to its customers. Additionally, the FON Group provides the PCS Group with Caller ID services and various other goods and services. Charges to the PCS Group for these items totaled $675 million in 2003, $672 million in 2002, and $570 million in 2001. Also included in these amounts are charges for goods capitalized by the PCS Group. These capitalized charges totaled $6 million in 2003, $4 million in 2002, and $12 million in 2001. The service charges less capitalized charges are included in the FON Group’s net operating revenues and in the PCS Group’s costs of services and products.

F-18
The PCS Group provides the FON Group with access to its network and telemarketing and various other services. Charges to the FON Group for these items totaled $9 million in 2003 and $20 million in 2001. In 2002, the PCS Group credited the FON Group for $46 million. This credit was primarily related to proceedings initiated by the Federal Communications Commission (FCC) in 2001 to consider a number of issues regarding compensation arrangements between carriers that exchange local and long distance traffic, including the issue of whether wireless carriers should be allowed to charge long distance carriers for terminating long distance calls to their wireless customers.

The FON Group charges the PCS Group a return on investment or capital carrying charge for the use of corporate owned capital assets. Charges to the PCS Group for this item totaled $42 million in 2003, $33 million in 2002 and $11 million in 2001. These amounts are included in the FON Group’s non-operating income and the PCS Group’s operating expenses.

Allocation of Shared Services
Sprint directly assigns, where possible, certain general and administrative costs to the FON Group and the PCS Group based on their actual use of those services. Where direct assignment of costs is not possible, or practical, Sprint uses other indirect methods, including time studies, to estimate the allocation of costs to each group. Cost allocation methods other than time studies include factors (general, marketing or headcount) derived from the operating unit’s relative share of the predefined category referenced (e.g. headcount). Sprint believes that the costs allocated are comparable to the costs that would be incurred if the groups would have been operating on a stand-alone basis.

The FON Group provides facilities, information services and certain other services to the PCS Group. Charges to the PCS Group for these services totaled $505 million in 2003, $359 million in 2002, and $236 million in 2001. Also included in these amounts are charges that were capitalized by the PCS Group. These capitalized charges totaled $24 million in 2003, $20 million in 2002, and $19 million in 2001. The service charges less capitalized charges are included in the PCS Group’s operating expenses. The increase in these charges primarily reflects the transition of the PCS Group to shared facilities managed by the FON Group. Previously, the PCS Group had separate facilities, and thus a direct cost. The PCS Group direct costs for these facilities have dropped proportionately for these allocated shared services.

Additional costs for shared services totaled approximately $1.0 billion in 2003, $568 million in 2002, and $542 million in 2001. The percentage of these costs allocated to the PCS Group was approximately 43% in 2003, 31% in 2002, and 23% in 2001 with the balance allocated to the FON Group. The increase in total costs for shared services is driven by the consolidation of Sprint’s Network, Information Technology, and Billing and Accounts Receivable organizations announced in 2002. As a result of synergies from these consolidations, group direct costs for these services have dropped more than proportionately for these allocated shared services.

The allocation of shared services may change at the discretion of Sprint’s board and does not require shareholder approval.

Allocation of Group Financing
Financing activities for the groups are managed by Sprint on a centralized basis. Debt incurred by Sprint on behalf of the groups is specifically allocated to and reflected in the financial statements of the applicable group. Interest expense is allocated to the PCS Group based on an interest rate that is substantially equal to the rate it would be able to obtain from third parties as a wholly owned Sprint subsidiary, but without the benefit of any guarantee by Sprint or any member of the FON Group. That interest rate is higher than the rate Sprint obtains on borrowings. The difference between Sprint’s actual interest rate and the rate charged to the PCS Group is reflected as a reduction in the FON Group’s interest expense and totaled $374 million in 2003, $336 million in 2002, and $288 million in 2001. These amounts are reflected in the “Intergroup interest charge” on the Consolidated Statements of Operations.

The FON Group earned intergroup interest income and the PCS Group incurred intergroup interest expense of $15 million in 2001 primarily related to the FON Group’s ownership of PCS Group debt securities. Sprint redeemed these securities in the 2001 fourth quarter. As a result of this redemption, the FON Group recognized an $11 million pre-tax gain to “Other income (expense), net” and the PCS Group recorded an $11 million pre-tax loss to “Discount (premium) on early retirement of debt.”
Under Sprint’s centralized cash management program, one group may advance funds to the other group. These advances are accounted for as short-term borrowings between the groups and bear interest at a market rate that is substantially equal to the rate that group would be able to obtain from third parties on a short-term basis.

The allocation of group financing activities may change at the discretion of Sprint’s board and does not require shareholder approval.

Allocation of Federal and State Income Taxes
Sprint files a consolidated federal income tax return and certain state income tax returns which include FON Group and PCS Group results. Sprint adopted a tax sharing agreement which provided for the allocation of income taxes between the two groups. The FON Group’s income taxes are calculated as if it files returns which exclude the PCS Group. The PCS Group’s income taxes reflect the PCS Group’s incremental cumulative impact on Sprint’s consolidated income taxes. Intergroup tax payments are satisfied on the date Sprint’s related tax payment is due to or the refund is received from the applicable tax authority.

The original tax sharing agreement applied to tax years ending on or before December 31, 2001. In December 2001, Sprint adopted a continuation of this tax sharing arrangement except for the elimination of certain provisions addressing certain types of acquisitions or restructurings, which never became operable under the original agreement.

Income Taxes
Sprint records deferred income taxes based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases.

Revenue Recognition
Sprint recognizes operating revenues in accordance with Staff Accounting Bulletin No. 104, Revenue Recognition. Operating revenues are recognized as services are rendered or as products are delivered to customers. Certain of Sprint’s bundled products and services have been determined to be revenue arrangements with multiple deliverables. Total consideration received in these arrangements is allocated and measured using units of accounting within the arrangement based on relative fair values.

Certain installation fees are deferred and amortized over the average life of the service.

Advertising Expense
Sprint recognizes advertising expense as incurred. These expenses include production, media and other promotional and sponsorship costs. Advertising expenses totaled $778 million in 2003, $863 million in 2002, and $1.1 billion in 2001.

Cash and Equivalents
Cash equivalents generally include highly liquid investments with original maturities of three months or less. They are stated at cost, which approximates market value. Sprint uses controlled disbursement banking arrangements as part of its cash management program. Outstanding checks included in accounts payable totaled $208 million at year-end 2003 and $192 million at year-end 2002. Sprint had sufficient funds available to fund the outstanding checks when they were presented for payment.

Allowance for Doubtful Accounts
This reserve reflects the estimate of accounts receivable collectibility and requires management’s judgement based on historical trending, industry norms and recognition of current market indicators about general economic conditions, which are predictive of the future economic viability of our customer base.
**Investments in Debt Securities**

Investments in marketable debt securities are classified as available for sale and reported at estimated fair value, based on quoted market prices. Interest on investments in debt securities is reinvested and recorded in “Other income (expense), net” in the Consolidated Statements of Operations. Gross unrealized holding gains and losses are reflected on the Consolidated Balance Sheets as adjustments to “Shareholders’ equity—Accumulated other comprehensive income (loss),” net of related income taxes.

**Investments in Equity Securities**

Investments in marketable equity securities are classified as available for sale and reported at estimated fair value, based on quoted market prices. Gross unrealized holding gains and losses are reflected on the Consolidated Balance Sheets as adjustments to “Shareholders’ equity—Accumulated other comprehensive income (loss),” net of related income taxes. Impairment losses on investments in equity securities are recorded to “Other income (expense), net” in the Consolidated Statements of Operations when an investment’s market value declines below Sprint’s cost basis on an other than temporary basis.

**Inventories**

Inventories for the FON Group are stated at the lower of cost (principally first-in, first-out method) or market value. Inventories for the PCS Group are stated at the lower of cost (principally first-in, first-out method) or replacement value.

**Property, Plant and Equipment**

Property, plant and equipment is recorded at cost. Generally, ordinary asset retirements and disposals are charged against accumulated depreciation with no gain or loss recognized. The cost of property, plant and equipment is generally depreciated on a straight-line basis over estimated economic useful lives. Repair and maintenance costs are expensed as incurred.

<table>
<thead>
<tr>
<th></th>
<th>December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2003</td>
</tr>
<tr>
<td>(millions)</td>
<td></td>
</tr>
<tr>
<td><strong>FON Group</strong></td>
<td></td>
</tr>
<tr>
<td>Global markets division</td>
<td>$14,125</td>
</tr>
<tr>
<td>Local division</td>
<td>19,030</td>
</tr>
<tr>
<td>Other</td>
<td>2,360</td>
</tr>
<tr>
<td><strong>Total FON Group</strong></td>
<td>35,515</td>
</tr>
<tr>
<td><strong>PCS Group</strong></td>
<td>18,732</td>
</tr>
<tr>
<td><strong>Total property, plant and equipment</strong></td>
<td>$54,247</td>
</tr>
</tbody>
</table>

**Capitalized Interest**


**Goodwill and Other Intangibles**

Effective January 1, 2002, Sprint adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. Upon adoption of this statement, amortization of goodwill and indefinite life intangibles ceased, and accumulated amortization as of December 31, 2001 reduced the carrying value of these assets. See Note 6 for additional information regarding SFAS No. 142 and the treatment of goodwill and other intangibles.

**Goodwill**

Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in business combinations accounted for as purchases. The book value of goodwill was $4.4 billion at year-end 2003 and 2002.
Sprint evaluates goodwill for impairment on an annual basis and whenever events or circumstances indicate that these assets may be impaired. Sprint determines impairment by comparing the net assets of each reporting unit (identified as Sprint’s operating segments) to the respective fair value. In the event a unit’s net assets exceed its fair value, an implied fair value of goodwill must be determined by assigning the unit’s fair value to each asset and liability of the unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. An impairment loss is measured by the difference between the goodwill carrying value and the implied fair value.

Indefinite Life Intangibles

Sprint identified spectrum licenses and Sprint’s trademark as indefinite life intangibles after considering the expected use of the assets, the regulatory and economic environment within which they are being used, and the effects of obsolescence on their use.

The PCS Group acquired spectrum licenses from the FCC to operate as a PCS service provider. Additionally, the PCS Group incurred costs related to microwave relocation in constructing the PCS network. The global markets division acquired spectrum licenses when the broadband fixed wireless companies were acquired in 1999. Spectrum licenses are integral to the operation of our business, and in fact, we cannot operate major portions of our business without them. As long as Sprint acts within the requirements and constraints of the regulatory authorities, the renewal and extension of its licenses is reasonably certain. Spectrum licenses authorize wireless carriers to use radio frequency spectrum. That spectrum is a renewable, reusable resource that does not deplete or exhaust over time. At present there is no competing technology on the horizon that would render spectrum obsolete. Currently, there are no changes in the competitive or legislative environments that would put in question the future need for spectrum licenses.

The Sprint trademark is a highly respected brand with positive connotations. Current market assessments rank it as one of the most recognizable brands in the United States. Sprint has no legal, regulatory or contractual limitations associated with its trademark. Sprint cultivates and protects the use of its brand.

Sprint evaluates the recoverability of indefinite lived intangible assets on an annual basis and whenever events or circumstances indicate that these assets might be impaired. Sprint determines impairment by comparing an asset’s respective carrying value to estimates of fair value using the best information available, which requires the use of estimates, judgments and projections. In the event impairment exists, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset.

In the 2003 third quarter, the global markets division recorded a pre-tax, non-cash charge of $1.2 billion related to the write-down in the fair value of its MMDS spectrum. As of December 31, 2003, the wireless PCS spectrum and the trademark value were not impaired.

The book value of indefinite life intangibles was $3.4 billion at year-end 2003 and $4.6 billion at year-end 2002.

Definite Life Intangibles

Definite life intangibles include the value of Sprint’s patents and previously included the value associated with the PCS Group customer base through acquisition. In 2002, the intangible associated with the PCS customer base of approximately $746 million became fully amortized, at which time the accumulated amortization reduced the carrying value of the asset. Sprint evaluates the recoverability of definite life intangible assets when events or circumstances indicate that these assets might be impaired. Sprint determines impairment by comparing an asset’s respective carrying value to estimates of the sum of the future cash flows expected to result from Sprint’s asset, undiscounted and without interest charges. If the carrying amount is more than the recoverable amount, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the asset. Definite life intangibles are amortized over their useful lives, which at year-end 2003 averaged 10 years. Amortization on these assets totaled $1 million in 2003, $4 million in 2002, and $148 million in 2001.

Restructuring Activity

In June 2002, the Financial Accounting Standards Board (FASB) issued SFAS No. 146, Accounting for Costs Associated with Exit or Disposal Activities. This standard provides accounting guidance for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a
Restructuring). This standard revised guidance on when a liability for a cost associated with an exit or disposal activity is incurred. Sprint adopted this standard effective January 1, 2003 for restructuring activities occurring after that date.

Earnings per Share

Earnings per share (EPS) is computed individually for the FON Group and PCS Group. As a part of the Recapitalization, each Class A common share owned by FT and DT was reclassified such that each share represented a right to one share of FON stock and ½ share of PCS stock. In order to give effect to the FT and DT interests when determining earnings per share, the number of shares of FON stock and PCS stock represented by the shares of Class A common stock are included in the calculation of the weighted average FON and PCS common stock outstanding. At year-end 2003, there were no shares of Class A common stock outstanding. At year-end 2001, the outstanding Class A common stock no longer represented shares of FON stock.

The FON Group’s dilutive securities (mainly options and restricted stock units) totaled 2.3 million shares in 2003 and 1.2 million shares in 2002. In 2001, dilutive securities did not have a dilutive effect on loss per share because the FON Group incurred a net loss. Dilutive securities for the PCS Group mainly include options, convertible preferred stock, restricted stock units and equity units. These securities did not have a dilutive effect on loss per share because the PCS Group incurred net losses for 2003, 2002, and 2001. As a result, diluted loss per share equaled basic loss per share.

Options have been granted with exercise prices, which are currently higher than market. These options are considered antidilutive and have not been included in the dilutive calculation. The FON Group’s antidilutive securities totaled $71 million in 2003, $87 million in 2002 and $36 million in 2001. The PCS Group’s antidilutive securities totaled $63 million in 2003, $64 million in 2002 and $27 million in 2001.

Effective January 1, 2003, Sprint adopted SFAS No. 145 Rescission of FASB Statements No. 4, 44 and 64, Amendment to FASB Statement No. 13, and Technical Corrections. Upon adoption of this statement, gains and losses from the extinguishment of debt are required to be reported in other income or expense; they had previously been reported as an extraordinary item. As a result, Sprint has restated its 2001 EPS from continuing operations for the PCS Group to reflect the one cent loss from the extinguishment of debt previously reported as an extraordinary item.

Stock-based Compensation

Effective January 1, 2003, Sprint adopted SFAS No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation—Transition and Disclosure, an Amendment of FASB Statement 123, using the prospective method. Upon adoption Sprint began expensing the fair value of stock-based compensation of all grants, modifications or settlements made on or after January 1, 2003. The following table illustrates the effect on net income and earnings per share of stock-based compensation included in net income and the effect on net income and earnings per share for grants issued on or before December 31, 2002, had Sprint applied the fair value recognition provisions of SFAS No. 123.

Compensation costs are expensed over the vesting period of the award using the straight-line method. The amount of compensation cost recognized at any date is at least equal to the vested portion of the award.

<table>
<thead>
<tr>
<th>Sprint FON Group</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-Ended December 31,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income (loss), as reported</td>
<td>$1,876</td>
<td>$1,208</td>
<td>$(147)</td>
</tr>
<tr>
<td>Add: Stock-based employee compensation expense included in reported net income (loss), net of related tax effects</td>
<td>19</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects</td>
<td>(47)</td>
<td>(91)</td>
<td>(145)</td>
</tr>
<tr>
<td>Pro forma net income (loss)</td>
<td>$1,848</td>
<td>$1,120</td>
<td>$(291)</td>
</tr>
<tr>
<td>Earnings (loss) per common share:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic—as reported</td>
<td>$ 2.09</td>
<td>$ 1.36</td>
<td>$(0.16)</td>
</tr>
<tr>
<td>Basic—pro forma</td>
<td>$ 2.06</td>
<td>$ 1.26</td>
<td>$(0.32)</td>
</tr>
<tr>
<td>Diluted—as reported</td>
<td>$ 2.09</td>
<td>$ 1.36</td>
<td>$(0.16)</td>
</tr>
<tr>
<td>Diluted—pro forma</td>
<td>$ 2.05</td>
<td>$ 1.26</td>
<td>$(0.32)</td>
</tr>
</tbody>
</table>
Sprint recognized pre-tax charges of $37 million related to stock-based grants issued in 2003. In 2002, pre-tax charges of $7 million were recognized for grants of restricted stock made in 2002 and previous years.

In the 2003 second quarter, Sprint recognized pre-tax charges of $15 million for non-cash expense in connection with separation agreements between Sprint and William T. Esrey, former chairman and chief executive officer, Ronald T. LeMay, former president and chief operating officer, and J. Richard Devlin, former executive vice president—general counsel, external affairs and corporate secretary. The charges were associated with accounting for modifications which accelerated vesting and extended exercise periods of stock options granted in prior periods, as required by SFAS No. 123. Most of the FON options had exercise prices that were approximately two times the market price at the modification date, while most of the PCS options had exercise prices that were five times the market price at the modification date. The charge to earnings in the second quarter was approximately one cent per share each for the FON Group and the PCS Group. An additional $21 million pre-tax impact from these separation agreements was not recognized, but is included in the pro forma table above.

### 2. Investments

At December 31, 2003 Sprint carried $548 million in investment asset value: $125 million of which was included in “Current assets—other” and $423 million in “Other assets.” At December 31, 2002, $311 million of investment asset value was all included in “Other assets.” The material investment types and amounts include:

#### Investments in Debt Securities

During the second half of 2003, Sprint invested in marketable debt securities in the amount of $500 million. Interest on these investments is reinvested and recognized in “Other income (expense), net” in the Consolidated Statements of Operations. Sprint recognized approximately $3 million of interest income on these investments in 2003. Accumulated unrealized holding gains were immaterial as of December 31, 2003. At December 31, 2003, investments in marketable debt securities totaled $503 million of which $125 million was included in “Current assets—Other” and $177 million was included in “Other assets” on the Consolidated Balance Sheets. The remaining $201 million have original or remaining maturities at purchase of less than 90 days and were included in “Cash and equivalents.” Sprint did not have any marketable debt securities as of December 31, 2002.

#### Investments in Equity Securities

The cost of investments in marketable equity securities, primarily made up of EarthLink common stock, was $134 million and $95 million at year-end 2003 and 2002, respectively. Accumulated unrealized holding gains were $38 million (net of $23 million tax) at year-end 2003. Comparatively, at year-end 2002, the accumulated unrealized holding losses were $12 million (net of $8 million tax) and accumulated unrealized holding gains were $6 million (net of $4 million tax). Both gains and losses were included in “Accumulated other comprehensive income (loss)” on the Consolidated Balance Sheets.

At year-end 2003, Sprint held 18.9 million shares of EarthLink common stock, which were reflected in “Other assets” on the Consolidated Balance Sheets. These shares were hedged with variable prepaid forward contracts, maturing from November 2004 to November 2005.

In the 2003 second quarter, Sprint sold 10.8 million EarthLink common shares for $66 million. Shares were sold both to EarthLink, Inc. and in the open market. Sprint recognized a $3 million loss on the sales.
In the 2001 third quarter, Sprint sold 18.4 million of its common shares in EarthLink for $228 million. The net loss on the sale was $25 million and was included in “Other income (expense), net” in Sprint’s Consolidated Statements of Operations.

**Cost Method Investments**

At December 31, 2003, Sprint no longer carried any cost method investment related to EarthLink preferred shares. In the 2003 second quarter, Sprint converted its remaining cost method investment in EarthLink preferred shares into 18 million shares of EarthLink common stock. EarthLink common stock is a marketable equity security.

At December 31, 2002, Sprint’s cost method investment in EarthLink preferred shares of $116 million was included in “Other assets” on the Consolidated Balance Sheets. In the 2002 second quarter, Sprint completed an analysis of the valuation of this investment, which resulted in a write-down of $241 million to market value. This charge was included in “Other income (expense), net” in Sprint’s Consolidated Statements of Operations.

During 2002, Sprint converted 9 million shares of EarthLink preferred stock into 8.8 million shares of EarthLink common stock.

In 2001, Sprint converted 9.3 million shares of EarthLink preferred stock into 8.9 million shares of EarthLink common stock.

**Equity Method Investments**

At year-end 2003 and 2002, investments accounted for using the equity method consisted primarily of the PCS Group’s investment in Virgin Mobile, USA. At year-end 2001, investments accounted for using the equity method included the PCS Group’s investments in Pegaso Telecomunicaciones, S.A. de C.V. (Pegaso), SVC BidCo L.P. (BidCo), and Virgin Mobile, USA, as well as the FON Group’s investments in EarthLink and Intelig Telecommunicacoes, Ltda. (Intelig). These investments were reflected in “Other assets” on the Consolidated Balance Sheets. Certain other equity method investments are carried at zero value.

**Virgin Mobile, USA**

Sprint’s investment in Virgin Mobile, USA was $41 million at year-end 2003 and $101 million at year-end 2002. Sprint determined that Virgin Mobile, USA is not a variable interest entity and therefore carries it as an equity investment.

This joint venture with the Virgin Group was originally entered into in the 2001 fourth quarter. Virgin Mobile, USA launched services in June 2002. In the 2002 second quarter, Sprint entered into a new agreement with Virgin Group for funding of Virgin Mobile, USA. Under the terms of the agreement, Sprint agreed to fund up to $150 million, with the majority in the form of discounted network services and the remainder in cash, and the Virgin Group agreed to fund up to $150 million in cash. As of December 31, 2003, Sprint satisfied 100% of this cash funding commitment and approximately 70% of the network services contribution. Additionally, in the 2003 third quarter, Sprint’s board of directors authorized additional cash funding for the joint venture in the amount of $30 million, of which $20 million had been provided to the joint venture as of December 31, 2003.

Finally, in the 2003 third quarter, a Sprint subsidiary agreed to guarantee a $20 million term-loan facility entered into by Virgin Mobile, USA to fund working capital needs. The facility expires on December 31, 2004. If required to perform, Sprint would acquire Virgin Mobile, USA’s subscriber base. The fair value of this guarantee was recorded in “Noncurrent liabilities—Other” on the Consolidated Balance Sheets in the amount of $5 million.

**BidCo**

During 2002, the PCS Group’s investment in BidCo was dissolved. In the 2002 fourth quarter, Sprint received $5 million, its final share of the FCC’s return of deposit for licenses in the NextWave spectrum auction after receiving $38 million in the 2002 second quarter representing its 85% share of the deposit for licenses. At dissolution a $5 million loss was recognized.
Pegaso

In the 2002 third quarter, the PCS Group sold its investment in Pegaso to Telefonica Moviles. Sprint also reached an agreement with Pegaso and the other shareholders of Pegaso for payment in connection with the cancellation of Sprint’s Services Contract. Sprint’s book investment in Pegaso was zero due to previous recognition of its share of losses. Sprint received $28 million from Telefonica Moviles in the third quarter, and in October 2002 received an additional final payment, net of foreign withholding tax, of $35 million for its investment in Pegaso.

Other investments

In the 2002 fourth quarter, Sprint liquidated a partnership and received cash proceeds of $148 million. Associated with this transaction, Sprint extinguished a $150 million borrowing from the partnership. Sprint recorded a $1 million loss on the investment.

In the 2002 second quarter, Call-Net, a Canadian long-distance provider, finalized a comprehensive recapitalization proposal that altered the FON Group’s existing ownership in this investment, which has been carried at zero value since the 2000 fourth quarter. Sprint invested approximately $16 million in new Call-Net shares as part of this recapitalization. Since this is an equity method investment, Sprint recognized previously unrecognized losses in the amount of this additional investment. Additionally, Sprint and Call-Net agreed to a new ten year branding and technology services agreement for which Sprint receives royalties.

In the 2001 third quarter, Sprint completed an analysis of the valuation of its investment in Intelig that resulted in a $157 million write-down. This charge was included in “Other income (expense), net” in Sprint’s Consolidated Statement of Operations.

Combined, unaudited, summarized financial information (100% basis) of entities accounted for using the equity method was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Results of operations</strong> (millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$ 831</td>
<td>$ 674</td>
<td>$ 1,181</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>$(277)</td>
<td>$(303)</td>
<td>$(1,185)</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>$(253)</td>
<td>$(468)</td>
<td>$(1,593)</td>
</tr>
<tr>
<td><strong>Financial position</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td>$ 260</td>
<td>$ 166</td>
<td>$ 835</td>
</tr>
<tr>
<td>Noncurrent assets</td>
<td>479</td>
<td>458</td>
<td>2,102</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 739</td>
<td>$ 624</td>
<td>$ 2,937</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>$ 301</td>
<td>$ 162</td>
<td>$ 818</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>328</td>
<td>325</td>
<td>2,251</td>
</tr>
<tr>
<td>Partners’ capital</td>
<td>289</td>
<td>130</td>
<td></td>
</tr>
<tr>
<td>Owners’ equity</td>
<td>(179)</td>
<td>7</td>
<td>(132)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 739</td>
<td>$ 624</td>
<td>$ 2,937</td>
</tr>
</tbody>
</table>
3. Financial Instruments

Fair Value of Financial Instruments

Sprint estimates the fair value of its financial instruments using available market information and appropriate valuation methodologies. As a result, the following estimates do not necessarily represent the values Sprint could realize in a current market exchange. These amounts have not been comprehensively revalued for purposes of these financial statements since December 31, 2003. Therefore, estimates of fair value after year-end 2003 may differ significantly from the amounts presented below.

The carrying amounts and estimated fair values of Sprint’s financial instruments at year-end were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003 Carrying Amount (millions)</th>
<th>2003 Estimated Fair Value (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and equivalents</td>
<td>2,424</td>
<td>2,424</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>497</td>
<td>497</td>
</tr>
<tr>
<td>Japanese yen (1)</td>
<td>160</td>
<td>160</td>
</tr>
<tr>
<td>Total debt</td>
<td>17,435</td>
<td>19,153</td>
</tr>
<tr>
<td>Equity units (2)</td>
<td>1,738</td>
<td>490</td>
</tr>
<tr>
<td>Redeemable preferred stock</td>
<td>247</td>
<td>222</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2002 Carrying Amount (millions)</th>
<th>2002 Estimated Fair Value (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and equivalents</td>
<td>1,035</td>
<td>1,035</td>
</tr>
<tr>
<td>Investments in securities</td>
<td>201</td>
<td>182</td>
</tr>
<tr>
<td>Japanese yen (1)</td>
<td>157</td>
<td>157</td>
</tr>
<tr>
<td>Total debt</td>
<td>20,292</td>
<td>19,242</td>
</tr>
<tr>
<td>Equity units (2)</td>
<td>1,756</td>
<td>504</td>
</tr>
<tr>
<td>Redeemable preferred stock</td>
<td>256</td>
<td>206</td>
</tr>
</tbody>
</table>

(1) Yen are held on deposit to satisfy certain capital lease obligations. See Note 8 for additional information.

(2) Equity units include senior notes of $1.725 billion and the purchase contract adjustment payment liability of $13 million in 2003 and $31 million in 2002. See Note 9 for more information on equity units.

The carrying amounts of Sprint’s cash and equivalents approximate fair value at year-end 2003 and 2002. The estimated fair value of investments in securities was based on quoted market prices. The estimated fair value of long-term debt was based on quoted market prices for publicly traded issues. The estimated fair value of equity units was based on quoted market prices. The estimated fair value of all other issues was based on either the Black-Scholes pricing model, the present value of estimated future cash flows using a discount rate based on the risks involved or quoted market prices when available.

Accounting for Derivative Instruments

Accounting Standard

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities became effective for Sprint on January 1, 2001 and establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities and requires recognition of all derivatives on the balance sheet at fair value, regardless of the hedging relationship designation. Accounting for the changes in the fair value of the derivative instruments depends on whether the derivatives qualify as hedge relationships and the types of the relationships designated are based on the exposures hedged. Changes in fair value of derivatives designated as fair value hedges are recognized in earnings along with fair value changes of the hedged item. Changes in fair value of derivatives designated as cash flow hedges are recorded in Other comprehensive income (loss) and are recognized in earnings when the hedged item affects earnings. Changes in fair value of derivative instruments that do not qualify for hedge relationship designation are recognized in earnings.

F-27
Risk Management Policies

Sprint’s derivative instruments include interest rate swaps, stock warrants, variable prepaid forward contracts, credit forward contracts, and foreign currency forward contracts. Sprint’s derivative transactions are used principally for hedging purposes and comply with board-approved policies. Senior finance management receives frequent status updates of all outstanding derivative positions.

Sprint enters into interest rate swap agreements to manage exposure to interest rate movements and achieve an optimal mixture of floating and fixed-rate debt while minimizing liquidity risk. The interest rate swap agreements designated as fair value hedges effectively convert Sprint’s fixed-rate debt to a floating rate through the receipt of fixed-rate amounts in exchange for floating-rate interest payments over the life of the agreement without an exchange of the underlying principal amount. Sprint enters into interest rate swap agreements designated as cash flow hedges to reduce the impact of interest rate movements on future interest expense by effectively converting a portion of its floating-rate debt to a fixed rate.

In certain business transactions, Sprint is granted warrants to purchase the securities of other companies at fixed rates. These warrants are supplemental to the terms of the business transactions and are not designated as hedging instruments.

Sprint enters into variable prepaid forward contracts which reduce the variability in expected cash flows related to a forecasted sale of the underlying equity securities held as available for sale.

Sprint enters into fair value hedges through credit forward contracts which hedge changes in fair value of certain debt issues.

Sprint’s foreign exchange risk management program focuses on reducing transaction exposure to optimize consolidated cash flow. Sprint enters into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Sprint’s primary transaction exposure results from payments made to and received from overseas telecommunications companies for completing international calls made by Sprint’s domestic customers and the operation of its international subsidiaries.

Interest Rate Swaps
The interest rate swaps met all the required criteria under derivative accounting rules for the assumption of perfect effectiveness resulting in no recognition of changes in their fair value in earnings during the life of the swap. Sprint held both cash flow hedges and fair value hedges in interest rate swaps for some of the periods presented. Sprint held only fair value hedges during 2003.

Sprint recorded a $26 million asset in 2003 resulting from changes in the fair value of the interest rate swaps. The increase in value for these swaps has been recorded in “Other assets” on the Consolidated Balance Sheets. As the swaps have been deemed perfectly effective, an offset was recorded to the underlying “Long-term debt.”

In 2001, upon adoption of SFAS No. 133, Sprint recorded a cumulative reduction in Other comprehensive income (loss) of $9 million. This reduction results from recognizing the fair value of interest rate swap cash flow hedges and is recorded in “Cumulative effect of change in accounting principle” in the Consolidated Statements of Comprehensive Income (Loss). The net derivative losses included in Accumulated other comprehensive income (loss) as of December 31, 2001 were reclassified into earnings as they matured during 2002.

Sprint recorded a $12 million pre-tax increase to Other comprehensive income (loss) for the year ended December 31, 2002, resulting from gains on cash flow hedges. The change in Other comprehensive income (loss) is included in “Net unrealized gains (losses) on qualifying cash flow hedges” on the Consolidated Statements of Comprehensive Income (Loss).

Sprint recorded a $4 million reduction in Other comprehensive income (loss) for the year ended December 31, 2001, as a result of losses on cash flow hedges.

Stock Warrants
The stock warrants are not designated as hedging instruments and changes in the fair value of these derivative instruments are recognized in earnings during the period of change.
Sprint's net derivative losses on stock warrants were less than $1 million in 2003.

Sprint recorded net derivative losses in earnings of $3 million after tax for the year ended December 31, 2002 due to changes in the fair value of the stock warrants.

Sprint recorded net derivative gains in earnings of $2 million after tax for the year ended December 31, 2001 due to changes in the fair value of the stock warrants.

In 2001, upon adoption of SFAS No. 133, Sprint recorded a cumulative adjustment to net income of $2 million (net of tax of $1 million). The $2 million cumulative adjustment was due to recognizing the fair value of the stock warrants that are not designated as hedging instruments and is recorded in “Cumulative effect of changes in accounting principles, net” in the Consolidated Statements of Operations.

**Net Purchased Equity Options**
The net purchased equity options embedded in variable prepaid forward contracts are designated as cash flow hedges.

Sprint recorded a $37 million after tax decrease for the year ended December 31, 2003 in Other comprehensive income (loss), and a $17 million after tax increase for the year ended December 31, 2002 resulting from gains and losses on these cash flow hedges. There were no net purchased equity options held for the year ended December 31, 2001. The changes in Other comprehensive income (loss) are included in “Net unrealized gains (losses) on qualifying cash flow hedges” on the Consolidated Statements of Comprehensive Income (Loss).

**Credit Forward Contracts**
Sprint held fair value hedges in credit forward contracts during 2003 and 2002 to hedge changes in fair value of certain debt issues. As there is a high correlation between the credit forward contracts and the debt issues being hedged, fluctuations in the value of the credit forward contracts are generally offset by changes in the fair value of the debt issues. A nominal amount was recorded in 2003 and 2002 on this hedge in the Consolidated Statements of Operations. In 2003, the credit forward contracts were settled.

**Foreign Currency Contracts**
Foreign currency forward contracts held during the period were not designated as hedges as defined in SFAS No. 133, and changes in the fair value of these derivative instruments are recognized in earnings during the period of change.

Sprint had outstanding open forward contracts to buy various foreign currencies of $2 million at year-end 2003, $2 million at year-end 2002, and $3 million at year-end 2001. The forward contracts open at year-end 2003, 2002, and 2001 all had original maturities of six months or less. The net gain or loss recorded to reflect the fair value of these contracts is recorded in the period incurred. Including hedge costs and the underlying gains and losses, net losses of $2 million, $0.3 million and $0.8 million were recorded in 2003, 2002 and 2001.

**Concentrations of Credit Risk**
Sprint’s accounts receivable are not subject to any concentration of credit risk. Sprint controls credit risk of its interest rate swap agreements and foreign currency contracts through credit approvals, dollar exposure limits and internal monitoring procedures. In the event of nonperformance by the counterparties, Sprint’s accounting loss would be limited to the net amount it would be entitled to receive under the terms of the applicable interest rate swap agreement or foreign currency contract. However, Sprint does not anticipate nonperformance by any of the counterparties to these agreements.

### 4. Asset Retirement Obligations

Sprint adopted SFAS No. 143, *Accounting for Asset Retirement Obligations*, on January 1, 2003. This standard provides accounting guidance for legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction or development and (or) normal operation of those assets. According to the standard, the fair value of an asset retirement obligation (ARO liability) should be recognized in the period in which (1) a legal obligation to retire a long-lived asset exists and (2) the fair value of the obligation based on retirement...
cost and settlement date is reasonably estimable. Upon initial recognition of the ARO liability, the related asset retirement cost should be capitalized by increasing the carrying amount of the related long-lived asset.

Sprint’s network is primarily located on owned and leased property and utility easements. In the FON Group, a majority of the leased property has no requirement for remediation at retirement. The remainder of the FON Group’s leased property and predominately all of the PCS Group’s leased property does have potential remediation obligations. Sprint expects to maintain the property as a necessary component of infrastructure required to maintain FCC licensing. In calculating the required ARO liability, Sprint evaluated the extent of remediation that may be requested by lessors and the associated costs, the likelihood or probability that lessors will require remediation under the lease agreements, and the timing in which remediation may occur. The resultant estimate of the ultimate disposition of those requirements was immaterial both at adoption of this standard on January 1, 2003, and on the 2003 depreciation and accretion expense.

Adoption of SFAS No. 143 affected the cost of removal historically recorded by the FON Group’s local division. Consistent with regulatory requirements and industry practice, the local division historically accrued costs of removal in its depreciation reserves. These costs of removal do not meet the SFAS No. 143 definition of an ARO liability. Upon adoption of SFAS No. 143, the FON Group recorded a reduction in its historical depreciation reserves of approximately $420 million to remove the accumulated excess cost of removal, resulting in a cumulative effect of change in accounting principle credit of $258 million, net of tax, in the Consolidated Statements of Operations. The impact of this accounting change on Income (loss) from continuing operations was a decrease to the FON Group’s 2003 depreciation expense of approximately $40 million and an increase to 2003 expenses incurred for removal costs of approximately $20 million recognized as incurred over the year.

The following table illustrates the effect on the FON Group’s Net income (loss) had Sprint applied SFAS No. 143 in 2002 and 2001:

<table>
<thead>
<tr>
<th>Years ended December 31,</th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income (loss), as reported</td>
<td>$1,876</td>
<td>$1,208</td>
<td>($147)</td>
</tr>
<tr>
<td>Deduct: Cumulative effect of change in accounting principle, net of related tax effects</td>
<td>(258)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Add: Historically accrued cost of removal included in depreciation reserves, less cash removal expenses, net of related tax effects</td>
<td>—</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Adjusted net income (loss)</td>
<td>1,618</td>
<td>1,218</td>
<td>($137)</td>
</tr>
<tr>
<td>Preferred stock dividends received</td>
<td>8</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Adjusted earnings (loss) applicable to common stock</td>
<td>$1,626</td>
<td>$1,225</td>
<td>($130)</td>
</tr>
</tbody>
</table>

**Diluted and basic earnings (loss) per share**

| Net income (loss), as reported | $2.09 | $1.36 | ($0.16) |
| Deduct: Cumulative effect of change in accounting principle, net of related tax effects | (0.29) | — | — |
| Add: Historically accrued cost of removal included in depreciation reserves, less cash removal expenses, net of related tax effects | — | 0.01 | 0.01 |
| Adjusted diluted and basic earnings (loss) per share | $1.80 | $1.37 | ($0.15) |
| Diluted weighted average shares outstanding | 903.2 | 893.3 | 886.8 |
| Basic weighted average shares outstanding | 900.9 | 892.1 | 886.8 |

5. Restructuring and Asset Impairments

**Restructuring Activity**

In the 2003 fourth quarter, Sprint recognized charges from the organizational redesign initiatives. The restructuring was a company wide effort to create a more customer focused organization (Sprint Transformation). This decision resulted in pre-tax charges of $59 million in the 2003 fourth quarter consisting entirely of severance costs associated with workforce reductions. In connection with the transformation, Sprint expects the aggregate pre-tax charge to be approximately $80 million. Additional charges for employee termination costs will be recorded in subsequent periods and will impact all of Sprint’s divisions. The severance charges are associated with the involuntary separation of approximately 2,000 employees. As of December 31, 2003, approximately 800 of the employee separations had been completed.

In the 2003 fourth quarter, the PCS Group announced the termination of the development of a new billing platform (PCS Billing Platform Termination). These decisions resulted in pre-tax charges of $351 million in the 2003 fourth quarter. The charge for asset impairments was $339 million and the remaining $12 million was accrued for other contractual obligations.
In the 2003 second quarter, Sprint announced the wind-down of its web hosting business. Restructurings of other global markets division operations also occurred in the continuing effort to create a more efficient cost structure (Global Markets Web Hosting Wind-down). These decisions resulted in pre-tax charges of $348 million in the 2003 second quarter, $2 million in the 2003 third quarter and $26 million in the 2003 fourth quarter. The charge for asset impairments was $316 million, the charge for employee terminations was $15 million and the remaining $45 million was accrued for facility lease terminations. In connection with the wind-down of the web hosting business, Sprint will record additional charges for facility lease terminations, customer migration, employee termination, and other wind-down costs in subsequent periods. The severance charges are associated with the involuntary employee separation of approximately 600 employees. As of December 31, 2003, approximately 350 of the employee separations had been completed. Sprint expects the aggregate pre-tax charge to be approximately $440 million. Sprint expects to pay the majority of severance and other exit costs in the next nine months.

In the 2002 fourth quarter, Sprint announced a consolidation in its Network, Information Technology, and Billing and Accounts Receivable organizations, as well as in other areas of Sprint, in the on-going effort to streamline operations and maintain a competitive cost structure (One Sprint Consolidation). These decisions resulted in a $146 million pre-tax charge consisting of severance costs associated with work force reductions totaling $58 million, and the remaining $88 million accrued for other exit costs primarily associated with the termination of real estate leases. The severance charge is associated with the involuntary employee separation of approximately 2,100 employees. In the 2003 fourth quarter, Sprint completed an analysis to true up original estimates, and that analysis resulted in a $12 million reduction of liabilities. The remaining commitment has been reclassified as other current and non-current liabilities.

In the 2002 fourth quarter, the PCS Group announced it would reduce operating expenses through a work force reduction (PCS Consolidation). This action, which was undertaken to create a more competitive cost structure for the business, resulted in a $43 million pre-tax charge. The charge for severance costs totaled $25 million, and the remaining $18 million was accrued for other exit costs primarily associated with the termination of real estate leases. The severance charge was associated with the involuntary employee separation of approximately 1,600 employees. In the 2003 fourth quarter, Sprint completed an analysis to true up original estimates, and that analysis resulted in a $5 million reduction of liabilities. The remaining commitment has been reclassified as other current and non-current liabilities.

In the 2002 third quarter, Sprint announced a restructuring integrating its E|Solutions’ web hosting sales, mobile computing consulting, marketing, and product sales support capabilities into Sprint Business while integrating E|Solutions’ customer service operations into Network Services. Additionally, Sprint announced that its global markets division would discontinue offering and internally supporting facilities-based Digital Subscriber Line (DSL) services to customers (collectively, the Global Markets Consolidation). These decisions resulted in a $202 million pre-tax charge. The charge for asset impairments was $142 million, severance costs totaled $22 million, and the remaining $38 million was accrued for other exit costs associated with the termination of real estate leases and other contractual obligations. The severance charge was associated with the involuntary employee separation of approximately 1,100 employees. In the 2003 fourth quarter, Sprint completed an analysis to true up original estimates, and that analysis resulted in an $18 million reduction associated with the asset impairment charge and a $15 million reduction of liabilities. The remaining commitment has been reclassified as other current liabilities.

In the 2002 first quarter, the PCS Group announced plans to close five PCS customer solution centers, as well as additional steps to reduce operating costs in its network, sales and distribution, and customer solutions business units (PCS Customer Service Center Closures). These decisions resulted in a $23 million pre-tax charge. The charge for severance costs was $13 million with the remaining $10 million being for other exit costs, primarily for the termination of real estate leases. The severance charge was associated with the involuntary employee separation of approximately 2,600 employees. In the 2002 third quarter, Sprint performed an analysis to finalize the restructuring estimates recorded in the 2002 first quarter. This analysis resulted in a $6 million reduction of liabilities. The remaining commitment has been reclassified as other current liabilities.

In the 2001 fourth quarter, Sprint terminated its efforts to provide its Sprint ION consumer and business offerings and announced plans to reduce operating costs in the business units that comprise its FON Group. These efforts included consolidation and streamlining of marketing and network operations, as well as streamlining corporate support functions (Sprint ION Termination). These decisions resulted in a $1,813 million pre-tax charge. The charge for asset impairments was $1,327 million, severance costs totaled $231 million, and the remaining $256 million was accrued for other exit costs including termination of supplier agreements, real estate leases, and other contractual obligations. The severance charge was associated with the involuntary employee separation of approximately 6,000 employees. In the 2002 third quarter, Sprint performed an analysis of the restructuring estimates recorded in the 2001 fourth quarter. This analysis resulted in a reserve reduction in the 2002 third
quarter of $42 million and a $34 million reduction associated with the asset impairment charge. In the 2003 fourth quarter, Sprint completed an analysis to finalize the revised estimates, and that analysis resulted in a $20 million reduction of liabilities. The remaining commitment has been reclassified as other current and non-current liabilities.

This activity is summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Markets Web Hosting Wind-down Severance</td>
<td>$</td>
<td>—</td>
<td>$ 15</td>
<td>$ 9</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Other exit costs</td>
<td>—</td>
<td>45</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>45</td>
</tr>
<tr>
<td>Sprint Transformation Severance</td>
<td>—</td>
<td>59</td>
<td>5</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>54</td>
</tr>
<tr>
<td>PCS Billing Platform Termination Other exit costs</td>
<td>—</td>
<td>12</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>12</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Restructuring Events—2002</th>
<th>December 31, 2001 Liability Balance</th>
<th>Total Restructuring Charge</th>
<th>Cash Payments</th>
<th>Non-cash/Adjustments</th>
<th>Write-offs/Expense</th>
<th>Reclass to Other Liabilities</th>
<th>December 31, 2002 Liability Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Sprint Consolidation Severance</td>
<td>58</td>
<td>—</td>
<td>50</td>
<td>—</td>
<td>8</td>
<td>16</td>
<td>—</td>
</tr>
<tr>
<td>Other exit costs</td>
<td>51</td>
<td>—</td>
<td>7</td>
<td>—</td>
<td>(20)</td>
<td>24</td>
<td>—</td>
</tr>
<tr>
<td>PCS Consolidation Severance</td>
<td>22</td>
<td>—</td>
<td>21</td>
<td>—</td>
<td>(1)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other exit costs</td>
<td>16</td>
<td>—</td>
<td>4</td>
<td>(3)</td>
<td>(4)</td>
<td>5</td>
<td>—</td>
</tr>
<tr>
<td>Global Markets Consolidation Severance</td>
<td>8</td>
<td>—</td>
<td>8</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Other exit costs</td>
<td>30</td>
<td>—</td>
<td>9</td>
<td>—</td>
<td>(15)</td>
<td>6</td>
<td>—</td>
</tr>
<tr>
<td>PCS Customer Service Center Closures Other exit costs</td>
<td>2</td>
<td>—</td>
<td>1</td>
<td>—</td>
<td>—</td>
<td>1</td>
<td>—</td>
</tr>
</tbody>
</table>

| Restructuring Events—2001 | Sprint ION Termination Severance | 43 | — | 21 | — | (16) | 6 | — |
| Other exit costs | 47 | — | 17 | (9) | (4) | 17 | — | — |

| Total | $ 277 | $ 131 | $ 152 | $ (12) | $ (52) | $ 75 | $ 117 |

<table>
<thead>
<tr>
<th>Restructuring Events—2002</th>
<th>December 31, 2001 Liability Balance</th>
<th>Total Restructuring Charge</th>
<th>Cash Payments</th>
<th>Non-cash/Adjustments</th>
<th>Write-offs/Expense</th>
<th>Reclass to Other Liabilities</th>
<th>December 31, 2002 Liability Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Sprint Consolidation Severance</td>
<td>—</td>
<td>$ 58</td>
<td>—</td>
<td>$ —</td>
<td>$ —</td>
<td>$ —</td>
<td>58</td>
</tr>
<tr>
<td>Other exit costs</td>
<td>—</td>
<td>88</td>
<td>—</td>
<td>(37)</td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCS Consolidation Severance</td>
<td>—</td>
<td>25</td>
<td>3</td>
<td>—</td>
<td>22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other exit costs</td>
<td>—</td>
<td>18</td>
<td>—</td>
<td>(2)</td>
<td>16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Markets Consolidation Severance</td>
<td>—</td>
<td>22</td>
<td>14</td>
<td>—</td>
<td>8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other exit costs</td>
<td>—</td>
<td>38</td>
<td>8</td>
<td>—</td>
<td>30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PCS Customer Service Center Closures Severance</td>
<td>—</td>
<td>13</td>
<td>13</td>
<td>—</td>
<td>—</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other exit costs</td>
<td>—</td>
<td>10</td>
<td>2</td>
<td>(6)</td>
<td>2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Restructuring Events—2001 | Sprint ION Termination Severance | 160 | — | 136 | 19 | 43 |
| Other exit costs | 230 | — | 112 | (71) | 47 |

| Total | $ 390 | $ 272 | $ 288 | $ (97) | $ 277 |
In 2001, activity related to the Sprint ION Termination restructuring included severance cash expenditures of $31 million, additional pension obligations of $40 million, other exit costs expenditures of $7 million and $19 million of non-cash other exit costs.

Other Asset Impairments

In the 2003 third quarter, the FON Group’s global markets division recorded a pre-tax, non-cash charge of $1.2 billion related to the write-down to fair value of its MMDS spectrum. Sprint’s ongoing evaluation of its business use for this asset resulted in a decision to end pursuit of a residential fixed wireless strategy. This decision required an impairment analysis of the asset. Sprint is now focusing its efforts on a broad range of alternative strategies. Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum.

In the 2003 first quarter, the PCS Group recorded a charge for asset impairment of $10 million. This charge was associated with the termination of a software development project.

In the 2002 fourth quarter, Sprint recorded charges for asset impairment of $56 million. The FON Group recorded a network asset impairment related to the global markets division of $14 million. The PCS Group recorded an asset impairment of $42 million representing abandoned network projects.

6. Goodwill and Other Intangible Assets

Sprint adopted SFAS No. 142, on January 1, 2002. This standard prescribes the accounting treatment for both identifiable intangibles and goodwill after initial recognition. Upon adoption of the standard, amortization of goodwill and indefinite life intangibles ceased and accumulated amortization as of December 31, 2001 reduced the carrying value of these assets. Periodic impairment testing of these assets is now required. Definite life intangibles continue to be amortized over their useful lives. Sprint identified spectrum licenses, which include related microwave relocation costs, and its trademark as indefinite life intangibles.

In the 2003 third quarter, the FON Group’s global markets division recorded a pre-tax, non-cash charge of $1.2 billion to asset impairment expense related to the write-down to fair value of its MMDS spectrum. Sprint’s ongoing evaluation of its business use for this asset resulted in a decision to end pursuit of a residential fixed wireless strategy. This decision required an impairment analysis of the asset using comparable market prices. Sprint is now focusing its efforts on a broad range of alternative strategies. Sprint is continuing to invest in the spectrum, is monitoring technology and industry developments, and is involved in efforts to achieve favorable regulatory rulings with respect to this spectrum.

Goodwill and all other indefinite life intangibles were tested for impairment in the 2003 fourth quarter. No impairment existed.
The following pro forma table adjusts net income (loss) and basic and diluted earnings (loss) per share in 2001 to exclude amortization, net of any related tax effects, of goodwill and indefinite lived intangibles.

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>Sprint Corporation</th>
<th>FON Group</th>
<th>PCS Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported net income (loss)</td>
<td>$1.215</td>
<td>$630</td>
<td>$(1,401)</td>
</tr>
<tr>
<td>Add back:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td>—</td>
<td>—</td>
<td>126</td>
</tr>
<tr>
<td>Spectrum licenses amortization</td>
<td>—</td>
<td>—</td>
<td>69</td>
</tr>
<tr>
<td>Adjusted net income (loss)</td>
<td>1.215</td>
<td>630</td>
<td>1,206</td>
</tr>
<tr>
<td>Preferred stock dividends (paid) received</td>
<td>(7)</td>
<td>(7)</td>
<td>(7)</td>
</tr>
<tr>
<td>Adjusted earnings (loss) applicable to common stock</td>
<td>$1,208</td>
<td>$623</td>
<td>$(1,213)</td>
</tr>
<tr>
<td>Diluted earnings (loss) per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported diluted earnings (loss) per share</td>
<td>$2.09</td>
<td>$1.36</td>
<td>$(0.16)</td>
</tr>
<tr>
<td>Add back:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Spectrum licenses amortization</td>
<td>—</td>
<td>—</td>
<td>0.02</td>
</tr>
<tr>
<td>Adjusted diluted earnings (loss) per share</td>
<td>$2.09</td>
<td>$1.36</td>
<td>$(0.14)</td>
</tr>
<tr>
<td>Diluted weighted average shares outstanding</td>
<td>903.2</td>
<td>893.3</td>
<td>886.8</td>
</tr>
<tr>
<td>Basic earnings (loss) per share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reported basic earnings (loss) per share</td>
<td>$2.09</td>
<td>$1.36</td>
<td>$(0.16)</td>
</tr>
<tr>
<td>Add back:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Spectrum licenses amortization</td>
<td>—</td>
<td>—</td>
<td>0.02</td>
</tr>
<tr>
<td>Adjusted basic earnings (loss) per share</td>
<td>$2.09</td>
<td>$1.36</td>
<td>$(0.14)</td>
</tr>
<tr>
<td>Basic weighted average shares outstanding</td>
<td>900.9</td>
<td>892.1</td>
<td>886.8</td>
</tr>
</tbody>
</table>

7. Short-term Borrowings and Current Maturities of Long-term Debt

Sprint’s consolidated short-term borrowings and current maturities of long-term debt at year-end were as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>Sprint Corporation</th>
<th>FON Group</th>
<th>PCS Group</th>
<th>2003</th>
<th>2002</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reported net income (loss)</td>
<td>$1.215</td>
<td>$630</td>
<td>$(1,401)</td>
<td>$1.876</td>
<td>$1,208</td>
<td>$(147)</td>
</tr>
<tr>
<td>Add back:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td>—</td>
<td>—</td>
<td>126</td>
<td>—</td>
<td>—</td>
<td>1</td>
</tr>
<tr>
<td>Spectrum licenses amortization</td>
<td>—</td>
<td>—</td>
<td>69</td>
<td>—</td>
<td>—</td>
<td>16</td>
</tr>
<tr>
<td>Adjusted net income (loss)</td>
<td>1.215</td>
<td>630</td>
<td>1,206</td>
<td>1.876</td>
<td>1,208</td>
<td>130</td>
</tr>
<tr>
<td>Preferred stock dividends (paid) received</td>
<td>(7)</td>
<td>(7)</td>
<td>(7)</td>
<td>8</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Adjusted earnings (loss) applicable to common stock</td>
<td>$1,208</td>
<td>$623</td>
<td>$(1,213)</td>
<td>$1,884</td>
<td>$1,215</td>
<td>$(123)</td>
</tr>
</tbody>
</table>

Diluted earnings (loss) per share

Reported diluted earnings (loss) per share | $2.09 | $1.36 | $(0.16) | $0.66 | $0.58 | 0.13 |
Add back:               |       |       |         |       |       |       |
Goodwill amortization | —     | —     | —       | —     | —     | —     |
Spectrum licenses amortization | —     | —     | 0.02   | —     | —     | 0.05  |
Adjusted diluted earnings (loss) per share | $2.09 | $1.36 | $(0.14) | $0.66 | $0.58 | 0.13 |
Diluted weighted average shares outstanding | 903.2 | 893.3 | 886.8   | 1,028.7 | 1,015.8 | 989.7 |

Basic earnings (loss) per share

Reported basic earnings (loss) per share | $2.09 | $1.36 | $(0.16) | $0.66 | $0.58 | 0.13 |
Add back:               |       |       |         |       |       |       |
Goodwill amortization | —     | —     | —       | —     | —     | —     |
Spectrum licenses amortization | —     | —     | 0.02   | —     | —     | 0.05  |
Adjusted basic earnings (loss) per share | $2.09 | $1.36 | $(0.14) | $0.66 | $0.58 | 0.13 |
Basic weighted average shares outstanding | 900.9 | 892.1 | 886.8   | 1,028.7 | 1,015.8 | 989.7 |

7. Short-term Borrowings and Current Maturities of Long-term Debt

Sprint’s consolidated short-term borrowings and current maturities of long-term debt at year-end were as follows:

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>Sprint Corporation</th>
<th>FON Group</th>
<th>PCS Group</th>
<th>2003</th>
<th>2002</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current maturities of long-term debt</td>
<td>$ 190</td>
<td>$ 404</td>
<td>$ 594</td>
<td>$ 779</td>
<td>$ 653</td>
<td>$ 1,432</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Trade receivables securitization (1) | —     | —     | —       | 455   | —     | 455 |

<table>
<thead>
<tr>
<th>Years Ended December 31,</th>
<th>Sprint Corporation</th>
<th>FON Group</th>
<th>PCS Group</th>
<th>2003</th>
<th>2002</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current maturities of long-term debt</td>
<td>$ 190</td>
<td>$ 404</td>
<td>$ 594</td>
<td>$ 779</td>
<td>$ 653</td>
<td>$ 1,432</td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Trade receivables securitization (1) | —     | —     | —       | 455   | —     | 455 |

(1) These borrowings were incurred under a financing agreement entered into in 2002. To secure repayment of the loans, the lenders were granted a security interest in certain FON Group trade accounts receivable. Sprint’s weighted average interest rate related to these borrowings was 2.5% for the year-ended 2002.

(2) As a result of FON Group’s repayment of senior notes, the allocated debt is reflected as intergroup debt and is eliminated on the Consolidated Balance Sheet.

At year-end 2003, there was $1.1 billion of current maturities of intergroup debt on the PCS Group balance sheet. This is comprised of the senior notes purchased by the FON Group in the first and third quarters of 2003. As a
result of the FON Group's prepayment of the notes the allocated debt is reflected as intergroup debt on the PCS Group balance sheet. The intergroup debt is eliminated on the Consolidated Balance Sheet.

In the 2003 third quarter, Sprint repaid, before scheduled maturities, $334 million of its current maturities of long-term debt. The debt consisted of $34 million of senior notes with interest rates ranging from 5.7% to 5.9% and the $300 million Export Development Canada loan with an interest rate of 2.8%. Sprint recorded a discount of $3 million associated with the repayment of the senior notes.

In June 2003, Sprint entered into a new revolving credit facility with a syndicate of banks. The $1.0 billion facility is unsecured, with no springing liens, and is structured as a 364-day credit line with a subsequent one-year, $1.0 billion term-out option. Sprint does not intend to draw against this facility.

In March 2003, Sprint completed a tender offer to purchase $442 million principal amount of current senior notes before their scheduled maturity. The notes had an interest rate of 5.7% and a maturity date of November 15, 2003. A premium of $6 million was paid as part of the tender offer. The notes were allocated to the PCS Group and reflected as long-term debt. The PCS Group paid $36 million of the total to the FON Group in the 2003 fourth quarter and is scheduled to pay the remaining $406 million in the 2004 second quarter.

In March 2003, Sprint completed a tender offer to purchase $635 million principal amount of its long-term senior notes before their scheduled maturity. These notes were allocated to the PCS Group and were reflected as long-term debt at the time of the tender offer. PCS is scheduled to repay the FON Group for this borrowing in the 2004 second quarter. At year-end 2003, the allocated debt is reflected as current maturities of intergroup debt on the PCS Group balance sheet. See further discussion in Note 8.

In February 2003, Sprint prepaid the $455 million balance outstanding relating to the global markets division accounts receivable asset securitization facility.

At year-end 2003, Sprint had total unused lines of credit of $2.2 billion. In addition, Sprint had standby letters of credit serving as backup to various obligations of approximately $134 million at year-end 2003.

Any borrowings Sprint may incur are ultimately limited by certain debt covenants. Sprint could borrow up to an additional $6.7 billion at year-end 2003 under the most restrictive of its debt covenants. The most restrictive covenant is contained in the new revolving credit facility, which is referenced in Exhibit 10(c) to this Annual Report on Form 10-K, and limits debt, as defined in the agreement, to a multiple of income, adjusted for various items as set forth in the agreement. The same restrictive covenant is contained in the PCS Group and the global markets division accounts receivable asset securitization facilities. Sprint is currently in compliance with all debt covenants associated with its borrowings.

8. Long-term Debt and Capital Lease Obligations

Sprint’s consolidated long-term debt and capital lease obligations at year-end was as follows:

<table>
<thead>
<tr>
<th>Maturing</th>
<th>FON Group</th>
<th>PCS Group</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior notes (1)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.7% to 9.5%</td>
<td>2003 to 2032</td>
<td>$1,524</td>
<td>$14,367</td>
</tr>
<tr>
<td>Debentures and notes</td>
<td>6.8% to 9.3%</td>
<td>2003 to 2022</td>
<td>450</td>
</tr>
<tr>
<td>First mortgage bonds</td>
<td>6.3% to 9.8%</td>
<td>2003 to 2025</td>
<td>666</td>
</tr>
<tr>
<td>Capital lease obligations</td>
<td>1.4% to 11.2%</td>
<td>2003 to 2008</td>
<td>43</td>
</tr>
<tr>
<td>Other</td>
<td>2003 to 2006</td>
<td>134</td>
<td>—</td>
</tr>
<tr>
<td>Current maturities of long-term debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2,817</td>
<td>14,618</td>
<td>17,435</td>
<td>3,515</td>
</tr>
<tr>
<td>Long-term intergroup debt (2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>—</td>
<td>—</td>
<td>—</td>
<td>406</td>
</tr>
<tr>
<td>Long-term debt and capital lease obligations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$2,627</td>
<td>$14,214</td>
<td>$16,841</td>
<td>$3,142</td>
</tr>
</tbody>
</table>

F-35
These borrowings were incurred by Sprint and allocated to the applicable group. Sprint’s weighted average effective interest rate related to these borrowings was 7.2% for the year-ended 2003 and 7.3% for the year-ended 2002. The 2003 effective interest rate includes the effect of interest rate swap agreements. See Note 3 for more details regarding interest rate swaps. The weighted average effective interest rate related to the borrowings allocated to the PCS Group was approximately 9.0% for the year-ended 2003 and 9.1% for the year-ended 2002. See Note 1 for a more detailed description of how Sprint allocates financing to each of the groups.

As a result of FON Group’s prepayment of senior notes, the allocated debt is reflected as intergroup debt and is eliminated on the Consolidated Balance Sheet.

Scheduled principal payments during each of the next five years are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Sprint FON</th>
<th>Sprint PCS</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$190</td>
<td>$404</td>
<td>$594</td>
</tr>
<tr>
<td>2005</td>
<td>258</td>
<td>1,028</td>
<td>1,286</td>
</tr>
<tr>
<td>2006</td>
<td>9</td>
<td>849</td>
<td>858</td>
</tr>
<tr>
<td>2007</td>
<td>1,021</td>
<td>750</td>
<td>1,771</td>
</tr>
<tr>
<td>2008</td>
<td>308</td>
<td>1,255</td>
<td>1,563</td>
</tr>
</tbody>
</table>

Included in the above schedule are payments to be made in connection with various capital lease obligations. A substantial portion of the capital lease payments will be in Japanese yen and Sprint already satisfied this obligation by depositing the present value of the future yen payment obligations at various banks. These amounts are included on the Consolidated Balance Sheet in “Other Assets.” Based on December 31, 2003 outstanding balances, total Japanese capital lease payments included in the above schedule are $28 million in 2004, $60 million in 2005, $104 million in 2006, and $6 million in 2007.

In the 2003 third quarter, Sprint repaid, before scheduled maturities, $84 million of its local division’s first mortgage bonds. These bonds had interest rates ranging from 9.1% to 9.3% and maturity dates ranging from 2019 to 2021. Sprint recorded a premium of $5 million associated with this repayment.

In March 2003, Sprint completed a tender offer to purchase $635 million principal amount of its long-term senior notes before their scheduled maturity. The notes had an interest rate of 5.9% and a maturity date of May 1, 2004. A premium of $13 million was paid as part of the tender offer. The notes were allocated to the PCS Group and reflected as long-term debt at the time of the tender offer. As a result of the FON Group’s repayment of the notes, the allocated debt was reflected as intergroup debt on the PCS Group balance sheet. The notes are scheduled to be paid to the FON Group in the 2004 second quarter. At year-end 2003, the allocated debt is reflected as current maturities of intergroup debt on the PCS Group balance sheet. The intergroup debt is eliminated on the Consolidated Balance Sheet.

In December 2002, Sprint repaid, before scheduled maturities, $67 million of its long-term unsecured debt allocated to the FON Group. These borrowings had interest rates ranging from 6.0% to 7.1% and maturities ranging from 2006 to 2008. This resulted in a discount of $4 million for Sprint.

In March 2002, Sprint issued $5 billion of debt securities through a private placement. These borrowings have interest rates ranging from 7.9% to 8.8% and maturities ranging from 2005 to 2032. The proceeds were allocated 5% to the FON Group and 95% to the PCS Group and were used to repay debt and for general corporate purposes. As a condition to the sale of the securities, Sprint conducted an exchange offer that allowed the original securities to be exchanged for substantially identical securities registered with the Securities and Exchange Commission (SEC). This exchange offer was completed in June 2002.

In the 2001 fourth quarter, Sprint issued $1.75 billion of debt securities through a private placement. These borrowings have an interest rate of 6.0% and mature in 2007. The proceeds were allocated approximately 60% to the FON Group and 40% to the PCS Group and were used to repay debt and to fund capital investments and working capital requirements. As a condition to the sale of the securities, Sprint conducted an exchange offer that allowed the original securities to be exchanged for substantially identical securities registered with the SEC. The exchange offer terminated in February 2002.
In the 2001 fourth quarter, Sprint redeemed, before scheduled maturities, $558 million of senior notes and senior discount notes of the PCS Group. These notes had interest rates ranging from 11.0% to 12.5%. This resulted in a discount for Sprint of $6 million and a charge to “Other income (expense), net” of $7 million related to the recognition of deferred debt costs.

In the 2001 first quarter, Sprint repaid, before scheduled maturities, $18 million of first mortgage bonds allocated to the FON Group. These bonds had an interest rate of 9.9%. This resulted in a charge to “Other income (expense), net” of $1 million related to the recognition of deferred debt costs.

In the 2001 first quarter, Sprint issued $2.4 billion of debt securities. These borrowings have interest rates ranging from 7.1% to 7.6% and mature in 2006 and 2011. The proceeds were allocated to the PCS Group and used to repay debt and to fund capital investments and working capital requirements.

Other

Substantially all of Sprint’s senior notes, including the senior notes issued in connection with Sprint’s equity units, have been issued by Sprint Capital Corporation, a wholly-owned finance subsidiary, and have been fully and unconditionally guaranteed by Sprint, the parent corporation.

The indentures and financing agreements of certain other subsidiaries contain provisions limiting cash dividend payments on subsidiary common stock held by Sprint. As a result, $551 million of those subsidiaries’ $3.0 billion total retained earnings were restricted at year-end 2003. The flow of cash in the form of advances from the subsidiaries to Sprint is generally not restricted.

At December 2003, $960 million of debt outstanding represents first mortgage debt and other capital lease obligations and is secured by $15.5 billion of gross property, plant and equipment.

Sprint has complied with all restrictive and financial covenants relating to its debt arrangements at year-end 2003.

9. Equity Unit Notes

In the 2001 third quarter, Sprint completed a registered offering of 69 million equity units, each with a stated amount of $25. Net proceeds from the issuance were approximately $1.7 billion after deducting the underwriting discount and other offering expenses. The proceeds were allocated to the PCS Group and used to repay debt and to fund capital investments and working capital requirements.

Each equity unit initially consists of a corporate unit. Each corporate unit consists of a purchase contract and $25 principal amount of senior notes (Notes) of Sprint’s wholly owned subsidiary, Sprint Capital Corporation. The corporate unit may be converted by the holder into a treasury unit consisting of the purchase contract and a treasury portfolio of zero-coupon U.S. treasury securities by substituting the treasury securities for the Notes. The holder of the equity unit owns the underlying Notes or treasury portfolio, but pledges the Notes or portfolio to Sprint to secure its obligations under the purchase contract.

Purchase Contract

As a component of the equity unit, the purchase contract obligates the holder to purchase, and obligates Sprint to sell, on August 17, 2004, a variable number of newly issued shares of PCS common stock ranging from approximately 58 million to 70 million shares depending on the market price of PCS common stock. At December 31, 2003 market prices, Sprint would be obligated to issue the maximum number of shares. Sprint will make quarterly contract adjustment payments of 1.125% on the $25 stated amount per year until the purchase contract is settled, although it has the right to defer these payments until August 17, 2004. The fair value of this obligation is classified as an other liability on the Consolidated Balance Sheets.

These contingently issuable shares have not been included in the diluted earnings per share calculation because their effect is currently antidilutive.

Notes

The Notes initially bear interest, payable quarterly in arrears, at the rate of 6% per annum. Sprint is obligated to remarket the Notes in 2004, at which time the interest rate will be reset. The Notes mature August 17, 2006. In the
event of a failed remarketing, Sprint will exercise its rights as a secured party on the Notes, which are pledged to Sprint as collateral for the purchase contracts. No use of working capital would be required to retire the Notes in this event. The Notes are classified as long-term on the Consolidated Balance Sheets.

The corporate units are listed on the New York Stock Exchange under the symbol “SDE.”

10. Redeemable Preferred Stock

The redeemable preferred stock outstanding, at year-end, is as follows:

<table>
<thead>
<tr>
<th>Series</th>
<th>Shares</th>
<th>Stated Value per Share</th>
<th>Voting</th>
<th>Cumulative Dividend Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seventh Series Preferred Stock</td>
<td>246,766</td>
<td>$1,000</td>
<td>Voting</td>
<td>$6.73 quarterly dividend rate</td>
</tr>
<tr>
<td>Fifth Series Preferred Stock</td>
<td>0</td>
<td>$100,000</td>
<td>No</td>
<td>6% annual dividend rate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seventh series preferred stock—stated value $1,000 per share</td>
<td>$247</td>
<td>$246</td>
</tr>
<tr>
<td>Fifth series preferred stock—stated value $100,000 per share</td>
<td>—</td>
<td>10</td>
</tr>
</tbody>
</table>

$247 $256

Seventh Series Preferred Stock

As part of the PCS Restructuring, Sprint issued to the Cable Partners a new series of convertible preferred stock currently convertible into approximately 65 PCS shares for each Seventh series share. If not converted by the holder or earlier redeemed by Sprint, the Seventh series preferred stock will become mandatorily redeemable on the tenth anniversary of the PCS Restructuring in 2008.

Fifth Series Preferred Stock

Sprint’s Fifth series preferred stock were redeemed in full in 2003. Sprint and the holder of the Fifth series preferred stock agreed that Sprint would repurchase the outstanding shares on March 14, 2003 for the repurchase price of $100,000 per share plus accrued dividends.

11. Common Stock

In the first quarter of 2003 France Telecom converted 34.4 million shares of Series 3 PCS common stock into shares of Series 1 PCS common stock. At the same time, FT converted 21.6 million shares of PCS common stock underlying Class A FT common stock into Series 1 PCS common stock.

Upon the issuance of the PCS shares underlying the Class A FT common stock, there were no more underlying shares of PCS or FON stock. The par value of the Class A FT common stock was automatically reduced to $0.00 per share from $0.50 per share.

According to an amended Schedule 13D filed by FT with the SEC, it sold its shares of Series 1 PCS common stock in June 2003. In the fourth quarter of 2003, the Class A FT shares were cancelled. As a result, neither France Telecom nor Deutsche Telekom own any shares of Class A common stock, PCS common stock or FON common stock.

In the 2001 fourth quarter, 0.4 million shares of PCS common stock underlying Class A DT common stock were converted into shares of Series 1 PCS common stock. After this conversion, the Class A DT shares were cancelled.

In the 2001 third quarter, Sprint completed a registered offering of 23.5 million shares of its Series 1 PCS common stock. Net proceeds from the issuance were approximately $561 million after deducting the underwriting discount and other offering expenses. The proceeds were used to repay debt, and to fund capital investments and working capital requirements.

In conjunction with the above offering, DT sold 57 million shares of PCS common stock. Sprint did not receive any of the proceeds from the sale of shares by DT. Upon the sale, 21.2 million shares of PCS common stock underlying Class A DT common stock and 35.8 million shares of Series 3 PCS common stock were converted into shares of Series 1 PCS common stock.
In the 2001 second quarter, Sprint completed a registered offering on behalf of FT and DT in which they sold 174.8 million shares of FON common stock. Sprint did not receive any proceeds from this offering. Upon the sale, 86.2 million shares of FON common stock underlying Class A common stock and 88.6 million shares of Series 3 FON common stock were converted into shares of Series 1 FON common stock.

**Classes of Common Stock**

Series 1 FON common stock—Designated for general public—At the end of 2003, authorized shares totaled 2.5 billion, issued and outstanding shares totaled 904.3 million.

Series 1 PCS common stock—Designated for general public—At the end of 2003, authorized shares totaled 3.0 billion, issued and outstanding shares totaled 848.0 million.

Series 2 FON common stock—Designated for Cable Partners—At the end of 2003, authorized shares totaled 500 million. There have been no shares issued.

Series 2 PCS common stock—Designated for Cable Partners—At the end of 2003, authorized shares totaled 1.0 billion, issued and outstanding shares totaled 187.4 million.

**Common Stock Reserved for Future Grants**

At year-end 2003, common stock reserved for future grants under stock option plans and the employees stock purchase plan or for future issuances under various other arrangements was as follows:

### Sprint FON Group

<table>
<thead>
<tr>
<th>Shares</th>
<th>(millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees Stock Purchase Plan</td>
<td>13.1</td>
</tr>
<tr>
<td>Employee savings plans</td>
<td>15.7</td>
</tr>
<tr>
<td>Automatic Dividend Reinvestment Plan</td>
<td>2.3</td>
</tr>
<tr>
<td>Officer and key employees’ and directors’ stock options</td>
<td>23.4</td>
</tr>
<tr>
<td>Other</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>57.9</strong></td>
</tr>
</tbody>
</table>

### Sprint PCS Group

<table>
<thead>
<tr>
<th>Shares</th>
<th>(millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees Stock Purchase Plan</td>
<td>32.8</td>
</tr>
<tr>
<td>Employee savings plans</td>
<td>19.8</td>
</tr>
<tr>
<td>Officer and key employees’ and directors’ stock options</td>
<td>40.0</td>
</tr>
<tr>
<td>Conversion of preferred stock and other</td>
<td>19.0</td>
</tr>
<tr>
<td>Purchase contract underlying Equity Unit Notes</td>
<td>70.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>182.0</strong></td>
</tr>
</tbody>
</table>

**Shareholder Rights Plan**

Under Sprint’s Shareholder Rights Plan, one half of a preferred stock purchase right is attached to each share of FON stock and PCS stock. The rights may be redeemed by Sprint at $0.01 per right and will expire in June 2007, unless extended. The rights are exercisable only if certain takeover events occur and are entitled to the following:

- Each FON stock right entitles the holder to purchase 1/1,000 of a share (Unit) of a no par Preferred Stock-Sixth Series at $275 per Unit.
- Each PCS stock right entitles the holder to purchase a Unit of a no par Preferred Stock-Eighth Series at $150 per Unit.

Preferred Stock-Sixth Series is voting, cumulative and accrues dividends on a quarterly basis generally equal to the greater of $100 per share or 2,000 times the total per share amount of all FON common stock dividends. Preferred Stock-Eighth Series has the same features as the Sixth Series, but applies to PCS shares. No Preferred Stock-Sixth Series or Preferred Stock-Eighth Series were issued or outstanding at year-end 2003 or 2002.
Effective January 1, 2003, Sprint adopted SFAS No. 123 as amended by SFAS No. 148 using the prospective method. Upon adoption Sprint began expensing the fair value of stock-based compensation for all grants, modifications or settlements made on or after January 1, 2003.

During 2003, the FON Group paid $10 million to the PCS Group to compensate for the net amount of PCS stock-based compensation granted to FON Group employees less FON stock-based compensation granted to PCS Group employees. The FON Group paid the PCS Group $73 million in 2002 and $160 million in 2001 for stock-based compensation. The value paid for stock-based compensation is determined at the time of the grants.

During 2000, the Sprint board of directors approved an Exchange Program to give Sprint employees an election to cancel stock options granted to them in 2000 in exchange for an equal number of new options to be granted in the future with generally more extended vesting schedules. No members of Sprint’s board of directors were eligible for the Exchange Program. Under the terms of the Exchange Program, 16.2 million FON options and 13.1 million PCS options were cancelled on November 10, 2000. The new options were granted on May 11, 2001, and the exercise price was the market price on that date. A total of 15.7 million FON options and 12.4 million PCS options were granted.

**Management Incentive Stock Option Plan**

Under the Management Incentive Stock Option Plan (MISOP), before 2003 Sprint granted stock options to employees eligible to receive annual incentive compensation. Eligible employees could elect to receive stock options in lieu of a portion of their target incentive under Sprint’s annual incentive compensation plans. The options generally became exercisable on December 31 of the year granted and have a maximum term of 10 years. Under the MISOP, Sprint also granted stock options to executives in lieu of long-term incentive compensation (LTIP-MISOP options). The LTIP-MISOP options generally become exercisable on the third December 31 following the grant date and have a maximum term of 10 years. MISOP options are granted with exercise prices equal to the market price of the underlying common stock on the grant date. At year-end 2003, this plan authorized options to buy approximately 50.0 million FON shares and approximately 41.0 million PCS shares, many of which have been granted. In December 2003, the board of directors passed a resolution capping the shares authorized under the MISOP plan at its current level. No additional shares will be authorized under the amended terms of the plan in 2004 or 2005.

**Long-Term Stock Incentive Program**

Under the 1997 Long-Term Stock Incentive Program (1997 Program), Sprint can grant stock options, restricted stock and restricted stock units and other equity based awards to directors and employees. The board of directors adopted the Stock Option Plan (SOP) and the Restricted Stock Plan pursuant to the 1997 Program and a predecessor plan, and until 2004, awards of stock options were generally made out of the SOP and awards of restricted stock were made out of the Restricted Stock Plan. Certain awards, such as the restricted stock units granted to executive officers and directors in 2003, were made directly out of the 1997 Program. In February 2004, the board of directors combined the SOP and the Restricted Stock Plan with and into the 1997 Program and future stock options, restricted stock, restricted stock units and other equity awards will be made directly out of the shares authorized for the 1997 Program. The 1997 Program is an evergreen plan, which means the number of shares available for grant increases each year until 2007, after which no awards may be granted under the plan. On January 1, 2004, the number of shares authorized by the 1997 Program increased by approximately 13.6 million FON shares and 15.5 million PCS shares.

Employees and directors who are granted restricted stock units are not required to pay for the shares but must remain employed with Sprint or a member of its board of directors until the restrictions on the shares lapse. The restricted stock units granted in 2003 to officers generally vest at a rate of 33.3% per year beginning one year from the grant date, while the restricted stock units granted in 2003 to directors vest after three years.

Under the SOP, Sprint granted stock options to directors and employees. The options generally become exercisable at the rate of 25% per year, beginning one year from the grant date, and have a maximum term of 10 years. SOP options are granted with exercise prices equal to the market price of the underlying common stock on the grant date. At year-end 2003, this plan authorized options to buy approximately 74.8 million FON shares and approximately 61.7 million PCS shares, many of which had been granted. To the extent that options had not been granted at the time the plans were combined, the shares remained available for the grant of options under the 1997 Program after the combination of the plans.
In the first quarter of 2003, Sprint entered into an employment contract with Gary Forsee to serve as Sprint’s Chief Executive Officer and Chairman of the Board. Under the employment contract, Sprint granted stock options to Mr. Forsee which vest subject to his continued employment with Sprint.

In early 2001, Sprint entered into new employment contracts with Mr. Esrey and Mr. LeMay. In the second quarter of 2003 these contracts were terminated in connection with separation agreements agreed to by Sprint and Mr. Esrey and Mr. LeMay. These separation agreements included option modifications which accelerated vesting and extended exercise periods of stock options granted in prior years.

Under Sprint’s Restricted Stock Plan, Sprint granted restricted stock to officers and key employees. Employees granted restricted stock are not required to pay for the shares but must remain employed with Sprint until the restrictions on the shares lapse. The restricted stock generally vests at a rate of 33.3% per year beginning one year from the grant date. At year-end 2003, this plan authorized the issuance of approximately 2.7 million FON shares and 2.6 million PCS shares. These shares were available for the grant of restricted stock under the 1997 Program after the combination of the plans.

**Employees Stock Purchase Plan**

Under Sprint’s ESPP, employees may elect to purchase FON common stock or PCS common stock at a price equal to 85% of the market value on the grant or exercise date, whichever is less. At year-end 2003, this plan authorized for purchase approximately 14.9 million FON shares and approximately 40.0 million PCS shares. Elections have been made by employees participating in the 2003 offering under the ESPP to purchase, in 2004, approximately 1.8 million of the FON shares and 7.2 million of the PCS shares. In 2003, an amendment to Sprint’s ESPP established an annual purchase date at the end of each offering period in lieu of interim quarterly purchases.

**Fair Value Disclosures**

The following tables reflect the weighted average fair value per option granted, as well as the significant weighted average assumptions used in determining those fair values using the Black-Scholes pricing model.

In 2001, two SOP grants are presented. This is a result of the Exchange Program. Those individuals that did not accept (or were excluded from) the Exchange Program were granted 2001 SOP options in January, while those that accepted the Exchange Program were granted both the 2000 and 2001 SOP options in May in accordance with the terms of the offer.

**FON Common Stock**

<table>
<thead>
<tr>
<th>Year</th>
<th>SOP</th>
<th>MISOP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value on grant date</td>
<td>$3.58</td>
<td>$4.05</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>2.93%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>45.0%</td>
<td>35.2%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>4.23%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Expected life (years)</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>SOP</th>
<th>MISOP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value on grant date</td>
<td>$3.47</td>
<td>$4.05</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>4.3%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>35.2%</td>
<td>35.2%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>3.9%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Expected life (years)</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>MISOP</th>
<th>SOP (Jan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value on grant date</td>
<td>$7.11</td>
<td>$8.78</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>4.9%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>33.7%</td>
<td>32.6%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>2.3%</td>
<td>1.9%</td>
</tr>
<tr>
<td>Expected life (years)</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>SOP (May)</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value on grant date</td>
<td>$7.11</td>
<td>$7.46</td>
</tr>
<tr>
<td>Risk-free interest rate</td>
<td>4.9%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Expected volatility</td>
<td>33.7%</td>
<td>33.5%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>2.3%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Expected life (years)</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>
Employees Stock Purchase Plan

During the 2003 ESPP offering, employees elected to purchase approximately 1.8 million FON and 7.2 million PCS shares. Using the Black-Scholes pricing model, the weighted average fair value was $4.11 per share for each FON election and $2.52 per share for each PCS election.

During the 2002 ESPP offering, employees purchased approximately 4.2 million FON and 8.7 million PCS shares. Using the Black-Scholes pricing model, the weighted average fair value was $1.89 per share for each FON election and $1.45 per share for each PCS election.

During the 2001 ESPP offering, employees purchased approximately 2.0 million FON and 5.5 million PCS shares. Using the Black-Scholes pricing model, the weighted average fair value was $4.37 per share for each FON election and $7.92 per share for each PCS election.
Stock Options

Activity under the SOP and MISOP was as follows:

**FON Common Stock**

<table>
<thead>
<tr>
<th></th>
<th>Weighted Average per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>(millions)</td>
</tr>
<tr>
<td>Outstanding, year-end 2000</td>
<td>44.8 $33.12</td>
</tr>
<tr>
<td>Granted</td>
<td>43.8 25.06</td>
</tr>
<tr>
<td>Exercised</td>
<td>(0.8) 14.10</td>
</tr>
<tr>
<td>Forfeited/Expired</td>
<td>(7.6) 43.49</td>
</tr>
<tr>
<td>Outstanding, year-end 2001</td>
<td>80.2 27.95</td>
</tr>
<tr>
<td>Granted</td>
<td>24.2 13.70</td>
</tr>
<tr>
<td>Exercised</td>
<td>(0.2) 11.76</td>
</tr>
<tr>
<td>Forfeited/Expired</td>
<td>(5.4) 22.80</td>
</tr>
<tr>
<td>Outstanding, year-end 2002</td>
<td>98.8 24.78</td>
</tr>
<tr>
<td>Granted</td>
<td>10.5 11.81</td>
</tr>
<tr>
<td>Exercised</td>
<td>(1.0) 13.16</td>
</tr>
<tr>
<td>Forfeited/Expired</td>
<td>(6.3) 23.80</td>
</tr>
<tr>
<td>Outstanding, year-end 2003</td>
<td>102.0 $23.60</td>
</tr>
</tbody>
</table>

**PCS Common Stock**

<table>
<thead>
<tr>
<th></th>
<th>Weighted Average per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>(millions)</td>
</tr>
<tr>
<td>Outstanding, year-end 2000</td>
<td>26.9 $17.43</td>
</tr>
<tr>
<td>Granted</td>
<td>35.3 26.01</td>
</tr>
<tr>
<td>Exercised</td>
<td>(2.7) 9.75</td>
</tr>
<tr>
<td>Forfeited/Expired</td>
<td>(3.4) 43.17</td>
</tr>
<tr>
<td>Outstanding, year-end 2001</td>
<td>56.1 21.70</td>
</tr>
<tr>
<td>Granted</td>
<td>22.8 10.66</td>
</tr>
<tr>
<td>Exercised</td>
<td>(0.3) 5.83</td>
</tr>
<tr>
<td>Forfeited/Expired</td>
<td>(5.8) 19.93</td>
</tr>
<tr>
<td>Outstanding, year-end 2002</td>
<td>72.8 18.44</td>
</tr>
<tr>
<td>Granted</td>
<td>10.5 4.29</td>
</tr>
<tr>
<td>Exercised</td>
<td>(0.3) 3.59</td>
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<tr>
<td>Forfeited/Expired</td>
<td>(5.8) 18.31</td>
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<tr>
<td>Outstanding, year-end 2003</td>
<td>77.2 $16.60</td>
</tr>
</tbody>
</table>

The following tables summarize outstanding and exercisable options at year-end 2003:

**FON Common Stock**

<table>
<thead>
<tr>
<th>Range of Exercise Prices</th>
<th>Number Outstanding (millions)</th>
<th>Remaining Contractual Life (years)</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10.00 – $14.99</td>
<td>32.0</td>
<td>7.9</td>
<td>$13.01</td>
</tr>
<tr>
<td>15.00 – 19.99</td>
<td>5.7</td>
<td>3.0</td>
<td>18.27</td>
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<tr>
<td>20.00 – 29.99</td>
<td>45.3</td>
<td>5.6</td>
<td>22.95</td>
</tr>
<tr>
<td>30.00 – 39.99</td>
<td>12.8</td>
<td>4.6</td>
<td>38.60</td>
</tr>
<tr>
<td>40.00 – 49.99</td>
<td>2.3</td>
<td>2.9</td>
<td>44.66</td>
</tr>
<tr>
<td>50.00 – 59.99</td>
<td>0.5</td>
<td>2.3</td>
<td>53.36</td>
</tr>
<tr>
<td>60.00 – 69.99</td>
<td>3.1</td>
<td>4.1</td>
<td>64.69</td>
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<tr>
<td>70.00 – 79.99</td>
<td>0.3</td>
<td>2.7</td>
<td>74.17</td>
</tr>
</tbody>
</table>
### PCS Common Stock

<table>
<thead>
<tr>
<th>Range of Exercise Prices</th>
<th>Number Exercisable</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10.00 – $14.99</td>
<td>13.6</td>
<td>$13.93</td>
</tr>
<tr>
<td>15.00 – 19.99</td>
<td>5.4</td>
<td>$18.37</td>
</tr>
<tr>
<td>20.00 – 29.99</td>
<td>39.2</td>
<td>$23.02</td>
</tr>
<tr>
<td>30.00 – 39.99</td>
<td>12.5</td>
<td>$38.84</td>
</tr>
<tr>
<td>40.00 – 49.99</td>
<td>2.3</td>
<td>$44.66</td>
</tr>
<tr>
<td>50.00 – 59.99</td>
<td>0.5</td>
<td>$53.36</td>
</tr>
<tr>
<td>60.00 – 69.99</td>
<td>2.9</td>
<td>$64.57</td>
</tr>
<tr>
<td>70.00 – 79.99</td>
<td>0.3</td>
<td>$74.17</td>
</tr>
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### Options Outstanding

<table>
<thead>
<tr>
<th>Range of Exercise Prices</th>
<th>Number Outstanding</th>
<th>Weighted Average Remaining Contractual Life</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.00 – $5.99</td>
<td>17.8</td>
<td>6.5 (years)</td>
<td>$4.49</td>
</tr>
<tr>
<td>6.00 – 9.99</td>
<td>11.6</td>
<td>7.1</td>
<td>8.79</td>
</tr>
<tr>
<td>10.00 – 19.99</td>
<td>16.6</td>
<td>6.3</td>
<td>14.02</td>
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<td>20.00 – 29.99</td>
<td>27.8</td>
<td>6.3</td>
<td>24.80</td>
</tr>
<tr>
<td>30.00 – 39.99</td>
<td>0.2</td>
<td>3.2</td>
<td>32.74</td>
</tr>
<tr>
<td>40.00 – 49.99</td>
<td>0.3</td>
<td>3.3</td>
<td>46.46</td>
</tr>
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<td>50.00 – 59.99</td>
<td>2.5</td>
<td>4.2</td>
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<tr>
<td>60.00 – 69.99</td>
<td>0.4</td>
<td>3.6</td>
<td>62.75</td>
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</tbody>
</table>

### Options Exercisable

<table>
<thead>
<tr>
<th>Range of Exercise Prices</th>
<th>Number Exercisable</th>
<th>Weighted Average Exercise Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2.00 – $5.99</td>
<td>7.5</td>
<td>$4.77</td>
</tr>
<tr>
<td>6.00 – 9.99</td>
<td>3.6</td>
<td>8.55</td>
</tr>
<tr>
<td>10.00 – 19.99</td>
<td>16.4</td>
<td>14.07</td>
</tr>
<tr>
<td>20.00 – 29.99</td>
<td>22.6</td>
<td>24.77</td>
</tr>
<tr>
<td>30.00 – 39.99</td>
<td>0.2</td>
<td>32.74</td>
</tr>
<tr>
<td>40.00 – 49.99</td>
<td>0.3</td>
<td>46.47</td>
</tr>
<tr>
<td>50.00 – 59.99</td>
<td>2.2</td>
<td>53.22</td>
</tr>
<tr>
<td>60.00 – 69.99</td>
<td>0.4</td>
<td>62.75</td>
</tr>
</tbody>
</table>

### 13. Employee Benefit Plans

#### Defined Benefit Pension Plan

Most Sprint employees are covered by a noncontributory defined benefit pension plan. Benefits for plan participants belonging to unions are based on negotiated schedules. For non-union participants, pension benefits are based on years of service and the participants’ compensation.

Sprint uses a December 31 measurement date for its defined benefit pension plan.

The following table shows the changes in the projected benefit obligation:

<table>
<thead>
<tr>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions)</td>
<td>(millions)</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$3,536</td>
</tr>
<tr>
<td>Service cost</td>
<td>119</td>
</tr>
<tr>
<td>Interest cost</td>
<td>234</td>
</tr>
<tr>
<td>Amendments</td>
<td>16</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>—</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>313</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(180)</td>
</tr>
</tbody>
</table>

Ending balance | $4,038 | $3,536
The plan’s accumulated benefit obligation was $3,730 million at December 31, 2003, and $3,255 million at December 31, 2002.

The following table shows the changes in plan assets:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$2,448</td>
<td>$2,996</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>400</td>
<td>—</td>
</tr>
<tr>
<td>Investment return</td>
<td>508</td>
<td>(387)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(180)</td>
<td>(161)</td>
</tr>
<tr>
<td></td>
<td>$3,176</td>
<td>$2,448</td>
</tr>
</tbody>
</table>

At year-end, the funded status and amounts recognized on the Consolidated Balance Sheets for the plan were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation in excess of plan assets</td>
<td>$ (862)</td>
<td>$(1,088)</td>
</tr>
<tr>
<td>Unrecognized net losses</td>
<td>1,507</td>
<td>1,445</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>Unamortized transition asset</td>
<td>(4)</td>
<td>(7)</td>
</tr>
<tr>
<td>Net amount recognized</td>
<td>$ 736</td>
<td>$ 445</td>
</tr>
</tbody>
</table>

Amounts recognized on the Consolidated Balance Sheets consist of:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension benefit obligations</td>
<td>$ (553)</td>
<td>$(807)</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>95</td>
<td>95</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>1,194</td>
<td>1,157</td>
</tr>
<tr>
<td>Net amount recognized</td>
<td>$ 736</td>
<td>$ 445</td>
</tr>
</tbody>
</table>

Amounts on the Consolidated Balance Sheets include accrued pension expense of $426 million at year-end 2003 and $718 million at year-end 2002 for the FON Group, and $127 million at year-end 2003 and $89 million at year-end 2002 for the PCS Group.

In accordance with SFAS No. 87, Employers’ Accounting for Pensions, at year-end 2003 and 2002 Sprint recorded an additional minimum pension liability representing the excess of the unfunded accumulated benefit obligation over plan assets and accrued pension costs. Recognition of the additional pension liability also resulted in an intangible asset equal to the unrecognized prior service costs and a charge to equity through Other comprehensive income (loss). The following table sets forth these amounts for the year-ended 2003 and 2002:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional minimum liability</td>
<td>$1,226</td>
<td>$1,289</td>
</tr>
<tr>
<td>Intangible asset</td>
<td>94</td>
<td>95</td>
</tr>
<tr>
<td>Accumulated other comprehensive income (loss)</td>
<td>1,132</td>
<td>1,157</td>
</tr>
<tr>
<td></td>
<td>$1,217</td>
<td>$1,252</td>
</tr>
<tr>
<td>Net amount recognized</td>
<td>$ 736</td>
<td>$ 445</td>
</tr>
</tbody>
</table>

The tax effect for the charge to “Accumulated other comprehensive income (loss)” was $12 million for 2003 and $444 million for 2002. This resulted in a net charge to “Accumulated other comprehensive income (loss)” of $8 million for the year-ended 2003 and $691 million for the year-ended 2002 for the FON Group. This resulted in a net charge to “Accumulated other comprehensive income (loss)” of $17 million for the year-ended 2003 and $22 million for the year-ended 2002 for the PCS Group.
The net pension expense (credit) consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost—benefits earned during the year</td>
<td>$119</td>
<td>$103</td>
<td>$92</td>
</tr>
<tr>
<td>Interest on projected benefit obligation</td>
<td>234</td>
<td>221</td>
<td>209</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(290)</td>
<td>(331)</td>
<td>(353)</td>
</tr>
<tr>
<td>Amortization of unrecognized transition asset</td>
<td>(3)</td>
<td>(17)</td>
<td>(23)</td>
</tr>
<tr>
<td>Recognition of prior service cost</td>
<td>15</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Recognition of actuarial (gains) and losses</td>
<td>33</td>
<td>(2)</td>
<td>(26)</td>
</tr>
<tr>
<td>Special early retirement benefits associated with restructuring</td>
<td>—</td>
<td>10</td>
<td>40</td>
</tr>
<tr>
<td>Net pension expense (credit)</td>
<td>$108</td>
<td>$(2)</td>
<td>$(48)</td>
</tr>
</tbody>
</table>

Net periodic pension expense (credit) for the FON Group was $64 million in 2003, $(26) million in 2002, and $(66) million in 2001. Net periodic pension expense (credit) for the PCS Group was $44 million in 2003, $24 million in 2002, and $18 million in 2001.

Weighted-average assumptions used to determine net periodic pension costs:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.75%</td>
<td>7.50%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>9.00%</td>
<td>9.50%</td>
<td>10.00%</td>
</tr>
<tr>
<td>Expected blended rate of future pay raises</td>
<td>4.25%</td>
<td>4.25%</td>
<td>4.50%</td>
</tr>
</tbody>
</table>

Weighted average assumptions used to determine benefit obligations as of December 31:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.25%</td>
<td>6.75%</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>8.75%</td>
<td>9.00%</td>
</tr>
<tr>
<td>Expected blended rate of future pay raises</td>
<td>4.25%</td>
<td>4.25%</td>
</tr>
</tbody>
</table>

During 2003, the assumption regarding the expected long-term rate of return on plan assets was 9.0%. This was set assuming that the long-term return on equities would be 10.3% based on their historical performance over the past 75 years, and that the trust’s other investments would generate a long-term return of 6.0% based on the advice of independent consultants. At the beginning of 2003, when this assumption was chosen, the investment policy called for a 75% target weighting in equities. The weighted average of the two assumed returns is approximately 9.0%.

The plan’s asset allocations at December 31, 2003 and 2002, by asset category, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity securities</td>
<td>58%</td>
<td>70%</td>
</tr>
<tr>
<td>Debt securities</td>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td>Real estate</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Alternatives</td>
<td>9%</td>
<td>—</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The pension trust is invested in a well-diversified portfolio of securities. The Pension and Savings Trust Committee has established an investment policy that specifies asset allocation targets and ranges for the trust of: Equities 65% (+/-10%), Debt 15% (+/-5%), Real Estate 10% (+/-5%), and Alternatives 10% (+/-5%). A revision to the investment policy in 2003 increased the allocation to Real Estate and introduced a new category defined as Alternatives. The Alternatives asset category is a diversified portfolio of investments, consisting of both equity and fixed-income instruments. A 2003 contribution of $400 million was temporarily invested in debt securities while suitable Real Estate and Alternatives investments were identified. This funding of Real Estate and Alternatives categories is expected to be completed in 2004. The pension trust holds no Sprint securities.

Sprint contributed $300 million to its pension plan on January 27, 2004. This is the only contribution expected to be made during 2004.
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009 – 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension Benefits</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>$183</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>188</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>195</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>204</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>216</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009 – 2013</td>
<td>1,345</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Defined Contribution Plans**
Sprint sponsors defined contribution savings plans covering most employees. Participants may contribute portions of their pay to the plans. For union employees, Sprint matches contributions based on negotiated amounts. Sprint matches contributions of non-union employees in FON stock and PCS stock. The matching contribution was equal to 25% of participants' contributions up to 6% of their pay for the second half of 2003 and 75% for the first half of 2003. In 2002 and 2001, the matching contribution was equal to 50% of participants' contributions up to 6% of their pay. In addition, Sprint may, at the discretion of its board of directors, provide additional matching contributions based on the performance of FON stock and PCS stock compared to the Dow Jones Total Market Telecom Index. Sprint’s total matching contributions were $72 million in 2003, $84 million in 2002 and $103 million in 2001. The FON Group recorded expenses of $64 million in 2003, $62 million in 2002 and $85 million in 2001 for Sprint’s matching contributions, and the PCS Group recorded matching contribution expenses of $8 million in 2003, $22 million in 2002, and $18 million in 2001.

**Postretirement Benefits**
Sprint provides postretirement medical benefits to most employees and postretirement life insurance to most retirees. Employees who retired before certain dates are eligible for benefits at no cost, or at a reduced cost. Employees who retire after certain dates are eligible for benefits on a shared-cost basis. Sprint funds the accrued costs as benefits are paid. Sprint uses a December 31 measurement date for its postretirement benefit plans.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) was signed into law by President Bush on December 8, 2003. The Act contains subsidies to employers who provide prescription drug coverage to retirees. In accordance with FASB Staff Position FAS 106-1, the measures of the accumulated post retirement benefit obligation and net periodic benefit cost in these financial statements and this note do not reflect the effects of the Act on the plan. Specific authoritative accounting guidance on the Act has not yet been issued and is not yet resolved by the FASB. When issued, Sprint will apply that guidance as required.

In the 2001 third quarter, Sprint adopted amendments to two postretirement benefit plans. As a result of the amendments, the life insurance benefit has been eliminated for employees retiring after 2003 and the postretirement medical insurance plan was replaced with a Sprint-funded account to be managed by the employee. The plan amendment to the Sprint retiree medical insurance plan reduced the accumulated postretirement benefit obligation and reduced employee benefits attributed to employee service already rendered. Sprint recognized a curtailment gain from this amendment of $120 million, $75 million after tax.

The following table shows the changes in the accumulated postretirement benefit obligation:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(millions)</td>
<td>(millions)</td>
</tr>
<tr>
<td>Beginning balance</td>
<td>$1,077</td>
<td>$878</td>
</tr>
<tr>
<td>Service cost</td>
<td>14</td>
<td>16</td>
</tr>
<tr>
<td>Interest cost</td>
<td>62</td>
<td>62</td>
</tr>
<tr>
<td>Actuarial losses</td>
<td>37</td>
<td>178</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(74)</td>
<td>(57)</td>
</tr>
<tr>
<td>Ending balance</td>
<td>$1,116</td>
<td>$1,077</td>
</tr>
</tbody>
</table>
 Amounts included on the Consolidated Balance Sheets at year-end were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated postretirement benefit obligation (millions)</td>
<td>1,116</td>
<td>1,077</td>
</tr>
<tr>
<td>Plan assets</td>
<td>(40)</td>
<td>(35)</td>
</tr>
<tr>
<td>Unrecognized transition obligation</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Unrecognized prior service benefit</td>
<td>217</td>
<td>170</td>
</tr>
<tr>
<td>Unrecognized net loss</td>
<td>(416)</td>
<td>(317)</td>
</tr>
<tr>
<td>Accrued postretirement benefits cost</td>
<td>$ 886</td>
<td>$ 905</td>
</tr>
<tr>
<td>Discount rate</td>
<td>6.25%</td>
<td>6.75%</td>
</tr>
</tbody>
</table>

The amounts of accrued postretirement benefit costs included on the Consolidated Balance Sheets are $881 million at year-end 2003 and $902 million at year-end 2002 for the FON Group, and $5 million at year-end 2003 and $3 million at year-end 2002 for the PCS Group.

The net postretirement benefits cost consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost—benefits earned during the year (millions)</td>
<td>$ 14</td>
<td>$ 16</td>
<td>$ 18</td>
</tr>
<tr>
<td>Interest on accumulated postretirement benefit obligation</td>
<td>62</td>
<td>62</td>
<td>68</td>
</tr>
<tr>
<td>Expected return on assets</td>
<td>(3)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>Recognition of transition obligation</td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>Recognition of prior service cost</td>
<td>(45)</td>
<td>(58)</td>
<td>(33)</td>
</tr>
<tr>
<td>Recognition of actuarial losses (gains)</td>
<td>27</td>
<td>14</td>
<td>(2)</td>
</tr>
<tr>
<td>Net periodic postretirement benefits cost</td>
<td>$ 54</td>
<td>$ 30</td>
<td>$ 46</td>
</tr>
<tr>
<td>Curtailment gain</td>
<td>—</td>
<td>—</td>
<td>(120)</td>
</tr>
</tbody>
</table>

Weighted-average assumptions used to determine net periodic postretirement benefit costs:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.75%</td>
<td>7.50%</td>
<td>8.00%</td>
</tr>
<tr>
<td>Assumed return on assets</td>
<td>9.00%</td>
<td>9.50%</td>
<td>10.00%</td>
</tr>
</tbody>
</table>


Assumed health care cost trend rates at December 31:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care cost increases assumed for next year</td>
<td>10.0%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Year that the rate reaches the ultimate trend rate</td>
<td>2011</td>
<td>2011</td>
</tr>
</tbody>
</table>

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

<table>
<thead>
<tr>
<th></th>
<th>One-percentage-point Increase</th>
<th>One-percentage-point Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect on total of service and interest cost</td>
<td>$ 6</td>
<td>$ (5)</td>
</tr>
<tr>
<td>Effect on postretirement benefit obligation</td>
<td>$ 107</td>
<td>$ (91)</td>
</tr>
</tbody>
</table>
Details of the plan assets, investment policies and strategies, and assumptions have not been provided based on immateriality.

Sprint plans to contribute to the postretirement benefit plan an amount equal to the value of benefits and premiums paid.
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<table>
<thead>
<tr>
<th>Postretirement Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions)</td>
</tr>
<tr>
<td>2004</td>
</tr>
<tr>
<td>2005</td>
</tr>
<tr>
<td>2006</td>
</tr>
<tr>
<td>2007</td>
</tr>
<tr>
<td>2008</td>
</tr>
<tr>
<td>2009 - 2013</td>
</tr>
</tbody>
</table>

### 14. Income Taxes

Income tax expense (benefit) allocated to continuing operations consists of the following:

<table>
<thead>
<tr>
<th>Year</th>
<th>Sprint Corporation Consolidated</th>
<th>Sprint FON Group</th>
<th>Sprint PCS Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>(millions)</td>
<td>(millions)</td>
<td>(millions)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ (672)</td>
<td>(21)</td>
</tr>
<tr>
<td></td>
<td>Total current</td>
<td>(651)</td>
<td>474</td>
</tr>
<tr>
<td></td>
<td></td>
<td>453</td>
<td>(58)</td>
</tr>
<tr>
<td></td>
<td>Total deferred</td>
<td>395</td>
<td>(334)</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$ (256)</td>
<td>$ 140</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Sprint Corporation Consolidated</th>
<th>Sprint FON Group</th>
<th>Sprint PCS Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>(millions)</td>
<td>(millions)</td>
<td>(millions)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ (599)</td>
<td>(3)</td>
</tr>
<tr>
<td></td>
<td>Total current</td>
<td>(602)</td>
<td>(252)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>544</td>
<td>12</td>
</tr>
<tr>
<td></td>
<td>Total deferred</td>
<td>556</td>
<td>660</td>
</tr>
<tr>
<td></td>
<td>Foreign income tax expense (benefit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>8</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$ (38)</td>
<td>$ 408</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Sprint Corporation Consolidated</th>
<th>Sprint FON Group</th>
<th>Sprint PCS Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>(millions)</td>
<td>(millions)</td>
<td>(millions)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ (94)</td>
<td>(57)</td>
</tr>
<tr>
<td></td>
<td>Total current</td>
<td>(37)</td>
<td>149</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(552)</td>
<td>(135)</td>
</tr>
<tr>
<td>Total deferred</td>
<td>(687)</td>
<td>(230)</td>
<td>(457)</td>
</tr>
<tr>
<td>----------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Total</td>
<td>$ (724)</td>
<td>$ (81)</td>
<td>$ (643)</td>
</tr>
</tbody>
</table>

F-49
The differences that caused Sprint’s effective income tax rates to vary from the 35% federal statutory rate for income taxes related to continuing operations were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Sprint Corporation</th>
<th>Sprint FON Group</th>
<th>Sprint PCS Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense (benefit) at the federal statutory rate</td>
<td>$ (218)</td>
<td>$ 152</td>
<td>$(370)</td>
</tr>
<tr>
<td>Effect of:</td>
<td>State income taxes, net of federal income tax effect</td>
<td>(25)</td>
<td>(5)</td>
</tr>
<tr>
<td></td>
<td>Credit for research activities</td>
<td>(27)</td>
<td>(18)</td>
</tr>
<tr>
<td></td>
<td>Other, net</td>
<td>14</td>
<td>11</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>$ (256)</td>
<td>$ 140</td>
<td>$(396)</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>41.1%</td>
<td>32.2%</td>
<td>37.5%</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense (benefit) at the federal statutory rate</td>
<td>$ 151</td>
<td>$ 509</td>
<td>$(358)</td>
</tr>
<tr>
<td>Effect of:</td>
<td>State income taxes, net of federal income tax effect</td>
<td>6</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Equity in losses of foreign joint ventures</td>
<td>(55)</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Decrease in valuation allowance for previous investment write downs</td>
<td>(130)</td>
<td>(130)</td>
</tr>
<tr>
<td></td>
<td>Other, net</td>
<td>(10)</td>
<td>(5)</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>$ (38)</td>
<td>$ 408</td>
<td>$(446)</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>(8.8)%</td>
<td>28.0%</td>
<td>43.6%</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income tax expense (benefit) at the federal statutory rate</td>
<td>$ (798)</td>
<td>$(133)</td>
<td>$(665)</td>
</tr>
<tr>
<td>Effect of:</td>
<td>State income taxes, net of federal income tax effect</td>
<td>(51)</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Equity in losses of foreign joint ventures</td>
<td>40</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Write down of equity method investment</td>
<td>57</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>Goodwill amortization</td>
<td>44</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Other, net</td>
<td>(16)</td>
<td>(13)</td>
</tr>
<tr>
<td>Income tax expense (benefit)</td>
<td>$ (724)</td>
<td>$(81)</td>
<td>$(643)</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>31.8%</td>
<td>21.4%</td>
<td>33.8%</td>
</tr>
</tbody>
</table>
Income tax expense (benefit) allocated to other items was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Sprint Corporation</th>
<th>Sprint FON Group</th>
<th>Sprint PCS Group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(millions)</td>
<td>(millions)</td>
<td>(millions)</td>
</tr>
<tr>
<td>2003 Discontinued operations</td>
<td>$ 820</td>
<td>$ 820</td>
<td>$ —</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>(162)</td>
<td>(162)</td>
<td>—</td>
</tr>
<tr>
<td>Additional minimum pension liability (1)</td>
<td>(12)</td>
<td>(2)</td>
<td>(10)</td>
</tr>
<tr>
<td>Gains (losses) on securities (1)</td>
<td>27</td>
<td>27</td>
<td>—</td>
</tr>
<tr>
<td>Gains (losses) on qualifying cash flow hedges (1)</td>
<td>(23)</td>
<td>(23)</td>
<td>—</td>
</tr>
<tr>
<td>Stock ownership, purchase and option arrangements (2)</td>
<td>(4)</td>
<td>(3)</td>
<td>(1)</td>
</tr>
<tr>
<td>2002 Discontinued operations</td>
<td>$ 97</td>
<td>$ 97</td>
<td>$ —</td>
</tr>
<tr>
<td>Additional minimum pension liability (1)</td>
<td>(444)</td>
<td>(431)</td>
<td>(13)</td>
</tr>
<tr>
<td>Gains (losses) on securities (1)</td>
<td>(18)</td>
<td>(18)</td>
<td>—</td>
</tr>
<tr>
<td>Gains (losses) on qualifying cash flow hedges (1)</td>
<td>9</td>
<td>9</td>
<td>—</td>
</tr>
<tr>
<td>Stock ownership, purchase and option arrangements (2)</td>
<td>(1)</td>
<td>(2)</td>
<td>1</td>
</tr>
<tr>
<td>2001 Discontinued operations</td>
<td>$ 98</td>
<td>$ 98</td>
<td>$ —</td>
</tr>
<tr>
<td>Gains (losses) on securities (1)</td>
<td>(4)</td>
<td>(11)</td>
<td>—</td>
</tr>
<tr>
<td>Stock ownership, purchase and option arrangements (2)</td>
<td>(17)</td>
<td>(9)</td>
<td>(8)</td>
</tr>
</tbody>
</table>

(1) These amounts have been recorded directly to “Shareholders’ equity—Accumulated other comprehensive income (loss)” on the Consolidated Balance Sheets.

(2) These amounts have been recorded directly to “Shareholders’ equity—Capital in excess of par or stated value” on the Consolidated Balance Sheets.
Sprint recognizes deferred income taxes for the temporary differences between the carrying amounts of its assets and liabilities for financial statement purposes and their tax bases. The sources of the differences that give rise to the deferred income tax assets and liabilities at year-end 2003 and 2002, along with the income tax effect of each, were as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets (millions)</td>
<td>Liabilities (millions)</td>
<td>Assets (millions)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>$—</td>
<td>$4,726</td>
<td>$—</td>
</tr>
<tr>
<td>Intangibles</td>
<td>834</td>
<td>571</td>
<td>811</td>
</tr>
<tr>
<td>Postretirement and other benefits</td>
<td>202</td>
<td>—</td>
<td>29</td>
</tr>
<tr>
<td>Operating loss carryforwards</td>
<td>2,583</td>
<td>—</td>
<td>269</td>
</tr>
<tr>
<td>Tax credit carryforwards</td>
<td>398</td>
<td>—</td>
<td>79</td>
</tr>
<tr>
<td>Other, net</td>
<td>138</td>
<td>—</td>
<td>58</td>
</tr>
<tr>
<td>Total</td>
<td>4,155</td>
<td>5,297</td>
<td>1,246</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets (millions)</td>
<td>Liabilities (millions)</td>
<td>Assets (millions)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>$—</td>
<td>$4,465</td>
<td>$—</td>
</tr>
<tr>
<td>Intangibles</td>
<td>810</td>
<td>936</td>
<td>797</td>
</tr>
<tr>
<td>Postretirement and other benefits</td>
<td>248</td>
<td>—</td>
<td>56</td>
</tr>
<tr>
<td>Reserves and allowances</td>
<td>3,196</td>
<td>—</td>
<td>271</td>
</tr>
<tr>
<td>Operating loss carryforwards</td>
<td>288</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Tax credit carryforwards</td>
<td>213</td>
<td>—</td>
<td>120</td>
</tr>
<tr>
<td>Other, net</td>
<td>573</td>
<td>—</td>
<td>217</td>
</tr>
<tr>
<td>Total</td>
<td>4,182</td>
<td>5,401</td>
<td>1,026</td>
</tr>
</tbody>
</table>

Management believes it is more likely than not that these deferred income tax assets, net of the valuation allowance, will be realized based on current income tax laws and expectations of future taxable income stemming from the reversal of existing deferred tax liabilities or ordinary operations. Uncertainties surrounding income tax law changes, shifts in operations between state taxing jurisdictions and future operating income levels may, however, affect the ultimate realization of all or some of these deferred income tax assets.

The valuation allowance related to deferred income tax assets increased $47 million in 2003 and decreased $113 million in 2002.

In 2002, Sprint reached a definitive agreement to sell its directory publishing business to R.H. Donnelley. Due to the anticipated gain on the sale, Sprint recognized $292 million of tax benefits in the third quarter of 2002 on previously recorded investment losses.

The foreign component of income (loss) from continuing operations totaled $(141) million, $(273) million, and $(234) million in 2003, 2002, and 2001, respectively.

In 1999, Sprint acquired approximately $193 million of potential tax benefits related to net operating loss carryforwards in the acquisitions of the broadband fixed wireless companies. In 1998, Sprint acquired approximately $229 million of potential tax benefits related to net operating loss carryforwards in the PCS Restructuring. The benefits from the acquisitions and PCS Restructuring are subject to certain realization restrictions under various tax laws. A valuation allowance was provided for the total of these benefits. If these benefits are subsequently recognized, they will reduce goodwill or intangibles resulting from the application of the purchase method of accounting for these transactions.
In connection with the PCS Restructuring, the PCS Group is required to reimburse the FON Group and the Cable Partners for net operating loss and tax credit carryforward benefits generated before the PCS Restructuring if realization by the PCS Group produces a cash benefit that would not otherwise have been realized. The reimbursement will equal 60% of the net cash benefit received by the PCS Group and will be made to the FON Group in cash and to the Cable Partners in shares of Sprint stock. The carryforward benefits subject to this requirement total $259 million, which includes the $229 million acquired in the PCS Restructuring.

At year-end 2003, Sprint had federal operating loss carryforwards of approximately $5.9 billion and state operating loss carryforwards of approximately $11.6 billion. Related to these loss carryforwards are federal tax benefits of $2.1 billion and state tax benefits of $808 million. In addition, Sprint had available, for income tax purposes, federal alternative minimum tax net operating loss carryforwards of $4.4 billion and state alternative minimum tax net operating loss carryforwards of $920 million. The loss carryforwards expire in varying amounts through 2023.

Sprint also had available $398 million of federal and state income tax credit carryforwards at year-end 2003. Included in this amount are $292 million of income tax credits which expire in varying amounts through 2023. The remaining $106 million do not expire.

15. Discontinued Operations

In the 2002 third quarter, Sprint reached a definitive agreement to sell its directory publishing business to R.H. Donnelley for $2.23 billion in cash. The sale closed on January 3, 2003. The pretax gain recognized in 2003 was $2.14 billion, $1.32 billion after tax. In accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, Sprint has presented the assets, liabilities and results of operations of the directory publishing business as a discontinued operation in the consolidated financial statements. Summary financial information is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets of discontinued operation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>$—</td>
<td>$277</td>
</tr>
<tr>
<td>Prepaid</td>
<td>$—</td>
<td>99</td>
</tr>
<tr>
<td>Other assets</td>
<td>$—</td>
<td>15</td>
</tr>
<tr>
<td>Total assets of discontinued operation</td>
<td>$—</td>
<td>$391</td>
</tr>
<tr>
<td>Liabilities of discontinued operation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advance billings and other</td>
<td>$—</td>
<td>$299</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenues</td>
<td>$5</td>
<td>$546</td>
<td>$556</td>
</tr>
<tr>
<td>Income (loss) before income taxes</td>
<td>$5</td>
<td>$255</td>
<td>$249</td>
</tr>
</tbody>
</table>

16. Commitments and Contingencies

Litigation, Claims and Assessments

In March 2003, settlements subject to court approval were announced in both a derivative action and a securities class action filed by institutional stockholders. The settlements were approved in December 2003. The derivative settlement includes the adoption of certain corporate governance enhancements, certain restrictions on stock and options by individual defendants, and the payment of plaintiff’s attorneys’ fees in Sprint stock, for which Sprint recognized $5 million in the 2003 first quarter in “Other income (expense), net”. The securities class action settlement provides for a payment of a total of $50 million to the plaintiff class. Sprint recognized $45 million, representing the settlement amount net of undisputed insurance coverage, in the 2003 first quarter in “Other income (expense), net”. In the 2003 third and fourth quarters, Sprint recorded a total of $35 million in insurance recoveries related to this action. Sprint does not expect to recover any additional insurance related to this action.

A number of putative class action cases that allege Sprint failed to obtain easements from property owners during the installation of its fiber optic network have been filed in various courts. Several of these cases sought certification of nationwide classes, and in one case, a nationwide class was certified. However, a nationwide
settlement of these claims was approved by the U.S. District Court for the Northern District of Illinois, which has enjoined all other
similar cases. Objectors have appealed the preliminary approval order and injunction to the Seventh Circuit Court of Appeals. In
2001, Sprint accrued for the estimated settlement costs of these suits.

In July 2002, the Federal Communications Commission released a declaratory ruling in a matter referred to it by the federal district
court for the Western District of Missouri in Sprint’s suit against AT&T Corporation for the collection of terminating access charges.
The FCC ruled that although nothing prohibited wireless carriers from charging for access to their networks, inter-exchange carriers
were not required to pay such charges absent a contractual obligation to do so. This decision was affirmed by the D.C. Circuit Court
of Appeals. Management believes adequate provisions have been recorded in the PCS Group’s results of operations.

In April and May 2003, three putative class action lawsuits were filed in the U.S. District Court for the District of Kansas by
individual participants in the Sprint Retirement Savings Plan and the Centel Retirement Savings Plan for Bargaining Unit
Employees against Sprint Corporation, the committees that administer the two plans, and various current and former officers of
Sprint. In November 2003, a consolidated amended complaint was filed, naming additional officers and directors and Fidelity
Management, the plan trustee, as defendants. In December 2003, two additional complaints, making identical allegations, were
filed. These lawsuits have been consolidated before a single judge. The lawsuits allege that defendants breached their fiduciary
duties to the plans and violated the ERISA statutes by including FON and PCS stock among the more than thirty investment
options offered to plan participants. The lawsuits seek to recover any decline in the value of FON and PCS stock during the class
period.

Various other suits, proceedings and claims, including purported class actions, typical for a business enterprise, are pending
against Sprint.

While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved
consistent with Sprint’s beliefs, Sprint expects that the outcome of such proceedings, individually or in the aggregate, will not have
a material adverse effect on the financial condition or results of operations of Sprint or its business segments.

**Commitments**

The FON Group has minimum purchase commitments with various vendors through 2009. Outstanding commitments at year-end
2003 were approximately $1.2 billion and $900 million at year-end 2002. The outstanding commitments consist primarily of network
equipment and maintenance, access commitments, advertising and marketing and other expenses related to normal business
operations, as well as in 2003 commitments related to information technology services. Approximately 70% of the 2003 purchase
commitment will be incurred within the next twelve months.

The PCS Group has minimum purchase commitments with various vendors through 2008. Outstanding commitments at year-end
2003 were approximately $1.8 billion and $1.6 billion at year-end 2002. The outstanding commitments consist primarily of network
equipment and maintenance, handset purchases, access commitments, information technology services, advertising and marketing
and other expenses related to normal business operations, as well as in 2003 commitments related to customer support provided
by third parties. Approximately 35% of the 2003 purchase commitment will be incurred within the next twelve months.

**Operating Leases**

Sprint’s minimum rental commitments at year-end 2003 for all noncancelable operating leases, consisting mainly of leases for data
processing equipment, real estate, cell and switch sites, and office space, are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>(millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>768</td>
</tr>
<tr>
<td>2005</td>
<td>610</td>
</tr>
<tr>
<td>2006</td>
<td>440</td>
</tr>
<tr>
<td>2007</td>
<td>264</td>
</tr>
<tr>
<td>2008</td>
<td>143</td>
</tr>
<tr>
<td>Thereafter</td>
<td>440</td>
</tr>
</tbody>
</table>

Sprint’s gross rental expense totaled $1.2 billion in 2003, $1.3 billion in 2002, and $1.2 billion in 2001. Rental commitments for
subleases, contingent rentals and executory costs were not significant. The table excludes renewal options related to certain cell
and switch site leases. These renewal options, which are subject to escalation clauses, generally have five-year terms.
Segment Information

Sprint is divided into three segments: the global markets division, the local division, and the PCS wireless telephony products and services business, also known as the PCS Group. Other consists primarily of wholesale distribution of telecommunications products.

Sprint manages its segments to the operating income (loss) level of reporting. Items below Operating income (loss) are held at a corporate level and only attributed to the FON Group and PCS Group. The reconciliation from Operating income (loss) to Net income (loss) is shown on the face of the Consolidated Statements of Operations in the consolidation information.

Sprint generally accounts for transactions between segments based on fully distributed costs, which Sprint believes approximate fair value. In certain transactions, pricing is set using market rates.

Segment financial information was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Global Markets</th>
<th>Local Division</th>
<th>Other</th>
<th>PCS Group</th>
<th>Corporate and Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td></td>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(millions)</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$ 7,992</td>
<td>$ 6,143</td>
<td>$ 840</td>
<td>$12,690</td>
<td>$(1,468)</td>
<td>$ 26,197</td>
</tr>
<tr>
<td>Affiliated revenues</td>
<td>653</td>
<td>216</td>
<td>550</td>
<td>9</td>
<td>(1,468)</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,428</td>
<td>1,085</td>
<td>23</td>
<td>2,486</td>
<td>(17)</td>
<td>5,005</td>
</tr>
<tr>
<td>Restructuring and asset impairments</td>
<td>1,564</td>
<td>24</td>
<td>1</td>
<td>362</td>
<td>—</td>
<td>1,951</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>9,464</td>
<td>4,355</td>
<td>872</td>
<td>12,139</td>
<td>(1,494)</td>
<td>25,336</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(1,472)</td>
<td>1,788</td>
<td>(32)</td>
<td>551</td>
<td>26</td>
<td>861</td>
</tr>
<tr>
<td>Operating margin</td>
<td>NM</td>
<td>29.1%</td>
<td>NM</td>
<td>4.3%</td>
<td>NM</td>
<td>3.3%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>325</td>
<td>1,240</td>
<td>1</td>
<td>2,150</td>
<td>108</td>
<td>3,824</td>
</tr>
<tr>
<td>Total assets</td>
<td>8,194</td>
<td>8,993</td>
<td>324</td>
<td>21,846</td>
<td>3,493</td>
<td>42,850</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$ 8,943</td>
<td>$ 6,257</td>
<td>$ 863</td>
<td>$12,074</td>
<td>$(1,458)</td>
<td>$ 26,679</td>
</tr>
<tr>
<td>Affiliated revenues</td>
<td>660</td>
<td>285</td>
<td>559</td>
<td>(46)</td>
<td>(1,458)</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,479</td>
<td>1,157</td>
<td>24</td>
<td>2,267</td>
<td>(15)</td>
<td>4,912</td>
</tr>
<tr>
<td>Restructuring and asset impairments</td>
<td>194</td>
<td>56</td>
<td>1</td>
<td>138</td>
<td>—</td>
<td>389</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>9,143</td>
<td>4,427</td>
<td>886</td>
<td>11,599</td>
<td>(1,476)</td>
<td>24,579</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(200)</td>
<td>1,830</td>
<td>(23)</td>
<td>475</td>
<td>18</td>
<td>2,100</td>
</tr>
<tr>
<td>Operating margin</td>
<td>NM</td>
<td>29.2%</td>
<td>NM</td>
<td>3.9%</td>
<td>NM</td>
<td>7.9%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>733</td>
<td>1,286</td>
<td>8</td>
<td>2,668</td>
<td>154</td>
<td>4,849</td>
</tr>
<tr>
<td>Total assets</td>
<td>10,830</td>
<td>8,507</td>
<td>733</td>
<td>23,022</td>
<td>2,201</td>
<td>45,293</td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$ 9,916</td>
<td>$ 6,294</td>
<td>$1,206</td>
<td>$ 9,725</td>
<td>$(1,579)</td>
<td>$ 25,562</td>
</tr>
<tr>
<td>Affiliated revenues</td>
<td>581</td>
<td>283</td>
<td>695</td>
<td>20</td>
<td>(1,579)</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>1,318</td>
<td>1,120</td>
<td>12</td>
<td>2,150</td>
<td>(9)</td>
<td>4,591</td>
</tr>
<tr>
<td>Restructuring and asset impairments</td>
<td>1,688</td>
<td>109</td>
<td>6</td>
<td>10</td>
<td>—</td>
<td>1,813</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>11,965</td>
<td>4,511</td>
<td>1,172</td>
<td>10,372</td>
<td>(1,557)</td>
<td>26,463</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>(2,049)</td>
<td>1,783</td>
<td>34</td>
<td>(647)</td>
<td>(22)</td>
<td>(901)</td>
</tr>
<tr>
<td>Operating margin</td>
<td>NM</td>
<td>28.3%</td>
<td>2.8%</td>
<td>NM</td>
<td>NM</td>
<td>NM</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>3,580</td>
<td>1,337</td>
<td>111</td>
<td>3,751</td>
<td>267</td>
<td>9,046</td>
</tr>
<tr>
<td>Total assets</td>
<td>12,265</td>
<td>9,343</td>
<td>719</td>
<td>22,190</td>
<td>1,276</td>
<td>45,793</td>
</tr>
</tbody>
</table>

NM = Not meaningful

(1) Affiliated revenues in 2002 are net of the adjustment for wireless access revenue previously recorded between the global markets division and the PCS Group.

(2) Revenues eliminated in consolidation consist primarily of local access charged to the global markets division by the local division, equipment purchases from the product distribution business, inter-exchange services provided to the local division, long distance services provided to the PCS Group for resale to PCS customers and for internal business use, caller ID services provided by the local division to the PCS Group, handset purchases from the PCS Group and access to the PCS network. Corporate capital expenditures were incurred mainly for Sprint’s World Headquarters Campus.

(3) See Note 5 of Notes to Consolidated Financial Statements for additional information.
In 2003, 2002 and 2001, more than 94% of Sprint’s revenues were from equipment and services provided within the United States. More than 98% of Sprint’s property, plant, and equipment is in the United States.

Equipment sales to one retail chain and the subsequent service revenues generated by sales to its customers represent approximately 21% of the PCS Group’s net operating revenues in 2003, 22% in 2002 and 24% in 2001.

Net operating revenues by product and services were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Global Markets Division (1)</th>
<th>Local Division</th>
<th>Other</th>
<th>PCS Group</th>
<th>Eliminations (2)(3)</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2003</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice</td>
<td>$4,994</td>
<td>$4,659</td>
<td>$—</td>
<td>$—</td>
<td>($771)</td>
<td>$8,882</td>
</tr>
<tr>
<td>Data</td>
<td>1,845</td>
<td>737</td>
<td>$—</td>
<td>$—</td>
<td>(81)</td>
<td>2,501</td>
</tr>
<tr>
<td>Internet</td>
<td>973</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td>(29)</td>
<td>944</td>
</tr>
<tr>
<td>Wireless services</td>
<td>$—</td>
<td>$—</td>
<td>12,690</td>
<td>(9)</td>
<td></td>
<td>12,681</td>
</tr>
<tr>
<td>Other</td>
<td>180</td>
<td>747</td>
<td>840</td>
<td></td>
<td>(578)</td>
<td>1,189</td>
</tr>
<tr>
<td><strong>Total net operating revenues</strong></td>
<td>$7,992</td>
<td>$6,143</td>
<td>$840</td>
<td>$12,690</td>
<td>($1,468)</td>
<td>$26,197</td>
</tr>
<tr>
<td><strong>2002</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice</td>
<td>$5,768</td>
<td>$4,810</td>
<td>$—</td>
<td>$—</td>
<td>($919)</td>
<td>9,659</td>
</tr>
<tr>
<td>Data</td>
<td>1,847</td>
<td>646</td>
<td>$—</td>
<td>$—</td>
<td></td>
<td>2,493</td>
</tr>
<tr>
<td>Internet</td>
<td>1,009</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td></td>
<td>1,009</td>
</tr>
<tr>
<td>Wireless services</td>
<td>$—</td>
<td>$—</td>
<td>12,074</td>
<td>46</td>
<td></td>
<td>12,120</td>
</tr>
<tr>
<td>Other</td>
<td>319</td>
<td>801</td>
<td>863</td>
<td></td>
<td>(585)</td>
<td>1,398</td>
</tr>
<tr>
<td><strong>Total net operating revenues</strong></td>
<td>$8,943</td>
<td>$6,257</td>
<td>$863</td>
<td>$12,074</td>
<td>($1,458)</td>
<td>$26,679</td>
</tr>
<tr>
<td><strong>2001</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Voice</td>
<td>$6,610</td>
<td>$4,877</td>
<td>$—</td>
<td>$—</td>
<td>($827)</td>
<td>10,660</td>
</tr>
<tr>
<td>Data</td>
<td>1,857</td>
<td>569</td>
<td>$—</td>
<td>$—</td>
<td></td>
<td>2,426</td>
</tr>
<tr>
<td>Internet</td>
<td>964</td>
<td>$—</td>
<td>$—</td>
<td>$—</td>
<td></td>
<td>964</td>
</tr>
<tr>
<td>Wireless services</td>
<td>$—</td>
<td>$—</td>
<td>9,725</td>
<td>(20)</td>
<td></td>
<td>9,705</td>
</tr>
<tr>
<td>Other</td>
<td>485</td>
<td>848</td>
<td>1,206</td>
<td></td>
<td>(732)</td>
<td>1,807</td>
</tr>
<tr>
<td><strong>Total net operating revenues</strong></td>
<td>$9,916</td>
<td>$6,294</td>
<td>$1,206</td>
<td>$9,725</td>
<td>($1,579)</td>
<td>$25,562</td>
</tr>
</tbody>
</table>

(1) Beginning in 2002, equipment revenue for all periods presented is reported as part of Other revenues. This reclassification had no impact on total net operating revenues.

(2) Revenues eliminated in consolidation consist primarily of local access charged to the global markets division by the local division, equipment purchases from the product distribution business, inter-exchange services provided to the local division, long distance services provided to the PCS Group for resale to PCS customers and for internal business use, caller ID services provided by the local division to the PCS Group, handset purchases from the PCS Group and access to the PCS network.

(3) Prior to 2003, elimination information for the global markets division was not tracked at a specific products and services level. All eliminations were considered voice revenues.

**Allowance for Doubtful Accounts**

Sprint’s allowance for doubtful accounts was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(millions)</td>
<td>(millions)</td>
</tr>
<tr>
<td>FON Group</td>
<td>$169</td>
<td>$279</td>
</tr>
<tr>
<td>PCS Group</td>
<td>107</td>
<td>135</td>
</tr>
<tr>
<td><strong>Consolidated</strong></td>
<td>$276</td>
<td>$414</td>
</tr>
</tbody>
</table>

**Supplemental Cash Flows Information**

Sprint’s cash paid (received) for interest and income taxes was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest (net of capitalized interest)</td>
<td>$1,397</td>
<td>$1,298</td>
<td>$1,112</td>
</tr>
<tr>
<td>Income taxes</td>
<td>$ 83</td>
<td>$(446)</td>
<td>$ 12</td>
</tr>
</tbody>
</table>
Sprint’s noncash activities included the following:

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common stock issued</td>
<td>$122</td>
<td>$169</td>
<td>$189</td>
</tr>
<tr>
<td>under Sprint’s employee</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>benefit stock plans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>contract adjustment payment</td>
<td>$—</td>
<td>$—</td>
<td>$53</td>
</tr>
<tr>
<td>penalty liability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution to equity</td>
<td>$—</td>
<td>$33</td>
<td>$43</td>
</tr>
<tr>
<td>investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax benefit from stock</td>
<td>$4</td>
<td>$1</td>
<td>$17</td>
</tr>
<tr>
<td>options exercised</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stock received for stock</td>
<td>$—</td>
<td>$—</td>
<td>$4</td>
</tr>
<tr>
<td>options exercised</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extinguishment of debt</td>
<td>$—</td>
<td>$3</td>
<td>$—</td>
</tr>
</tbody>
</table>

**Pro Forma Information on Long-term Disability Plan**

In the fourth quarter of 2003, in conjunction with our periodic review of the liability for medical coverage for participants in Sprint’s long term disability plan, we determined the liability on the balance sheet relating to costs incurred in periods prior to 2003 was understated by $114 million. The expense, if properly recorded in the years ended December 31, 2002 and December 31, 2001, would have decreased annual earnings per share for the FON Group by less than $0.02 per share in each of those prior periods, and would not have impacted the PCS Group’s reported loss per share for those same periods.

As the impact to prior years’ annual financial statements was not material, Sprint recorded additional expense of $114 million, $72 million after-tax, in the 2003 fourth quarter to appropriately reflect the liability as of December 31, 2003. This adjustment decreased the FON Group’s earnings from continuing operations in the 2003 fourth quarter by $66 million, and increased the PCS Group’s loss from continuing operations by $6 million.

The liability was understated principally because of reliance on an inaccurate report identifying plan participants. Process corrections have been instituted to accurately report this information in the future.

The expense, properly recorded in the respective periods, would have impacted annual income (loss) from continuing operations and net income in the same amount. The impact to annual income (loss) from continuing operations and diluted earnings (loss) per common share is as shown below:

<table>
<thead>
<tr>
<th>Impact on:</th>
<th>Income (loss) from continuing operations (millions)</th>
<th>Earnings (loss) per common share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FON Group</td>
<td>$66</td>
<td>$0.07</td>
</tr>
<tr>
<td>PCS Group</td>
<td>6</td>
<td>0.01</td>
</tr>
<tr>
<td>2002</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FON Group</td>
<td>$(14)</td>
<td>$(0.02)</td>
</tr>
<tr>
<td>PCS Group</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>2001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FON Group</td>
<td>$(14)</td>
<td>$0.01</td>
</tr>
<tr>
<td>PCS Group</td>
<td>(1)</td>
<td></td>
</tr>
</tbody>
</table>

**18. Recently Issued Accounting Pronouncements**

In December 2003, the FASB revised SFAS No. 132, *Employers’ Disclosures About Pensions and Other Postretirement Benefits*. This statement adds to the disclosures required in SFAS No. 132. Effective for 2003 year-end financial statements, additional disclosures are required for the types of assets in the plan, investment policies, plan obligations, and plan contributions for defined benefit pension plans and other defined benefit postretirement plans. For interim periods beginning after December 15, 2003, additional disclosures are required for net periodic benefit cost and plan contributions. This guidance does not change the requirements for the measurement or recognition of pension and other postretirement benefit plans prescribed by SFAS No. 87, *Employers’ Accounting for Pensions*, SFAS No. 88, *Employers’ Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, and SFAS No. 106, *Employers’ Accounting for Postretirement Benefits Other Than Pensions*. Sprint adopted this statement effective December 31, 2003. See Note 13 for further discussion.
19. Quarterly Financial Data (Unaudited)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$6,339</td>
<td>$6,463</td>
<td>$6,714</td>
<td>$6,681</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>604</td>
<td>370</td>
<td>(438)</td>
<td>325</td>
</tr>
<tr>
<td>Income (loss) from continuing operations</td>
<td>97</td>
<td>(2)</td>
<td>(497)</td>
<td>35</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>1,668</td>
<td>7</td>
<td>(498)</td>
<td>38</td>
</tr>
</tbody>
</table>

Earnings (loss) per common share from continuing operations (1)

| FON common stock |     |     |     |     |
| Diluted and Basic | 0.31 | 0.10 | (0.48) | 0.40 |

| PCS common stock |     |     |     |     |
| Diluted and Basic | (0.18) | (0.09) | (0.07) | (0.31) |

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$6,637</td>
<td>$6,703</td>
<td>$6,798</td>
<td>$6,541</td>
</tr>
<tr>
<td>Operating income (loss)</td>
<td>517</td>
<td>671</td>
<td>524</td>
<td>388</td>
</tr>
<tr>
<td>Income (loss) from continuing operations</td>
<td>99</td>
<td>(105)</td>
<td>477</td>
<td>—</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>139</td>
<td>(67)</td>
<td>519</td>
<td>39</td>
</tr>
</tbody>
</table>

Earnings (loss) per common share from continuing operations (1)

| FON common stock |     |     |     |     |
| Diluted and Basic | 0.27 | 0.07 | 0.54 | 0.28 |

| PCS common stock |     |     |     |     |
| Diluted and Basic | (0.15) | (0.17) | (0.01) | (0.25) |

(1) As the effects of including the incremental shares associated with options, restricted stock units and ESPP shares are antidilutive, both basic earnings per share and diluted earnings per share reflect the same calculation for FON Group in the 2003 third quarter and for all PCS Group reported periods.

20. Subsequent Events (Unaudited)

Dividend Declaration
In February 2004, Sprint’s board of directors declared dividends of 12.5 cents on the FON common stock. Dividends will be paid March 31, 2004.

Virgin Mobile, USA
In February 2004, Sprint’s board of directors authorized additional cash funding for the joint venture of approximately $22 million.

Recombination of Tracking Stock
On February 28, 2004, Sprint’s board of directors decided to recombine the tracking stocks and return to a single common stock. As a result, each share of the PCS common stock will convert automatically into 0.50 shares of FON common stock on April 23, 2004. The FON stock will represent the only outstanding common stock of Sprint. After the recombination, Sprint will continue to present consolidated financial information, but will not include group level information. The recombination will not impact Sprint’s current presentation of all required segment information.

Litigation resultant from Recombination
In early March, 2004, six purported class action lawsuits relating to the recombination of the tracking stocks were filed against Sprint and its directors by PCS common stockholders. One suit was filed in the Supreme Court of the State of New York, which is that state’s trial court; the remaining five were filed in the District Court of Johnson County, Kansas. The actions allege breach of fiduciary duty in connection with the approval of the recombination, and seek injunctive relief or monetary damages.

New Directors
In March 2004, two new independent directors, Gordon M. Bethune, Chairman of the Board and Chief Executive Officer of Continental Airlines, Inc., and Deborah A. Henretta, President of Proctor & Gamble’s global baby care division, were appointed to the Sprint board of directors.
<table>
<thead>
<tr>
<th>Year</th>
<th>Allowance for doubtful accounts</th>
<th>Valuation allowance—deferred income tax assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>$414</td>
<td>$573</td>
</tr>
<tr>
<td></td>
<td>$461</td>
<td>$47</td>
</tr>
<tr>
<td></td>
<td>$98</td>
<td>$—</td>
</tr>
<tr>
<td></td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td></td>
<td>$(697) (1)</td>
<td>$—</td>
</tr>
<tr>
<td></td>
<td>$276</td>
<td>$620</td>
</tr>
<tr>
<td>2002</td>
<td>$397</td>
<td>$686</td>
</tr>
<tr>
<td></td>
<td>$1,055</td>
<td>$113</td>
</tr>
<tr>
<td></td>
<td>$191</td>
<td>$—</td>
</tr>
<tr>
<td></td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td></td>
<td>$(1,229) (1)</td>
<td>$414</td>
</tr>
<tr>
<td>2001</td>
<td>$352</td>
<td>$598</td>
</tr>
<tr>
<td></td>
<td>$913</td>
<td>$88</td>
</tr>
<tr>
<td></td>
<td>$70</td>
<td>$—</td>
</tr>
<tr>
<td></td>
<td>$—</td>
<td>$—</td>
</tr>
<tr>
<td></td>
<td>$(938) (1)</td>
<td>$397</td>
</tr>
<tr>
<td></td>
<td>$686</td>
<td>$686</td>
</tr>
</tbody>
</table>

(1) Accounts written off, net of recoveries.

All prior period amounts have been restated to reflect the results of Sprint’s directory publishing business, which was sold in January 2003, as a discontinued operation.
Executive Deferred Compensation Plan

ARTICLE I
PURPOSE

The purpose of the Sprint Corporation Executive Deferred Compensation Plan (hereinafter referred to as the “Plan”) is to provide funds for retirement or death for executive employees (and their Beneficiaries) of Sprint Corporation and its subsidiaries. It is intended that the Plan will aid in retaining and attracting employees of exceptional ability by providing such employees with a means to supplement their standard of living at retirement.

ARTICLE II
DEFINITIONS

For the purposes of this Plan, the following words and phrases shall have the meanings indicated, unless the context clearly indicates otherwise:

2.1 Account Transfer Request. “Account Transfer Request” means a written notice, in a form prescribed by the Company, by a Participant to transfer all or any portion of one Deferred Benefit Account to another Deferred Benefit Account as provided for in paragraph 6.7.

2.2 Amendment of Payment Election Form. “Amendment of Payment Election Form” means a written notice, in a form prescribed by the Company, filed with the Company by a Participant to change the manner in which such Participant’s Deferral Benefits are to be paid.

2.3 Beneficiary. “Beneficiary” means the person, persons or entity designated by the Participant, or as provided in Article VIII, to receive any benefits payable under the Plan. Any Participant Beneficiary Designation shall be made in a written instrument filed with the Company and shall become effective only when received, accepted and acknowledged in writing by the Company.

2.4 Board. “Board” means the Board of Directors of the Company.
2.5 Committee. “Committee” means the Deferred Compensation Committee appointed to review the Plan decisions pursuant to Article III.

2.6 Company. “Company” means Sprint Corporation, or any successor thereto.

2.7 Compensation. “Compensation” means the Base Salary, Annual Incentive Compensation and Long-Term Incentive Compensation payable to a Participant during a Plan Year other than a distribution under this Plan.

(a) Base Salary. “Base Salary” means all regular cash remuneration for services, other than such items as Annual Incentive Compensation, payable by the Employer to a Participant in cash during a Plan Year, but before reduction for amounts deferred pursuant to this Plan or any other Plan of the Employer.

(b) Annual Incentive Compensation. “Annual Incentive Compensation” means any annual cash incentive compensation payable by the Employer to a Participant in a Plan Year.

(c) Long-Term Incentive Compensation. “Long-Term Incentive Compensation” means cash incentive compensation, if any, earned over a period of at least two years and paid to a Participant in a Plan Year.

2.8 Deferral Benefit. “Deferral Benefit” means the benefit payable to a Participant or the Participant’s Beneficiary on the Participant’s retirement, death, disability, or termination of employment as calculated in Article VII hereof.

2.9 Deferred Benefit Account. “Deferred Benefit Account” means the accounts maintained on the books of account of the Employer for each Participant pursuant to Article VI. Separate Deferred Benefit Accounts shall be maintained for each Participant. More than one Deferred Benefit Account shall be maintained for each Participant to reflect (a) Termination and Retirement Interest Yields, (b) separate deferral elections, and (c) Account A, Account B, Account D, Account AA, Account BB, and Account DD elections.

For Account AA two sub-accounts (a Retirement Deferred Benefit Account and a Termination Deferred Benefit Account) shall be maintained to reflect the difference in Interest Yields as provided in Article VI, paragraph 6.4.
For Account BB two sub-accounts (a Retirement Deferred Benefit Account and a Termination Deferred Benefit Account) shall be maintained to reflect, in the event of a transfer from Account AA or Account DD to Account BB pursuant to paragraph 6.7, the difference in values of the two sub-accounts of Account AA or Account DD transferred to Account BB.

For Account DD two sub-accounts (a Retirement Deferred Benefit Account and a Termination Deferred Benefit Account) shall be maintained to reflect the crediting of PCS Share Units corresponding to the respective sub-accounts of Account BB pursuant to Section 6.3(b) and to reflect, in the event of a transfer from Account AA or Account BB to Account DD pursuant to paragraph 6.7, the difference in values of the two sub-accounts of Account AA or Account BB transferred to Account DD.

A Participant’s Deferred Benefit Accounts shall be used solely as a device for the measurement and determination of the amounts to be paid to the Participant pursuant to this Plan. A Participant’s Deferred Benefit Account shall not constitute or be treated as a trust fund of any kind. Unless the context requires otherwise, “Deferred Benefit Account” shall mean the aggregate balance of all accounts of a Participant.

2.10 Determination Date. “Determination Date” means the date on which the amount of a Participant’s Deferred Benefit Account is determined as provided in Article VI hereof. The last day of each calendar month shall be a Determination Date.

2.11 Disability. “Disability” or “Disabled Participant” means a physical or mental condition of a Participant resulting in a determination of disability for purposes of receiving benefits under the Employer Long-Term Disability Insurance Plan.

2.12 Early Retirement Date. “Early Retirement Date” means the date on which the Participant actually terminates employment following the first day of the month coincidental with or next following a Participant’s attainment of age fifty-five (55), but before his Normal Retirement Date.
2.13 **Employer**. “Employer” means Sprint Corporation, any successor to the business thereof or any affiliate or subsidiary designated by the Board.

2.14 **FON Share Unit**. “FON Share Unit” means a measure of participation under the Plan having a value based on the market value of one share of FON Common Stock, Series 1, of the Company.

2.15 **Internal Revenue Code**. “Internal Revenue Code” means the Internal Revenue Code of 1986, as amended or supplemented from time to time. References to any section of the Internal Revenue Code shall be to that section as it is renumbered, amended, supplemented or re-enacted.

2.16 **Interest Yield**. “Interest Yield” means with respect to any calendar month the Termination Interest Yield or the Retirement Interest Yield as defined below:

   (a) **Termination Interest Yield**. The “Termination Interest Yield” means (1) in the case of balances in Account AA, the composite yield on Moody’s Seasoned Corporate Bond Yield Index for the preceding calendar month as determined from Moody’s Bond Record published by Moody’s Investors Services, Inc. (or any successor thereto) or, if such monthly yield is no longer published, a substantially similar average selected by the Company, and (2) in the case of balances in Account A, the greater of (i) the prime rate in effect at Citibank, N.A. at the opening of business on the first business day of the month, or if said bank, for any reason, no longer publishes its prime rate, the prime rate similarly determined of another major bank selected by the Company and (ii) six percent per annum.

   (b) **Retirement Interest Yield**. The “Retirement Interest Yield” means (1) in the case of balances in Account AA, three percentage points over the Termination Interest Yield, and (2) in the case of balances in Account A, the Termination Interest Yield.

2.17 **Normal Retirement Age**. “Normal Retirement Age” means the time at which a Participant attains age sixty-five (65).
2.18 Normal Retirement Date. “Normal Retirement Date” means the first day of the month coincidental with or next following a Participant’s Normal Retirement Age.

2.19 Participant. “Participant” means any individual who is designated by the Company in accordance with paragraph 4.1 to participate in this Plan and who elects to participate by filing a Participation Agreement as provided in Article IV.

2.20 Participation Agreement. “Participation Agreement” means the agreement, in a form prescribed by the Company, filed with the Company by a Participant before the beginning of the period in which the Participant’s Compensation is to be deferred pursuant to the Plan and the Participation Agreement. A new Participation Agreement shall be filed by the Participant for each separate Base Salary deferral election and for each Annual Incentive Compensation deferral election and, if applicable, each Long-Term Incentive Compensation deferral election not accompanying a Base Salary deferral election.

2.21 PCS Share Unit. “PCS Share Unit” means a measure of participation under the Plan having a value based on the market value of a share of PCS Common Stock, Series 1, of the Company.

2.22 Plan. “Plan” means the Sprint Corporation Executive Deferred Compensation Plan as set forth in this document. This Plan is the successor to, and comprises an amendment and revision of, the United Telecommunications, Inc. 1985 Executive Deferred Compensation Plan adopted February 12, 1985.

2.23 Plan Administrator. “Plan Administrator” means the person appointed by the Company to represent the Company in the administration of this Plan.

2.24 Plan Year. “Plan Year” means a twelve month period commencing May 1st and ending the following April 30th. The first Plan Year commenced May 1, 1985.

2.26 **Retirement Plan**. “Retirement Plan” means the Sprint Retirement Pension Plan, as amended from time to time.

2.27 **Share Units**. “Share Units” means the Share Units credited to Accounts B and BB prior to the recapitalization of the Company’s Common Stock on the Recapitalization Date.

2.28 **Spouse**. “Spouse” means a Participant’s wife or husband who was lawfully married to the Participant upon the Participant’s retirement, death or severance from service.

2.29 **Sprint Insider**. “Sprint Insider” means, as of any time when the determination thereof is relevant, any Participant subject to liability under Section 16 of the Securities Exchange Act of 1934 with respect to trading in the equity securities of the Company.

2.30 **Transition Date**. “Transition Date” means May 1, 1990.

### ARTICLE III

**ADMINISTRATION**

3.1 **Plan Administrator; Company and Committee; Duties.** This Plan shall be administered by the Committee. The Committee shall consist of not more than five persons appointed by the Board. The Committee may be a consolidated Committee administering other benefit plans of the Company in addition to this Plan. The Committee shall have the authority to make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and decide or resolve any and all questions, including interpretations of this Plan, as may arise in connection with the Plan. The Committee may appoint a Benefit Administrative Committee and a Plan Administrator. The Committee may delegate its duties for the day-to-day operations of the Plan to the Plan Administrator and other duties to the Benefit Administrative Committee. Members of the Committee, the Benefit Administrative Committee and the Plan Administrator may be Participants under this Plan.

3.2 **Claim for Benefits.** Any claim for benefits under this Plan shall be made in writing to the Plan Administrator. If a claim for benefits is wholly or partially denied, the Plan Administrator shall so notify the Participant or Beneficiary within 90 days after receipt of the claim. The notice of denial shall be written in a manner calculated to be understood by the Participant or Beneficiary and shall contain (a) the specific reason or reasons for
denial of the claim, (b) specific references to the pertinent Plan provisions upon which the denial is based, (c) a description of any additional material or information necessary to perfect the claim together with an explanation of why such material or information is necessary and (d) an explanation of the claims review procedure. The decision or action of the Plan Administrator shall be final, conclusive and binding on all persons having any interest in the Plan, unless a written appeal is filed as provided in Section 3.3.

3.3 **Review of Claim.** Within 60 days after the receipt by the Participant or Beneficiary of notice of denial of a claim, the Participant or Beneficiary may (a) file a request with the Benefit Administrative Committee that it conduct a full and fair review of the denial of the claim, (b) review pertinent documents and (c) submit questions and comments to the Committee in writing.

3.4 **Decision After Review.** Within 60 days after the receipt of a request for review under Section 3.3, the Committee shall deliver to the Participant or Beneficiary a written decision with respect to the claim, except that if there are special circumstances (such as the need to hold a hearing) which require more time for processing, the 60-day period shall be extended to 120 days upon notice to the Participant or Beneficiary to that effect. The decision shall be written in a manner calculated to be understood by the Participant or Beneficiary and shall (a) include the specific reason or reasons for the decision and (b) contain a specific reference to the pertinent Plan provisions upon which the decision is based.

**ARTICLE IV**

**PARTICIPATION**

4.1 **Participation.** Participation in the Plan shall be limited to executives having a job grade level of E14 or above, or any other employees designated by the Committee, who elect to participate in the Plan by filing a Participation Agreement with the Company. Participation Agreements must be filed no later than the March 31st immediately preceding the Plan Year in which the Participant Agreement is to take effect, and the election to participate shall be effective on the first day of the Plan Year following receipt by the Company of a properly completed and executed Participation Agreement; provided, however, that if March 31st falls on a Saturday, Sunday or holiday, the filing date for the Participation Agreement shall be no later than the next business day after March 31st.
4.2 Minimum and Maximum Deferral and Length of Participation. A Participant may elect in any Participation Agreement to defer a portion of the Participant’s Compensation. The minimum and maximum amounts that may be deferred under any single Participation Agreement shall be in $100 units and shall be as follows:

<table>
<thead>
<tr>
<th></th>
<th>Minimum Deferral</th>
<th>Maximum Deferral</th>
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<tr>
<td>With respect to Base Salary Deferrals</td>
<td>$300 per month</td>
<td>50% of Base Salary</td>
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<tr>
<td>With respect to Annual Incentive Compensation</td>
<td>25% of Annual Incentive Compensation</td>
<td>100% of Annual Incentive Compensation</td>
</tr>
<tr>
<td>With respect to Long-Term Incentive Compensation</td>
<td>25% of Long-Term Incentive Compensation</td>
<td>100% of Long-Term Incentive Compensation</td>
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(a) With respect to Base Salary deferrals, the dollar amount of deferral elected in each Participation Agreement shall be the amount of Base Salary that will be deferred in each month subject to the Participation Agreement. Each Participation Agreement shall apply to the Participant’s Base Salary payable in the Plan Year immediately following the Plan Year in which the Participation Agreement is filed (or until the Participant’s retirement, whichever occurs first). The fixed dollar amount of Base Salary deferral applicable over a deferral period shall not be changed by virtue of a change in Base Salary alone.

(b) With respect to Annual Incentive Compensation or Long-Term Incentive Compensation deferrals, the deferral percentage selected in each Participation Agreement shall apply only to the Participant’s Annual Incentive Compensation or Long-Term Incentive Compensation paid in the Plan Year immediately following receipt of the Participation Agreement.
From time to time, the Company may increase or decrease the minimum and maximum deferrals set forth above as well as the period for which the deferrals are effective by giving reasonable written notice to the affected Participants. Such changes shall be effective for all Participation Agreements filed thereafter.

A Participant’s election to defer Compensation shall be irrevocable upon the filing of the respective Participation Agreement; provided, however, that the deferral of Compensation under any Participation Agreement may be suspended or amended as provided in paragraphs 7.5 or 9.1.

ARTICLE V
DEFERRED COMPENSATION

5.1 Elective Deferred Compensation. The amount of Compensation that a Participant elects to defer in the Participation Agreement executed by the Participant, with respect to each Plan Year of participation in the Plan, shall be credited by the Company to the Participant’s Deferred Benefit Account throughout each Plan Year as the Participant is paid the non-deferred portion of Compensation for such Plan Year. The amount credited to a Participant’s Deferred Benefit Account shall equal the amount deferred. To the extent that the Employer is required to withhold any taxes or other amounts relating to the employees’ deferred wages pursuant to any state, federal or local law, such amounts shall be taken out of the portion of the Participant’s Compensation which is not deferred under this Plan.

5.2 Additional Amounts Under Savings Plan and Retirement Plan.

(a) Savings Plan. Except for Participants who are Sprint Insiders, to the extent a Participant’s deferral of Compensation under this Plan causes a reduction in the Company’s contribution for the Participant under the Sprint Retirement Savings Plan, the Company shall credit the amount of any such reduction to the Participant’s Deferred Benefit Accounts B and D in the ratio determined pursuant to guidelines adopted by the Committee or the Board. For Sprint Insiders, such reduction shall be credited to Account A.
(b) **Retirement Plan.** A Participant shall receive a Pension Make-Up Benefit from the Supplemental Executive Retirement Plan if the deferral of compensation under this Plan causes a reduction in the Participant’s benefit under the Retirement Plan.

(c) **Elimination of Savings Plan Credit.** No additional amounts provided under 5.2(a) will be credited after the Plan Year ending April 30, 2004.

5.3 **Additional Payments.** The Company also intends that supplemental payments shall be made at death, disability or termination of employment, as the case may be, for any reduction in benefits due to deferrals of Compensation under this Plan in respect of any of the Employer’s life insurance or disability plans or Employees Stock Purchase Plan now in existence or adopted after the effective date of this Plan.

5.4 **Vesting of Deferred Benefit Account.** A Participant shall be 100% vested in the Participant’s Deferred Benefit Account.

**ARTICLE VI**

**DEFERRED BENEFIT ACCOUNT**

6.1 **Determination of Account.** Each Participant’s Deferred Benefit Account, as of each Determination Date, shall consist of the balance of the Participant’s Deferred Benefit Account as of the immediately preceding Determination Date, plus the Participant’s elective deferred compensation withheld since the immediately preceding Determination Date pursuant to paragraph 5.1 and plus amounts credited to the Participant’s Deferred Benefit Account pursuant to paragraphs 6.4 and 6.5. The Deferred Benefit Account of each Participant shall be reduced by the amount of all distributions, if any, made from such Deferred Benefit Account since the preceding Determination Date.

6.2 **Type of Deferral.** A Participant may elect to have any portion of the amount deferred credited to Account A (fixed income return), to Account B (FON Share Units) or to Account D (PCS Share Units). The election shall be made by a properly executed Participation Agreement. Deferrals in a Plan Year shall be credited in accordance with the election of the applicable Participation Agreement.
6.3 Creation of Accounts AA, BB, D, and DD.

(a) Accounts AA and BB. As of the start of business on the Transition Date, all amounts standing to the credit of each Participant in Account A were transferred to an Account AA. As of the start of business on the Transition Date, amounts standing to the credit of each Participant in Account B that were attributable to prior transfers from Account A into Account B were transferred to an Account BB. The amount of such transfers was an amount equal to the sum of the dollar amount of all transfers from Account A to Account B during the period beginning on the effective date of the Participation Agreement and ending on the Transition Date. For all purposes of this Plan, except as otherwise noted in this Plan, Account AA shall be treated in the same manner as Account A, and Account BB shall be treated in the same manner as Account B.

(b) Accounts D and DD. As of the Recapitalization Date, there was credited to Accounts D and DD, created for each Participant having a positive balance in an Account B or BB with respect to any Plan Year, a number of PCS Share Units determined as follows:

1. one-half of a PCS Share Unit in Account D for each Share Unit in Account B for such Participant for such Plan Year as of the Recapitalization Date; and

2. one-half of a PCS Share Unit in the Retirement Deferred Benefit Account of Account DD for each Share Unit in the Retirement Deferred Benefit Account of Account BB for such Participant for such Plan Year as of the Recapitalization Date; and

3. one-half of a PCS Share Unit in the Termination Deferred Benefit Account of Account DD for each Share Unit in the Termination Deferred Benefit Account of Account BB for such Participant for such Plan Year as of the Recapitalization Date.

For all purposes of this Plan except as otherwise noted in this Plan, Account DD shall be treated in the same manner as Account D.

6.4 Maintenance of Accounts A and AA. As of each Determination Date, the Participant’s Deferred Benefit Accounts A and AA shall be increased by the amount of interest earned since the preceding Determination Date. Interest on Accounts A and AA shall be based upon the Interest Yield. For Account AA, a Retirement Deferred Benefit
Account shall be maintained and increased at the rate specified by the Retirement Interest Yield and a Termination Deferred Benefit Account shall be maintained and increased at the rate specified by the Termination Interest Yield. Interest shall be credited on the mean average of the balances of the Deferred Benefit Account on the Determination Date (before crediting the interest) and on the last preceding Determination Date, but after the Deferred Benefit Account has been adjusted for any contributions or distributions to be credited or deducted for each such day.

6.5 Maintenance of Share Unit Accounts.
Accounts B and BB and Accounts D and DD shall maintain balances in FON Share Units and PCS Share Units, respectively.

(a) Maintenance of Accounts B and BB.

(1) Conversion of Share Units into FON Share Units. As of the Recapitalization Date, each Share Unit in Accounts B and BB was converted into a FON Share Unit.

(2) Conversion between Dollar Amounts and FON Share Units in Accounts B and BB. When an amount is to be added to a Participant’s Deferred Benefit Accounts B or BB, it shall be converted into FON Share Units, or fractions thereof, by dividing the amount to be credited by the closing price of the FON Common Stock, Series 1, as reported by the New York Stock Exchange on the last trading day on or before the Determination Date. When a number of FON Share Units is to be subtracted from a Participant’s Deferred Benefit Accounts B or BB, such number of FON Share Units shall be converted into a dollar amount by multiplying such number of Share Units by the closing price of the FON Common Stock, Series 1, as reported by the New York Stock Exchange on the last trading day on or before the Determination Date.

(3) Sub-accounts to be Maintained for Purposes of Computing Retirement and Termination Benefits. Two sub-accounts shall be maintained for Account BB: (i) a Retirement Deferred Benefit Account which shall include the transfer from Account B into Account BB described in paragraph 6.3(a), plus amounts transferred from the Account AA Retirement Deferred Benefit Account, if any, plus amounts transferred from the Account DD Retirement
(4) Dividends. When a dividend is declared and paid by the Company on its FON Common Stock, Series 1, an amount shall be credited to the Participant’s Accounts B and BB as though the same dividend had been paid on the FON Share Units in such accounts as of the Determination Date immediately preceding the record date for the dividend, and such amount shall be converted to FON Share Units. Such amount shall be valued as of the Determination Date immediately following the payment of the dividend.

(5) Effect of Recapitalization. In the event of a stock dividend, stock split, or other corporate reorganization involving the FON Common Stock, Series 1, the Company shall make equitable adjustment to the number of FON Share Units credited to a Participant’s Accounts B and BB as may be necessary to give effect to such change in the Company’s capital structure.

(6) Conversion of Share Units to Dollars on Distribution. FON Share Units in Accounts B and BB shall be converted to an equivalent dollar amount before any distribution thereof to a Participant pursuant to Article VII. For purposes of distribution, the value of a FON Share Unit shall be the average closing price of the FON Common Stock, Series 1, on the New York Stock Exchange on the last trading day of each of (i) the 12 calendar months immediately preceding the date of distribution or (ii) the smaller number of calendar months (including part of a month) elapsed from the Recapitalization Date to such distribution. If a Participant elects payment in other than a lump sum, FON Share Units shall be so converted to a dollar amount with respect to each payment made in the distribution. During the period of distribution, dividends and other equitable adjustments shall be credited to the Participant’s Accounts B and BB in
accordance with paragraphs 6.5(a)(4) and 6.5(a)(5). For such purposes, a Participant that is a Sprint Insider immediately before the event that entitles the Participant to distribution shall be deemed a Sprint Insider during the period of distribution.

(b) Maintenance of Accounts D and DD.

(1) Conversion between Dollar Amounts and PCS Share Units in Accounts D and DD. When an amount is to be added to a Participant’s Deferred Benefit Accounts D or DD, it shall be converted into PCS Share Units, or fractions thereof, by dividing the amount to be credited by the closing price of the PCS Common Stock, Series 1, as reported by the New York Stock Exchange on the last trading day on or before the Determination Date. When a number of PCS Share Units is to be subtracted from a Participant’s Deferred Benefit Accounts D or DD, such number of PCS Share Units shall be converted into a dollar amount by multiplying such number of PCS Share Units by the closing price of PCS Common Stock, Series 1, as reported by the New York Stock Exchange on the last trading day on or before the Determination Date.

(2) Sub-accounts to be Maintained for Purposes of Computing Retirement and Termination Benefits. Two sub-accounts shall be maintained for Account DD: (i) a Retirement Deferred Benefit Account which shall include the value of the PCS Share Units credited pursuant to paragraph 6.3(b)(2), plus amounts transferred from the Account AA Retirement Benefit Account, if any, plus amounts transferred from the Account BB Retirement Benefit Account, if any, plus other additions pursuant to this paragraph 6.5(b) and (ii) a Termination Deferred Benefit Account which shall include the value of the PCS Share Units credited pursuant to paragraph 6.3(b)(3), plus amounts transferred from the Account AA Termination Benefit Account, if any, plus amounts transferred from the Account BB Termination Benefit Account, if any, plus other additions pursuant to this paragraph 6.5(b).

(3) Dividends. When a dividend is declared and paid by the Company on its PCS Common Stock, Series 1, an amount
shall be credited to the Participant’s Accounts D and DD as though the same dividend had been paid on the PCS Share Units in such accounts as of the Determination Date immediately preceding the record date for the dividend, and such amount shall be converted to PCS Share Units. Such amount shall be valued as of the Determination Date immediately following the payment of the dividend.

(4) **Effect of Recapitalization.** In the event of a stock dividend, stock split or other corporate reorganization involving PCS Common Stock, Series 1, the Company shall make equitable adjustment to the number of PCS Share Units credited to a Participant’s Accounts D and DD as may be necessary to give effect to such change in the Company’s capital structure.

(5) **Conversion of PCS Share Units to Dollars on Distribution.** PCS Share Units in Accounts D and DD shall be converted to an equivalent dollar amount before any distribution thereof to a Participant pursuant to Article VII. For purposes of distribution, the value of a PCS Share Unit shall be the average closing price of PCS Common Stock, Series 1, on the New York Stock Exchange on the last trading day for each of (i) the 12 calendar months immediately preceding the date of such distribution or (ii) the smaller number of calendar months (including part of a month) elapsed from the Recapitalization Date to such distribution. If a Participant elects payment in other than a lump sum, PCS Share Units shall be so converted to a dollar amount with respect to each payment made in the distribution. During the period of distribution, dividends and other equitable adjustments shall be credited to the Participant’s Accounts D and DD in accordance with paragraphs 6.5(b)(3) and 6.5(b)(4). For such purposes, a Participant that is a Sprint Insider immediately before the event that entitles the Participant to distribution shall be deemed a Sprint Insider during the period of distribution.

6.6 **Statement of Accounts.** The Company shall submit to each Participant, within 120 days after the close of each Plan Year, a statement in such form as the Company deems desirable, setting forth the balance to the credit of such Participant in the Participant’s Deferred Benefit...
Accounts A, B, and D and in the Participant’s Deferred Benefit Accounts AA, BB, and DD (showing separate calculations for each Interest Yield), in each case, as of the last day of the preceding Plan Year.

6.7 Transfers Between Accounts. Within the limitations of this paragraph 6.7, a Participant may elect, by executing an Account Transfer Request: (1) to transfer all or any portion of the Participant’s Account A to Account B or Account D, (2) to transfer all or any portion of the Participant’s Account B to Account A or Account D, (3) to transfer all or any portion of the Participant’s Account D to Account A or Account B, (4) to transfer all or any portion of the Participant’s Account AA to Account BB or Account DD, (5) to transfer all or any portion of the Participant’s Account BB to Account AA or Account DD, and (6) to transfer all or any portion of the Participant’s Account DD to Account AA or Account BB. Such election shall be effective on the last day of the calendar month in which the Plan Administrator timely receives the Participant’s executed Account Transfer Request. Transfers may not be made more than four times in any Plan Year, and no such transfer may be made unless a period of at least three months shall have elapsed from the effective date of the most recent such transfer (whether it occurred in the current Plan Year or not) to the effective date of the current transfer.

ARTICLE VII
BENEFITS

7.1 Benefit for Normal or Early Retirement and Termination After Age 55. Subject to paragraph 7.6 below, upon a Participant’s (i) retirement after reaching the Normal Retirement Date, or (ii) retirement after reaching the Early Retirement Date, or (iii) termination of employment after attaining age 55, the Participant shall be entitled to a Deferral Benefit equal to the amount of the Participant’s Retirement Deferred Benefit Account determined under paragraph 6.1 as of the Determination Date coincident with or immediately following such event.

7.2 Termination of Employment Before Age 55. Upon any termination of service of the Participant before age 55 for reasons other than death or Disability, the Employer shall pay to the Participant, as compensation earned for services rendered before the Participant’s termination of service, a Deferral Benefit equal to the amount of the Participant’s Termination Deferred Benefit Account determined under paragraph 6.1. The Termination Deferred Benefit Account of a Participant whose employment has terminated shall be paid in a single sum to the
terminated Participant within 30 days following termination of employment if the aggregate balance of the Deferred Benefit Account (s) of such Participant is $20,000 or less. If such aggregate balance of a Participant’s Deferred Benefit Account(s) is more than $20,000, payment shall commence pursuant to the Participant’s election in the Participation Agreement or in the Amendment of Payment Election Form.

7.3 **Death**. If a Participant dies after the commencement of payments of the Participant’s Deferral Benefit, the Participant’s Beneficiary shall continue to receive the remaining installments of the Participant’s Deferred Benefit Account in accordance with the Participant’s election pursuant to paragraph 7.6.

If a Participant dies before any payments of a Deferral Benefit, the amounts to which the Participant’s Beneficiary is entitled shall be determined as follows:

(a) In the case of deferrals pursuant to a Participation Agreement first effective before the Transition Date:

   (1) Deferrals of Incentive Compensation shall be the Retirement Deferred Benefit Account value thereof.

   (2) Deferrals of Base Salary pursuant to Participation Agreements that required a total deferral of less than $15,000 per year allocated to Accounts A and AA during the last Plan Year of deferrals pursuant to such Participation Agreement shall be the greater of (i) the Retirement Deferred Benefit Account value thereof or (ii) ten times the amount of the elected annual Base Salary deferral.

   (3) Deferrals of Base Salary pursuant to Participation Agreements that required a total deferral of $15,000 or more per year allocated to Accounts A and AA during the last Plan Year of deferrals pursuant to such Participation Agreement shall be determined as follows: (i) that portion of the deferral which totals $15,000 per year shall be the greater of (x) the Retirement Deferred Benefit Account value thereof and (y) ten times the amount of the elected annual Base Salary deferral, and (ii) the portion of such deferral which is in excess of $15,000 per year shall be the Retirement Deferred Benefit Account value of such excess.
(4) Deferrals allocated to Accounts B and BB shall be the Retirement Deferred Benefit Account value thereof.

(5) Deferrals allocated to Accounts D and DD shall be the Retirement Deferred Benefit Account value thereof.

(b) In the case of deferrals pursuant to a Participation Agreement first effective on or after the Transition Date, the aggregate amount of all deferrals shall be the Retirement Deferred Benefit Account value of Accounts A, B and D. The Deferral Benefit shall be payable as provided for in paragraph 7.6. The Deferral Benefit provided above shall be in lieu of all other benefits under this Plan.

7.4 Disability. In the event of Disability while employed by the Employer before the completion of all deferrals provided for under a Participation Agreement, the Employer shall credit to the disabled Participant’s Deferred Benefit Account an amount equal to the amount deferred by the Participant under the Participation Agreement during such period of Disability, but not beyond the end of the Plan Year to which the Participation Agreement applies.

In the event of Disability before termination of employment or the Normal Retirement Date, the disabled Participant, unless the Participant otherwise elects under this paragraph, shall be entitled to the amount in the Participant’s Retirement Deferred Benefit Account (rather than the Participant’s Termination Deferred Benefit Account) determined under paragraph 6.1 as of the Determination Date next following such Disability, with payments to commence upon attainment of the Participant’s Normal Retirement Date in the form specified in paragraph 7.6(a)(2) and/or 7.6(a)(3) over a 15 year period. Before payments commence under the preceding sentence, a Disabled Participant may elect, subject to Committee approval upon good cause shown: (i) to accelerate commencement of the payments to any earlier date, but not sooner than 60 days after the onset of Disability and/or (ii) to change the form of payment permitted under paragraph 7.6(a).

7.5 Suspension of Participation; Failure to Continue Participation. The Committee, in its sole discretion, may suspend the deferral of a Participant’s Compensation upon the advanced written request of a Participant on account of financial hardship suffered by that Participant. A Participant must file any request for such suspension on or before the 15th day preceding the regular payment date on which the suspension is
to take effect. The Committee, in its sole discretion, shall determine the amount, if any, that will not be deferred by the Participant as a result of the financial hardship.

The suspension of any deferrals under this paragraph shall not affect amounts deferred with respect to periods before the effective date of the suspension. A Participant whose deferrals are suspended may not execute a subsequent Participation Agreement that would take effect before the beginning of the third Plan Year following the close of the Plan Year in which the suspension first took effect.

In the event the Participant ceases to remain a member of the class of employees who are eligible to participate in this Plan, the Participant may elect to suspend the amount of any remaining deferral commitment in the same manner as described for other suspensions in this paragraph, except that Committee approval shall not be required.

7.6 Form of Benefit Payment.

(a) Upon the happening of an event described in paragraphs 7.1, 7.2, 7.3 or 7.4 above, the Employer shall pay to the Participant or the Participant’s Beneficiary the amount (at a time designated by the Participant in the Participation Agreement, but commencing no later than the Participant’s Normal Retirement Date) specified in one of the following forms as elected by the Participant, either in the Participation Agreement or the Amendment of Payment Election Form filed by the Participant:

(1) a lump sum payment.

(2) with respect to balances in Accounts A and AA, an annual payment of a fixed amount that shall amortize the Deferred Benefit Account balance in equal annual payments of principal and interest over a period from 2 to 20 years. For purposes of determining the amount of the annual payment, the assumed rate of interest on Accounts A and AA shall be the average of the applicable Interest Yield as of each Determination Date for the 60 months preceding the initial annual installment payment.

(3) with respect to balances in Accounts B and BB, an annual payment over a period from 2 to 20 years, each such payment having a value, as determined pursuant to
paragraph 6.5(a)(6), of the number of FON Share Units equal to (i) the number of FON Share Units in the accounts on the Determination Date immediately following the event described in paragraph 7.1, 7.2, 7.3 or 7.4, divided by (ii) the number of annual installments elected. During the period that a Participant is receiving a distribution from Account B or BB, FON Share Unit dividends will be added to the Accounts in accordance with subparagraph 6.5(a)(4). Such FON Share Unit dividends shall be valued in the same manner as previously described, and all such FON Share Units accruing after a distribution from Accounts B or BB is made shall be paid to the Participant with the next distribution from the account.

(4) with respect to balances in Accounts D and DD, an annual payment over a period from 2 to 20 years, each such payment having a value, as determined pursuant to paragraph 6.5(b)(5), of the number of PCS Share Units equal to (i) the number of PCS Share Units in the accounts on the Determination Date immediately following the event described in paragraph 7.1, 7.2, 7.3 or 7.4, divided by (ii) the number of annual installments elected. During the period that a Participant is receiving a distribution from Account D or DD, PCS Share Unit dividends will be added to the Accounts in accordance with subparagraph 6.5(b)(3). Such PCS Share Unit dividends shall be valued in the same manner as previously described, and all such PCS Share Units accruing after a distribution from Accounts D or DD is made shall be paid to the Participant with the next distribution from the account.

(b) A Participant may change the form in which such Participant’s benefits shall be paid by filing an Amendment of Payment Election Form indicating such change at least 13 months before the date upon which the payments to be made are determined. No such Amendment of Payment Election Form shall change the amount elected to be deferred in the Participation Agreement to which it relates, nor the time elected for commencement of benefit payments.

(c) In the absence of a Participant’s election under subparagraph 7.6(a), benefits shall be paid in the form specified in subparagraph 7.6(a)(2), 7.6(a)(3), and 7.6(a)(4) over a 15 year period, except as provided in paragraph 7.2. In the event of a Disabled Participant, payment shall be in the form described in paragraph 7.4.
7.7 Withholding; Payroll Taxes. To the extent required by the law in effect at the time payments are made, the Employer shall withhold from payments made hereunder any taxes required to be withheld from an employee’s wages for the federal or any state or local government.

7.8 Commencement of Payments. Unless otherwise provided, payments under this Plan shall begin within 60 days following receipt of notice by the Plan Administrator of an event which entitles a Participant (or a Beneficiary) to payments under this Plan, or at such earlier date as may be determined by the Company pursuant to the terms of the Plan. All payments shall be made as of the first day of the month.

ARTICLE VIII

BENEFICIARY DESIGNATION

8.1 Beneficiary Designation. Each Participant shall have the right, at any time, to designate any person or persons as the Participant’s Beneficiary or Beneficiaries (both principal as well as contingent) to whom payment under this Plan shall be paid in the event of the Participant’s death before complete distribution to the Participant of the benefits due the Participant under the Plan.

8.2 Amendments. Any Beneficiary Designation may be changed by a Participant by the written filing of such change on a form prescribed by the Company. The filing of a new Beneficiary Designation form will cancel all Beneficiary Designations previously filed.

8.3 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided above, or if all designated Beneficiaries predecease the Participant, then the Participant’s designated Beneficiary shall be deemed to be the person or persons surviving the Participant in the first of the following classes in which there is a survivor, share and share alike:

(a) The surviving Spouse;
(b) The Participant’s children, except that if any of the children predecease the Participant but leave issue surviving, then such issue shall take by right of representation the share their parent would have taken if living;
(c) The Participant’s personal representative (executor or administrator).

8.4 Effect of Payment. The payment to the Beneficiary or the Beneficiary’s estate shall completely discharge the Employer’s obligations relating to the Participant under this Plan.

ARTICLE IX
AMENDMENT AND TERMINATION OF PLAN

9.1 Amendment. The Board may at any time amend the Plan in whole or in part; provided, however, that no amendment shall be effective to decrease or restrict any Deferred Benefit Account at the time of such amendment.

9.2 Right to Terminate. The Board may at any time terminate the Plan with respect to new elections to defer if, in its judgment, the continuance of the Plan, the tax, accounting, or other effects thereof, or potential payments thereunder would not be in the best interests of the Company. The Board may also terminate the Plan in its entirety at any time, and upon any such termination, each Participant (a) who is then receiving a Deferral Benefit shall be paid in a lump sum, or over such period of time as determined by the Company, the then remaining balance in the Participant’s Deferred Benefit Account, and (b) who has not received a Deferral Benefit shall be paid in a lump sum, or over such period of time as determined by the Company, the balance in the Participant’s Deferred Benefit Account.

ARTICLE X
MISCELLANEOUS

10.1 Unsecured General Creditor. Participants and their Beneficiaries shall have no legal or equitable rights, interest or claims in any property or assets of the Employer, nor shall they be Beneficiaries of, or have any rights, claims or interests in any life insurance policies, annuity contracts or the proceeds therefrom owned or which may be acquired by the
Employer ('Policies'). Such Policies or other assets of the Employer shall not be held under any trust for the benefit of Participants or their Beneficiaries or held in any way as collateral security for the fulfilling of the obligations of the Employer under this Plan. Any and all of the Employer’s assets and Policies shall be, and remain, the general, unpledged, unrestricted assets of the Employer. The Employer’s obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Employer to pay money in the future.

10.2 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey in advance of actual receipt the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are, expressly declared to be unassignable and non-transferable. No part of the amounts payable shall, before actual payment, be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, nor be transferable by operation of law in the event of a Participant’s or any other person’s bankruptcy or insolvency.

10.3 Not a Contract of Service. The terms and conditions of this Plan shall not be deemed to constitute a contract of service between the Employer and the Participant, and the Participant (or the Participant’s Beneficiary) shall have no rights against the Employer except as may otherwise be specifically provided herein. Moreover, nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of the Employer or to interfere with the right of the Employer to discipline or discharge the Participant at any time.

10.4 Protective Provisions. A Participant will cooperate with the Employer by furnishing any and all information requested by the Employer, in order to facilitate the payment of benefits hereunder, and by taking such physical examinations as the Employer may deem necessary and taking such other action as may be requested by the Employer.

10.5 Applicable Law. The Plan, and any Participation Agreement related thereto, shall be governed by the laws of the State of Kansas, without regard to the principles of conflicts of law.
10.6 **Affiliated Entities**. For purposes of this Plan, a Participant who becomes employed by Global One (an “Affiliated Entity”) shall not be considered to have terminated employment with the Company or a subsidiary of the Company until the Participant’s employment is terminated with all Affiliated Entities without becoming employed by the Company or its subsidiaries.
Exhibit 10(e)

MANAGEMENT INCENTIVE STOCK OPTION PLAN

1. Establishment and Purpose. Sprint Corporation, a Kansas corporation (the “Company”), hereby establishes a stock option plan to be named the Management Incentive Stock Option Plan (the “Plan”). The purpose of the Plan is to permit employees of the Company and its subsidiaries who are eligible to receive annual incentive compensation to receive nonqualified stock options in lieu of a portion of the target incentive under the Company’s management incentive plans (“MIPs”), thereby encouraging the employees to focus on the growth and profitability of the Company and the performance of its common stock. Subject to approval of the Company’s stockholders, the Plan provides for options to be granted beginning March 15, 1995, and ending April 18, 2005. Stock options granted prior to or as of April 18, 2005, may extend beyond that date.

2. Administration. The Plan shall be administered by the Organization and Compensation Committee of the Board of Directors (the “Committee”). The Company shall grant options under the Plan in accordance with determinations made by the Committee pursuant to the provisions of the Plan. The Committee from time to time may adopt (and thereafter amend and rescind) such rules and regulations for carrying out the Plan and take such action in the administration of the Plan, not inconsistent with the provisions of the Plan, as it shall deem proper. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan, or in any option or restricted shares of common stock granted or issued pursuant to the Plan, in the manner and to the extent it shall deem desirable to effect the terms of the Plan. With respect to any option or restricted stock issued under the Plan, the Committee may determine when the option may become exercisable or the restrictions on restricted stock shall lapse, as the case may be, whenever, in the judgement of the committee, doing so would be in the best interest of the Corporation. The interpretation and construction of any provisions of the Plan by the Committee shall, unless otherwise determined by the Board of Directors of the Company, be final and conclusive. No member of the Board of Directors or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted under it. The Corporate Secretary shall act as Plan Administrator carrying out the day-to-day administration of the Plan unless the Committee appoints another officer or employee of the Company as Plan Administrator. The Corporate Secretary may condition the exercise of any option on the optionee’s filing with the Company a representation in such form as the Corporate Secretary considers appropriate at the time of the exercise to insure the optionee’s, the grantee’s, or the Company’s compliance with (1) the terms of the option, (2) the terms of any policies of the Company, or (3) any laws or regulations, in each case as they may be potentially affected by the exercise of the option or the disposition of the shares of common stock acquired in its exercise.

3. Eligibility. The Committee will determine each year whether options will be granted in such year, whether participation will be elective or automatic, which
class or classes of common stock will be subject to purchase by participants (which may differ for different groups of employees) and the amount of incentive compensation to be given up for each stock option. Any salaried employee of the Company and its subsidiaries shall be eligible to be selected for participation in the MIPs. The Committee will, in its discretion, determine the employees who participate in the MIPs and, therefore, who will be eligible for options, the dates on which options shall be granted, and any conditions on the exercise of the options.

No option may be granted to any individual who immediately after the option grant owns directly or indirectly stock possessing more than five percent (5%) of the total combined voting power or value of all classes of stock of the Company or any subsidiary.

4. Common Stock Subject to the Plan. The shares of any class of publicly traded common stock of the Company to be issued upon the exercise of a nonqualified option to purchase such common stock granted in lieu of MIP payout may be made available from the authorized but unissued common stock of the Company, shares of common stock held in the treasury, or common stock purchased on the open market or otherwise.

Approval of the Plan by the Stockholders of the Company shall constitute authorization to use such shares for the Plan subject to the discretion of the Board or as such discretion may be delegated to the Committee.

Subject to the provisions of the following paragraph, the total number of shares for which options may be granted under the Plan each year shall be 0.9% of the total outstanding shares of each class of common stock of the Company (including, with respect to the PCS Stock, both Series 1 and Series 2 PCS Stock) as of the first day of such year, provided, however, that such number shall be increased in any year by the number of shares available in previous years for which options have not been granted, and provided further that the total number of shares for which options may be granted will not be increased by 0.9% of the total outstanding shares of any class of common stock as of the first day of 2004 or the first day of 2005. If and when an option granted under the Plan is forfeited, cancelled, expired, or otherwise terminated without having been exercised in full, the remaining shares shall again become available for grant under the Plan.

The number and kind of shares subject to the Plan may be appropriately adjusted by the Committee in the circumstances outlined in Section 5(k).

5. Stock Options; Terms and Conditions. Each option will represent the right to purchase a specific class and number of shares of common stock of the Company and shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the terms of the Plan, as the Committee shall deem desirable:

a. Consideration for and Class and Number of Options. Each option shall be granted in lieu of a portion of the optionee’s payout under the MIPs or in lieu of other incentive compensation as determined by the Committee. The Committee shall determine the class
and the number of shares or the manner of determining the class and number of shares available for each option, subject to the total number of shares available under the Plan for such year, and the amount or the method of determining the consideration to be given up by each participant in return for an option, taking into consideration appropriate factors in making such determinations, such as interest rates, volatility of the market price of the class of common stock of the Company and the term of the option; provided, however that shares subject to options granted to any individual employee during any calendar year shall not exceed a total of 1,000,000 shares of FON Stock (as defined in the Company’s articles of incorporation) or 500,000 shares of Series 1 PCS Stock (as defined in the Company’s articles of incorporation).

b. Participation in the Plan. Participation in the Plan may be voluntary or automatic, as determined by the Committee. The rules and procedures for voluntary participation, when applicable, shall be established and implemented by the Plan Administrator.

c. Exercise Price. Unless the Committee determines otherwise, the price at which each share covered by an option may be purchased shall be one hundred percent (100%) of the fair market value of the Company’s common stock subject to purchase under the option on the date the option is granted, but in no event at a price lower than the fair market value of one share of such stock. Fair market value shall be deemed to be the average of the high and low price of the Company’s common stock for composite transactions as published by major newspapers for the date the option is granted or, if no sale of the Company’s common stock shall have been made on that day, the next preceding day on which there was a sale of such stock.

d. Vesting. Unless the Committee determines otherwise, stock option grants shall provide: (i) with respect to options issued in lieu of annual management incentive compensation, that the total number of shares subject to an option shall become exercisable December 31 in the year of the date of grant and (ii) with respect to options issued in lieu of or as part of long-term incentive compensation (“LTIP Options”) that the total number of shares subject to the option shall become exercisable in full on the third December 31 following the grant date. Unless the Committee provides otherwise, if the grantee of an LTIP Option terminates employment by reason of the grantee’s death, total disability, or normal retirement (except in the case of mandatory retirement of any outside director, with respect to options outstanding at least 1 year on retirement), the LTIP Option shall become exercisable in full on the grantee’s termination date. Unless the Committee provides otherwise, if the grantee of any other option terminates employment before the option becomes exercisable for any reason other than termination for good cause, the option shall be forfeited and any incentive compensation foregone to acquire the options shall be restored to the grantee as if an election to acquire options were not made.

1 This is confusingly worded. It means that acceleration occurs on normal retirement only if the option has been outstanding for one year. In the case of mandatory retirement, however, options accelerate even if they have not been outstanding for one year.
e. **Term of Option.** Options shall not be exercisable after the expiration of ten (10) years from the date of grant.

f. **Payment of Exercise Price.** Options shall be exercisable only upon payment to the Company of the full purchase price of the shares with respect to which options are exercised. Payment for the shares shall be either in United States dollars, payable in cash or by check, or by surrender of stock certificates representing the same class of common stock of the Company having an aggregate fair market value, determined as of the date of exercise, equal to the number of shares with respect to which such options are exercised multiplied by the exercise price per share. The fair market value of common stock on the date of exercise of options shall be determined in the same manner as the fair market value of common stock on the date of grant of options is determined. In that event, fair market value of the shares of restricted stock will be determined as if the shares were not restricted. In lieu of the delivery of physical certificates, the optionee may deliver shares in payment of the exercise price by attesting, on a form established for such purpose by the Secretary, to the ownership, either outright or through ownership of a broker account, of a sufficient number of Seasoned Shares (as defined in the 1990 Stock Option Plan). The attestation must be notarized and signed by the optionee’s spouse if the spouse is a joint owner of the shares with respect to which such attestation is made and must be accompanied by such documentation as the Corporate Secretary may consider necessary to evidence actual ownership of such shares.

g. **Manner of Exercise.** A completed exercise form and the exercise price, whether in the form of cash or stock, must be delivered to the Plan Administrator in order to exercise an option. An option shall be deemed exercised on the date such exercise form and payment are received by the Plan Administrator.

h. **Time for Exercise.** Each option expires if it has not been exercised within its term. Once an option has expired for any reason, it can no longer be exercised. If the grantee’s employment with the Company or a subsidiary of the Company is terminated, the optionee may exercise options that are exercisable on the date of termination of employment until the earlier of (1) the date on which the option expires and (2) the end of the applicable period below, beginning on the grantee’s:

   (i) retirement: five years after the grantee’s retirement date.
   (ii) disability (qualifying for long-term disability benefits under the Company’s Basic Long-Term Disability Plan): five years after the grantee’s qualification date.
   (iii) death: one year after the grantee’s death for the estate or designated beneficiary to exercise the decedent’s options.
(iv) involuntary termination other than for cause: the date on which the option expires.

(v) voluntary termination: three months from the grantee’s date of termination of employment.

If a grantee’s employment is terminated for a reason constituting good cause, any outstanding options granted under the Plan shall automatically terminate. “Good cause” means conduct by the grantee that reflects adversely on the grantee’s honesty, trustworthiness or fitness as an employee, or the grantee’s willful engagement in conduct which is demonstrably and materially injurious to the Company.

If a grantee becomes associated with, becomes employed by, renders services to, or owns any interest in (other than an insubstantial interest, as determined by the Committee) any business in competition with the Company, all outstanding options granted to the grantee whether vested or unvested shall automatically terminate and shares of restricted stock received upon the exercise of an option pursuant to Section 6 hereof that continue to be restricted shall be forfeited. For purposes of this Plan, an employee who becomes employed by certain non-subsidiary affiliates designated by the Committee (each, together with their subsidiaries, an “Affiliated Entity”), shall not, except with respect to incentive stock options, be considered to have terminated employment with the Company or a subsidiary of the Company until his employment is terminated with all Affiliated Entities without becoming re-employed by the Company or its subsidiaries.

i. Restricted Stock. Certain grantees may elect to receive restricted shares in connection with an exercise of an option by the grantee, as provided in Section 6 hereof.

j. Beneficiary Designations. The grantee of an option may designate a beneficiary or beneficiaries to exercise unexpired options held by the grantee and to own shares issued upon any such exercise after the grantee’s death without order of any probate court or otherwise. A beneficiary so designated may exercise an option upon presentation to the Company of evidence satisfactory to the Corporate Secretary of (1) the beneficiary’s identity and (2) the death of the grantee. A grantee may change any beneficiary designation of options held by the grantee at anytime before his death but may not do so by testamentary designation in his will or otherwise. Beneficiary designations must be made in writing on a form provided by the Corporate Secretary. Beneficiary designations shall become effective on the date that the form, properly completed, signed and notarized, is received by the Secretary. Any designation of a beneficiary with respect to any option shall be deemed canceled upon the transfer of such option to a trust in accordance with the terms of the Plan.

k. Change in Stock, Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, spin-off,
or other change in the corporate structure affecting the shares, such adjustment shall be made in the aggregate number and class of shares that may be delivered under the Plan, in the number and class of shares that may be subject to an option granted to any individual in any year under the Plan, and in the number, class, and option price of shares subject to outstanding options granted under the Plan, as may be determined to be appropriate by the Committee, in its sole discretion, provided that the number of shares subject to any option shall always be a whole number.

I. Limitations on Transfer. Options may not be transferred, levied, garnished, executed upon, subjected to a security interest, or assigned to any person other than the grantee, except that the grantee may transfer an option to a trust of the kind described in Section 6(b). Any such trust as transferee of an option may not (1) dispose of shares received in an exercise of such options until such shares are validly registered or exempt from registration under any applicable exemption from registration under the Securities Act of 1933, as amended, in the opinion of the Corporate Secretary or (2) while continuing to hold options issued under this plan, be amended to change beneficiaries to persons other than those permissible under Section 6(b). Documents evidencing the transfer of any option and the identity of the transferee shall be in such form as may be required by the Corporate Secretary.

6. Restricted Stock. Certain grantees, as determined by the Committee, may elect to receive restricted shares upon payment for the exercise of an option in the form of unrestricted common stock. The grantee will receive the same number of unrestricted shares as the number of shares surrendered to pay the exercise price, while the shares received in excess of the number surrendered to pay the exercise price may be restricted. The Company shall be authorized to issue restricted shares of common stock upon such exercises of stock options, subject to the following conditions:

a. The grantee shall elect a vesting period for the restricted common stock to be received upon exercise of the option of between 6 months and 10 years, subject to rules and procedures established by the Plan Administrator. At any time on or before the 13th calendar month preceding the date on which restrictions on shares of restricted stock would otherwise lapse, the grantee may elect to extend the vesting period on all but not a portion of such shares by six months or any multiple of six months.

6
b. The grantee who receives restricted stock may not sell, transfer, assign, pledge or otherwise encumber or dispose of shares of restricted stock until such time as all restrictions on such stock have lapsed except to a trust of which the grantee, the grantee’s spouse, or descendants (by blood, adoption, or marriage) of the grantee are the primary beneficiaries and which is a grantor trust treated as owned by the grantee under Subchapter J of the Internal Revenue Code, upon the following terms:

(A) the Company receives, prior to such transfer, a true copy of the trust agreement and an opinion from grantee’s counsel (1) that the trust will be treated as a grantor trust owned by the grantee under Subchapter J of the Internal Revenue Code at all times until the restrictions on such stock lapse or the stock is forfeited under the terms of its grant, (2) that the terms of the trust provide that upon the forfeiture of the restricted stock under the terms of its grant or the earlier termination of the trust for whatever reason, ownership of the restricted stock shall revert to the grantee or to the Company, (3) that the trustee of such trust may not, prior to the lapsing of restrictions on such stock, sell, transfer, assign, pledge, or otherwise encumber or dispose of shares of restricted stock except to the Company or to the grantee, subject to the restrictions provided for in this Plan, and (4) that, until the restrictions lapse, the trustee is not authorized to incur liabilities on behalf of the trust, other than to the beneficiaries of the trust; and

(B) the grantee and the trustee of the trust shall execute stock powers in blank to be held in the custody of the Company; and

(C) the Corporate Secretary of the Company may, in his discretion, enforce the foregoing transfer restrictions by maintaining physical custody of the certificate or certificates representing such shares of restricted stock, by placing a restrictive legend on such certificates, by requiring the grantee and the trustee to execute other documents as a pre-condition to such transfer, or otherwise.

c. A grantee who elects to receive restricted common stock upon an exercise shall have the right to satisfy tax withholding obligations in the manner provided in Section 8 hereof.

d. The shares of restricted common stock received in an exercise of a stock option that continue to be restricted shall be forfeited in the event that vesting conditions are not satisfied, subject to the discretion of the Committee, except in the case of death, disability, normal retirement, or involuntary termination for reasons other than for good cause, in which case all restrictions lapse. If restricted shares are forfeited, the grantee or his representative shall sign any document and take any other action required to assign said restricted shares back to the Company.

e. The grantee will have all the rights of a stockholder with respect to shares of restricted stock received upon the exercise of an option, including the right to vote the shares of stock and the right to dividends on the stock. Unless the Plan Administrator establishes alternative procedures, the shares of restricted stock will be registered in the name of the grantee and the certificates evidencing such shares shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to the award and shall be held in escrow by the Company. The grantee shall execute a stock power or powers assigning the shares of restricted stock back to the Company, which stock powers shall be
f. The Plan Administrator shall have the discretion and authority to establish any rules in connection with restricted stock, including but not limited to regulating the timing of the lapse of restrictions within the six-month to ten-year period and prescribing election forms as the Plan Administrator deems necessary or desirable for the orderly administration of such exercises.

7. Reload Options. The Committee may provide that optionees have the right to a reload option, which shall be subject to the following terms and conditions:

a. Grant of the Reload Option; Number of Shares; Price. Subject to subsections (b) and (c) of this Section 7 and to the availability of shares to be optioned under the Plan, if an optionee has an option to purchase shares of any class of common stock (the “original option”) with reload rights and pays for the exercise of the original option by surrendering common stock of the same class, the optionee shall receive a new option (“reload option”) to purchase the number and class of shares so surrendered (or, if applicable, the number of shares provided for in paragraph (h) of this Section 7) at an exercise price equal to the fair market value of the class of stock on the date of the exercise of the original option. If, in the judgment of the Company’s Corporate Secretary, the number of shares available on the exercise of the original options falls below a number sufficient to provide for the grant of reload options and for other purposes under the Plan, the Company’s Corporate Secretary may authorize the issuance of reload options from any other plan of the Company’s under which sufficient shares are authorized but not issued.

b. Minimum Purchase Required. A reload option will be granted only if the exercise of the original option is an exercise of at least 25% of the total number of shares granted under the original option (or an exercise of all the shares remaining under the original option if less than 25% of the shares remain to be exercised).

c. Other Requirements. A reload option: (1) will not be granted if the market value of the common stock of the Company on the date of exercise of the original option is less than the exercise price of the original option; (2) will not be granted if the grantee is not, on the exercise date, an employee of Sprint or a Sprint subsidiary; (3) will not be granted if the original option is exercised less than one year before the expiration of the original option; and (4) with respect to options transferred by the grantee to another person in accordance with this Plan, reload options shall be granted to the grantee upon a stock-for-stock exercise by the optionee to the same extent as if the grantee had exercised the option in a similar manner.
d. Term of Option. The reload option shall expire on the same date as the original option.

e. Type of Option. The reload option shall be a nonqualified option to purchase shares of the same class of shares as the original option.

f. No Additional Reload Options. The reload options shall not include any right to a second reload option.

g. Date of Grant, Vesting. The date of grant of the reload option shall be the date of the exercise of the original option. The reload options shall be exercisable in full beginning one year from date of grant; provided, however, that all shares purchased upon the exercise of the original option (except for any shares withheld for tax withholding obligations) shall not be sold, transferred or pledged within six months from the date of exercise of the original option, except in a Permitted Disposition (as defined in the 1990 Stock Option Plan). The reload option shall become exercisable in full if the optionee terminates employment by reason of the grantee’s death, disability, or normal retirement. In no event shall a reload option be exercised after the original option expires as provided in subsection (d) of this Section 7.

h. Stock Withholding; Grants of Reload Options. If the other requirements of this Section 7 are satisfied, and if shares are withheld or shares surrendered for tax withholding, a reload option will be granted for the number of shares surrendered as payment for the exercise of the original option plus the number of shares surrendered or withheld to satisfy tax withholding. In connection with reload options for officers who are subject to Section 16 of the Securities Exchange Act of 1934, the Committee may at any time impose any limitations which, in the Committee’s sole discretion, are necessary or desirable in order to comply with Section 16(b) of the Securities Exchange Act of 1934 and the rules and regulations thereunder, or in order to obtain any exemption therefrom.

i. Other Terms and Conditions. Except as otherwise provided in this Section 7, all the provisions of the Plan shall apply to reload options.

8. Stock Withholding Election. When taxes are withheld in connection with the exercise of a stock option by delivering shares of stock in payment of the exercise price, or upon the lapse of restrictions on restricted stock received upon the exercise of an option (the date on which such exercise occurs or such restrictions lapse hereinafter referred to as the “Tax Date”), the optionee may elect to make payment for the withholding of federal, state and local taxes, including Social Security and Medicare (“FICA”) taxes, up to the optionee’s marginal tax rate, by one or both of the following methods:

(i) delivering part or all of the payment in previously-owned shares of the same class (which shall be valued at fair market, as defined herein, on the Tax Date) which shares, if acquired from the Company, must have been held for at least six months;
(ii) requesting the Company to withhold from those shares that would otherwise be received upon exercise of the option or upon the lapse of restrictions, a number of shares having a fair market value (as defined herein) on the Tax Date equal to the amount to be withheld. The amount of tax withholding to be satisfied by withholding shares from the option exercise is limited to the minimum amount of taxes, including FICA taxes, required to be withheld under federal, state and local law.

Such election is irrevocable after the Tax Date. Any fractional share amount and any additional withholding not paid by the withholding or surrender of shares must be paid in cash. If no timely election is made, cash must be delivered to satisfy all tax withholding requirements.

If the exercise of an option by an optionee other than the grantee after transfer of the option pursuant to this plan from the grantee to the optionee results in a withholding obligation on the part of the grantee, the grantee may elect to satisfy his withholding obligation by delivery of shares to the Company as permitted in clause (i) above.

9. Acceleration on a Change in Control
   a. With respect to any LTIP Option outstanding for at least one year or any restricted shares issued under the Plan the options shall (subject to the 280G limitations applicable under the 1990 Stock Option Plan) become exercisable in full and the restrictions shall lapse, as the case may be, upon a change in control of the Company.
   b. For purposes of this Plan, a “change in control of the Company” shall be deemed to have occurred whenever a “Change in Control” occurs for purposes of the Company’s 1990 Stock Option Plan, as amended from time to time.

10. Miscellaneous.
   a. Amendment. The Company reserves the right to amend the Plan at any time by action of the Board of Directors provided that no such amendment may materially and adversely affect any outstanding stock options without the consent of the optionee, and provided that, without the approval of the stockholders, no such amendment may increase the total number of shares reserved for the purposes of the Plan.
   b. Effectiveness of Plan. This Plan shall be effective as of February 18, 1995, subject to approval of Stockholders of the Company prior to February 18, 1996.
   c. Rights in Securities. All certificates for shares delivered under the Plan shall be subject to such stock-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the shares are then listed, and any applicable federal or state securities law, and the Committee may cause
a legend or legends to be put on any such certificates to make appropriate reference to such restrictions. No optionee or optionee’s beneficiary, executor or administrator, legatees or distributees, as the case may be, will be, or will be deemed to be, a holder of any shares subject to an option unless and until a stock certificate or certificates for such shares are issued to such person or persons under the terms of the Plan. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distributions or other rights for which the record date is prior to the date such stock certificate is issued, except as provided in Section 5(k) hereof.

d. Date of Grant. The grant of an option shall be effective no earlier than the date the Committee decides to grant the option, except that grants of reload options shall be effective as provided in Section 7(g) hereof.

e. Application of Funds. The proceeds received by the Company from the sale of stock subject to option are to be added to the general funds of the Company and used for its corporate purposes.

f. No Obligation to Exercise Option. Granting of an option shall impose no obligation on the optionee to exercise such option.
<table>
<thead>
<tr>
<th>Description of Benefit</th>
<th>Eligible Positions</th>
<th>Amount/Schedule</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile Allowance</td>
<td>Chief Executive Officer</td>
<td>$1,500/month</td>
</tr>
<tr>
<td></td>
<td>Chief Operating Officer</td>
<td>$1,100/month</td>
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<tr>
<td></td>
<td>Division Presidents and Executive Vice Presidents</td>
<td>$1,100/month</td>
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<tr>
<td></td>
<td>Senior Vice Presidents</td>
<td>$1,000/month</td>
</tr>
<tr>
<td>Club Memberships and Dues</td>
<td>Chief Executive Officer</td>
<td>Club Membership &amp; $650/month dues allowance</td>
</tr>
<tr>
<td></td>
<td>Chief Operating Officer, Division Presidents and Executive Vice Presidents</td>
<td>Club Membership &amp; $650/month dues allowance</td>
</tr>
<tr>
<td></td>
<td>Senior Vice Presidents</td>
<td>Continued use of a Club Membership through 3/31/2005 &amp; $650/month dues allowance</td>
</tr>
<tr>
<td>Sprint Long-Distance Telephone and PCS Service (1)</td>
<td>Board of Directors</td>
<td>$6,000/year (continues after retirement for up to 120 months) and use of two Sprint PCS handsets</td>
</tr>
<tr>
<td>Sprint Long-Distance Telephone Service (1)</td>
<td>Chief Executive Officer, Chief Operating Officer, Division Presidents, Executive Vice Presidents</td>
<td>Actual usage (continues after retirement)</td>
</tr>
<tr>
<td>Miscellaneous services (investment counseling, insurance counseling, preparation of wills and trusts, tax counseling, income tax preparation, estate planning, and personal financial planning) (1)(2)</td>
<td>Chief Executive Officer</td>
<td>$15,000/year</td>
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<td></td>
<td>Chief Operating Officer, Division Presidents and Executive Vice Presidents</td>
<td>$12,000/year</td>
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<tr>
<td></td>
<td>Senior Vice Presidents</td>
<td>$10,000/year</td>
</tr>
<tr>
<td>Executive Physical</td>
<td>Chief Executive Officer</td>
<td>Reimbursement for Annual Physical Examination</td>
</tr>
<tr>
<td></td>
<td>Chief Operating Officer, Division Presidents, Executive Vice Presidents and Senior Vice Presidents</td>
<td>Reimbursement for Annual Physical Examination</td>
</tr>
<tr>
<td>Disability</td>
<td>Chief Executive Officer, Chief Operating Officer, Division Presidents, Executive and Senior Vice Presidents</td>
<td>52 weeks at full base pay</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-------------------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Separation</td>
<td>Chief Executive Officer, Chief Operating Officer, Division Presidents, Executive and Senior Vice Presidents (unless otherwise provided in an individual agreement with an officer)</td>
<td>1 year salary and benefits continuation plus lump sum bonus payment at conclusion of one year period equal to 80 percent of target opportunity</td>
</tr>
<tr>
<td>Fees</td>
<td>Board of Directors</td>
<td>Annual retainer - $50,000/ year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Additional Annual retainer for Lead Director - $75,000/ year</td>
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<td>Committee Chair additional annual retainer</td>
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<tr>
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<td>Audit Committee $10,000</td>
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<td></td>
<td>Other Committees $7,500</td>
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<td></td>
<td></td>
<td>Meeting Fee - $1,500/ meeting</td>
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<tr>
<td></td>
<td></td>
<td>Committee Meeting Fee - $1,500/ meeting</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Fee for In-person meetings of Outside Directors and in-person business meetings attended on Sprint’s behalf - $1,500/ meeting</td>
</tr>
</tbody>
</table>

* This summary is effective beginning July 1, 2003. Before that date, benefits and fees were as described in Exhibit 10(e) to the 10-Q for the period ended June 30, 2003.

(1) Sprint reimburses for income taxes associated with these benefits.

(2) With respect to tax years after 2002, Sprint’s independent auditor may not provide these services.
Special Compensation and Non-Compete Agreement

THIS AGREEMENT is entered into as of the 12th day of August, 1996 (the “Effective Date”), by and between SPRINT CORPORATION, a Kansas corporation (“Sprint,” and it, together with its Subsidiaries, the “Employer”), and William R. Blessing (“Employee”).

Recitals

1. Employer is engaged in the telecommunications and related businesses. This is a worldwide business that may be conducted from sites and serve customers throughout the world.
2. By virtue of his work for Employer, Employee has gained and will continue to gain additional valuable Proprietary Information of Employer.
3. Employer desires to enter into this Agreement to provide severance and other benefits for Employee in exchange for Employee’s agreement to maintain the confidentiality of certain information and to refrain from competing with Employer during and after termination of his employment with Employer.

Capitalized terms are defined in Section 6 of, or parenthetically throughout, this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties hereby agree as follows:

1. Employment At Will

Employee’s employment may be terminated by either party for any reason. Employee shall provide Employer with written notice of his intent to terminate at least 30 days before the effective date of the termination. Except in the event of Termination for Cause, Employer shall provide Employee with written notice of its intent to terminate Employee’s employment at least 30 days before the effective date of the termination.

2. Employee’s Covenants

(a) Exclusivity of Services

Employee shall, during his employment with Employer, owe an undivided duty of loyalty to Employer and agrees to devote his entire business time and attention to the performance of those duties and responsibilities and to use his best efforts to promote and develop the business of Employer. Employee shall adhere to the conflicts of interest provisions set forth in Section 7 of the Sprint Code of Ethics (or any successor provision, which is incorporated by this reference) as in effect as of the date of this Agreement and as may be amended from time to time hereafter. The determination of the Committee as to the Employee’s compliance with this provision shall be final.
(b) Proprietary Information

Employee acknowledges that during the course of his employment he has learned or will learn or develop Proprietary Information. Employee further acknowledges that unauthorized disclosure or use of such Information, other than in discharge of Employee’s duties, will cause Employer irreparable harm.

Except in the course of his employment with Employer under this Agreement, in the pursuit of the business of Employer or as otherwise required in employment with Employer, Employee shall not, during the course of his employment or at any time following termination of his employment, directly or indirectly, disclose, publish, communicate or use on his behalf or another’s behalf, any Proprietary Information. If during or after his employment Employee has any questions about whether particular information is Proprietary Information he shall consult with Employer’s Corporate Secretary.

(c) Non-Competition

Employee shall not, during the Non-Compete Period, engage in Competitive Employment, whether paid or unpaid and whether as a consultant, employee, or otherwise. This provision shall not apply if, within one year following a Change in Control:

(i) Employer terminates Employee’s employment with Employer for any reason other than Termination for Cause or Total Disability; or

(ii) Employee terminates his employment with Employer upon Constructive Discharge.

If Employee ceases to be employed by Employer because of a sale, merger, divestiture, or other transaction entered into by Employer, this provision shall continue to apply during the Non-Compete Period, except that Employee’s continued employment for the subsidiary, division, or other divested unit of the Employer shall not be deemed a violation of this provision.

Employee agrees that because of the worldwide nature of Employer’s business, breach of this agreement by accepting Competitive Employment anywhere in the United States would irreparably injure Employer and that, therefore, a more limited geographic restriction is neither feasible nor appropriate to protect Employer’s interests.

(d) Inducement of Employees, Customers and Others

During the term of his employment and the Non-Compete Period, Employee shall not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, or customer of Employer with whom he has worked or about whom he has gained Proprietary Information to terminate his or its employment, agency, or customer relationship with Employer or to render services for or transfer business to any Competitor of Employer.
(e) **Return of Employer’s Property**

Employee shall, upon termination of his employment with Employer, return to Employer all property of Employer in his possession, including all notes, reports, sketches, plans, published memoranda or other documents, whether in hard copy or in computer form, created, developed, generated, received, or held by Employee during employment, concerning or related to Employer’s business, whether containing or relating to Proprietary Information or not. Employee shall not remove, by e-mail, by removal of computer discs or hard drives, or by other means, any of the above property containing Proprietary Information, or reproductions or copies thereof, or any apparatus from Employer’s premises without Employer’s authorization.

(f) **Exit Interview**

At Employer’s request, Employee shall participate in an exit interview prior to his Severance Date to provide for the orderly transition of his duties, to arrange for the return of Employer’s property, to discuss his intended new employment, and to discuss and complete such other matters as may be necessary to ensure full compliance with this Agreement.

(g) **Confidentiality of Agreement**

Employee shall not disclose or discuss the existence of this Agreement, the Alternative Stock-Based Award, the Special Compensation, or any other terms of the Agreement except (1) to members of his immediate family, (2) to his financial advisor or attorney, but then only to the extent necessary for them to assist him, (3) to a potential employer on a strictly confidential basis, and then only to the extent necessary for reasonable disclosure in the course of serious negotiations, or (4) as required by law or to enforce his legal rights.

3. **Alternative Stock-Based Awards**

As partial consideration for Employee’s agreements hereunder, Employee shall be granted one of the two Stock-Based Awards, at the election of Employee, on the terms set forth in this section. Employee must indicate which of the two forms of compensation he elects to receive by checking the corresponding box above his signature line at the bottom of this Agreement. If Employee signs this Agreement but checks neither box or both boxes, Employee shall be considered to have elected to receive restricted stock.

(a) **Alternative Award of Restricted Stock**

If Employee elects to receive Restricted Stock, this Section 3(a) shall be considered a part of this Agreement, otherwise it shall not be considered a part of this Agreement.

Employer hereby grants to Employee an award of 3,000 shares of restricted stock under Sprint’s 1990 Restricted Stock Plan, the terms of which are hereby incorporated into this Agreement by this reference.
Lapse of Restrictions

Employee may not sell, transfer, assign, pledge, or otherwise encumber or dispose of shares of restricted stock until the restrictions on the shares lapse. Restrictions on the shares covered by this award shall lapse, with respect to 25% of the total shares granted, on each of the first four anniversary dates of the Effective Date.

Rights as Stockholder and Issuance of Shares

Except as set forth in the 1990 Restricted Stock Plan, Employee shall have all rights of a stockholder with respect to the shares of restricted stock, including the right to vote the shares of stock and the right to dividends on the shares. The shares of restricted stock shall be registered in the name of the Employee and the certificates evidencing the shares shall, at Employer’s sole election, either (a) bear an appropriate legend referring to the terms, conditions, and restrictions applicable to the award or (b) be held in escrow by the Company. Within 60 days of the Effective Date of this Agreement, the Employee shall execute a stock power or powers assigning the shares of restricted stock to Sprint, and Sprint shall hold the stock power and the certificate in escrow and may use the stock power to effect forfeiture of the restricted stock to the extent the shares are forfeited under the terms of this Agreement. Sprint shall cause the certificate evidencing unrestricted shares of common stock to be issued to the employee as soon as practicable after the restrictions lapse on the restricted shares.

Alternative Award of Stock Options

If Employee elects to receive stock options, this Section 3(b) shall be considered a part of this Agreement; otherwise it shall not be considered a part of this Agreement.

Sprint hereby grants to Employee, under Sprint’s 1990 Stock Option Plan, an option to purchase 12,000 shares of Sprint common stock at a price of $38.4375 per share. The option shall become exercisable, with respect to 25% of the total shares granted, on each of the first four anniversaries of the Effective Date. The option shall expire on August 12, 2006. The terms of the 1990 Stock Option Plan are hereby incorporated into this Agreement by reference. The option includes a right to a reload option as provided in Section 7 of the 1990 Stock Option Plan.

Provisions Applicable to Awards of both Restricted Stock and Stock Options

Acceleration of Stock-Based Awards

Conditions to Acceleration

The restrictions on all shares of restricted stock that have not otherwise lapsed shall lapse or the stock options shall become immediately exercisable, as the case may be, if, on or after August 12, 1997, Employee is not in breach of this Agreement and

(i) Employer terminates Employee’s employment with Employer for any reason other than Termination for Cause or Employee’s Total Disability or
(ii) Employee terminates his employment with Employer by reason of Employee’s Constructive Discharge or
(iii) Employee ceases to be employed by Employer because of a sale, merger, divestiture, or other transaction entered into by Employer.

(B) No Acceleration on Transfer of Employment to Affiliates
In no event shall the restrictions lapse on restricted stock nor the exercisability of stock options be accelerated as provided in the prior section upon Employee’s ceasing employment with Employer to commence employment with an Affiliate of Sprint.

(C) Section 280G Limits on Acceleration
If the acceleration of the vesting of restricted stock or the exercisability of the stock-based award hereunder, together with all other payments or benefits contingent on a change in control within the meaning of Internal Revenue Code Section 280G or any successor provision (“280G”), results in any portion of such payments or benefits to the Employee not being deductible by the Employer or its successor as a result of the application of 280G, the Employee’s benefits shall be reduced until the entire amount of the benefits is deductible. The reduction shall be effected by the exclusion of grants of options, restricted stock, or other benefits not deductible by Sprint under 280G in reverse chronological order of grant date from the application of this or other acceleration provision, until no portion of such benefits is rendered non-deductible by application of Code Section 280G.

(c2) Forfeiture of Stock-Based Award on Transfer to Affiliates and on Termination of Employment in Certain Circumstances
Employee shall not be entitled to sell or continue to own any unvested shares of restricted stock or exercise or continue to own any unexercisable stock options, as the case may be, if before such restricted shares vest or before such stock options become exercisable
(i) Employee ceases employment with Employer and begins employment with an Affiliate of Employer,
(ii) Employer terminates Employee’s employment with Employer for any reason constituting Termination for Cause or by reason of Employee’s Total Disability, or
(iii) Employee terminates his employment with Employer for any reason other than Employee’s Constructive Discharge.

Except as to paragraph (2)(iii), this provision applies regardless of what subsequent employment Employee may take.
4. **Payment of Special Compensation**

In lieu of any payments or benefits available under any and all Employer severance plans or policies but not in lieu of benefits under Sprint’s Long-Term Disability Plan, Employee shall be entitled to (1) Special Compensation and (2) any vacation pay for vacation accrued but not taken by Employee on his Severance Date, if

(i) Employer terminates Employee’s employment with Employer for any reason other than (a) Termination for Cause or (b) Total Disability or

(ii) Employee terminates his employment with Employer upon Constructive Discharge.

The payments and benefits provided for in this section shall be in addition to all other sums then payable and owing to Employee hereunder and, except as expressly provided herein, shall not be subject to reduction for any amounts received by Employee for employment or services provided to any Person other than Employer after the Severance Date and shall be in full settlement and satisfaction of all of Employee’s claims against and demands upon Employer.

Employee’s right to receive severance or other benefits pursuant to this section shall cease immediately in the event Employee is re-employed by Employer or Employee materially breaches this Agreement.

5. **Dispute Resolution**

(a) **Jurisdiction and Venue**

Employee consents to jurisdiction and venue in the state and federal courts in and for Johnson County, Kansas, for any and all disputes arising under this Agreement, provided, however, that Employer may seek injunctive relief in any court of competent jurisdiction to enjoin any violation of the covenants under Section 2, as well as seeking damages therefor.

(b) **Remedies**

Employee acknowledges that the restraints and agreements herein provided are fair and reasonable, that enforcement of the provisions of this Agreement will not cause him undue hardship and that the provisions are reasonably necessary and commensurate with the need to protect Employer and its legitimate and proprietary business interests and property from irreparable harm.

Employee acknowledges that failure to comply with the terms of this Agreement, particularly the provisions of Section 2, will cause irreparable damage to Employer. Therefore, Employee agrees that, in addition to any other remedies at law or in equity available to Employer for Employee’s
breach or threatened breach of this Agreement, Employer is entitled to specific performance or injunctive relief, without bond, against Employee to prevent such damage or breach, and the existence of any claim or cause of action Employee may have against Employer shall not constitute a defense thereto.

If Employee materially breaches any provision of Section 2 or if any of those provisions are held to be unenforceable against Employee (i) Employee shall return any Special Compensation paid pursuant to this Agreement and (ii) if Employee’s breach occurs within the five-year period beginning on the Effective Date of this Agreement, Employee shall return to Employer the stock received with respect to the Stock-Based Award, or, if Employee has disposed of the stock, an amount equal to the fair market value thereof on the date of disposition. This remedy is a return of consideration and shall be in addition to any other remedies. During Employee’s employment with Employer, the Committee shall determine whether Employee has materially breached the provisions of Section 2, and the Committee’s determination shall be final.

6. Definitions
(a) Affiliate
“Affiliate” means, with respect to any Person, a Person, other than a Subsidiary of such Person, (i) controlling, controlled by, or under common control with such Person and (ii) any other Person with whom such Person reports consolidated financial information for financial reporting purposes. “Control” for this purpose means direct or indirect possession by one Person of voting or management rights of at least 20% with respect to another Person.

(b) Change in Control
“Change in Control” means the occurrence of any of the following events:

(1) the acquisition, without the approval of a majority of the directors described in paragraph 6(b)(2) below, by any “person” or “group” as such terms are defined in Section 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder other than

(A) a trustee or other fiduciary holding securities under an employee benefit plan of Sprint or

(B) Sprint or a corporation owned, directly or indirectly, by the stockholders of Sprint in substantially the same proportions as their ownership of stock of Sprint

of securities of Sprint representing 20% or more of the combined voting power of Sprint’s then outstanding securities; or
(2) at the end of any two-year period, less than a majority of the directors of Sprint are directors
   (A) who were directors of Sprint at the beginning of the two-year period or
   (B) whose election or nomination as director was approved by a vote of 2/3’s of the then directors described in the preceding clause 6(b)
   (2)(A) or this clause 6(b)(2)(B) by prior nomination or election; or
(3) the shareholders of Sprint approve a merger, consolidation, liquidation or dissolution of Sprint, or a sale of all or substantially all of the assets of Sprint without approval of a majority of the directors described in paragraph 6(b) (2).

(c) **Committee**
“Committee” means the Organization, Compensation, and Nominating Committee of Sprint’s board of directors.

(d) **Competitive Employment**
“Competitive Employment” means the performance of duties or responsibilities for a Competitor of Employer (a) that are of a similar nature or employ similar professional or technical skills (e.g., marketing, engineering, legal, etc.) to those employed by Employee in his performance of services for Employer at any time during the two years before the Severance Date, (b) that relate to products or services that are competitive with Employer’s products or services with respect to which Employee performed services for Employer at any time during the two years before the Severance Date, or (c) in the performance of which Proprietary Information to which Employee had access at any time during the two-year period before the Severance Date could be of substantial economic value to the Competitor of Employer.

(e) **Competitor of Employer**
Because of the highly competitive, evolving nature of Employer’s industry, the identities of companies in competition with Employer are likely to change over time. The following tests, while not exclusive indications of what employment may be competitive, are designed to assist the parties and any court in evaluating whether particular employment is prohibited under this Agreement. A Sprint Affiliate shall not be a Competitor of Employer.

“Competitor of Employer” means:

(1) any Person doing business in the United States whose primary business is providing local or long distance telephone or wireless service;
(2) any Person doing business in the United States, who, together with its Consolidated Affiliates, receives more than 15% of its gross operating revenue from a line of business in which Employer, together with its Consolidated Affiliates, receives more than 15% of its gross operating revenues, all as measured by the most recent available financial information of both Employer and such other Person, at the time Employee accepts, or proposes to accept, employment with or to otherwise perform services for such Person;
any Person doing business in the United States and operating, for less than 5 years, a line of business from which Employer derives more than 15% of its gross operating revenues, notwithstanding such Person’s lack of substantial revenues in such line of business; and

any Person doing business in the United States, who receives more than 15% of its gross operating revenue from a line of business in which Employer has operated for less than 5 years, notwithstanding Employer’s lack of substantial revenues in such line of business.

If financial information is not publicly available or is inadequate for purposes of applying this definition, the burden shall be on the Employee to demonstrate that such Person is not a Competitor of Employer.

(f) Consolidated Affiliate
“Consolidated Affiliate” means, with respect to any person, all Affiliates and Subsidiaries of such person, if any, with whom the financial statements of such person are required, under generally accepted accounting principles, to be reported on a consolidated basis.

(g) Constructive Discharge
“Constructive Discharge” means termination by the Employee of his employment with the Employer by written notice given within 60 days following one or more of the following events:

(a) unless Employer first offers to Employee a position having an equal or greater grade rating, reassignment of Employee from his then current position with Employer to a position having a lower grade rating, in each case under Employer’s methodology of rating employment positions for its employees generally;

(b) a reduction in Employee’s targeted total compensation by more than 10% other than by an across-the-board reduction affecting substantially all similarly situated employees of Employer; or

(c) a change in the Employee’s base employment area to anywhere other than the Kansas City metropolitan area within one year following a Change in Control.

(h) Non-Compete Period
“Non-Compete Period” means the 18-month period beginning on Employee’s Severance Date. If Employee breaches or violates any of the covenants or provisions of this Agreement, the running of the Non-Compete Period shall be tolled during the period the breach or violation continues.

(i) Person
“Person” means any individual, corporation, partnership, association, company, or other entity.
(j) **Proprietary Information**

“Proprietary Information” means trade secrets (such as customer information, technical and non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, process) and other confidential and proprietary information concerning the products, processes, or services of Employer or Employer’s Affiliates, including but not limited to: computer programs, unpatented or unpatentable inventions, discoveries or improvements; marketing, manufacturing, or organizational research and development results and plans; business and strategic plans; sales forecasts and plans; personnel information, including the identity of other employees of Employer; their responsibilities, competence, abilities, and compensation; pricing and financial information; current and prospective customer lists and information on customers or their employees; information concerning purchases of major equipment or property; and information about potential mergers or acquisitions which information: (a) has not been made generally to the public; and (b) is useful or of value to the current or anticipated business, or research or development activities of Employer or of any customer or supplier of Employer, or (c) has been identified to Employee as confidential by Employer, either orally or in writing.

(k) **Severance Date**

“Severance Date” means the last day on which Employee actually performs services as an employee of Employer.

(l) **Severance Period**

“Severance Period” means the 18-month period beginning on Employee’s Severance Date.

(m) **Special Compensation**

“Special Compensation” means Employee’s right

(a) to continue to receive during the Severance Period periodic compensation at the same rate as his base salary in effect at the Employee’s Severance Date;

(b) to receive bonuses under one or more of Sprint’s Management Incentive Plan, Executive Management Incentive Plan, and Sales Incentive Compensation Plan in which Employee participated on the Severance Date (together with other incentive compensation plans specifically approved for this purpose by the Committee, the “Short-Term Incentive Plans”) based on the Employee’s target amount under such plans on the Severance Date, and assuming achievement of performance targets under the Short-Term Incentive Plans of

(i) the actual performance level for periods before the beginning of the Severance Period and

(ii) the lesser of (a) the actual performance level during the Severance Period and (b) 100% of targeted performance during the Severance Period,
pro-rating the foregoing performance levels under the Short-Term Incentive Plans based on the ratio of the amount of time in each of the foregoing time periods to the amount of time in the whole performance period under each Short-Term Incentive Plan;

(c) to receive an award under the Long Term Incentive Plan and the Executive Long Term Incentive Plan (the “Long-Term Incentive Plans”), assuming achievement of performance targets under the Long-Term Incentive Plans of
(i) the actual performance level for periods before the beginning of the Severance Period and
(ii) 0% of targeted performance during the Severance Period,

pro-rating the foregoing performance levels under the Long-Term Incentive Plans based on the ratio of the amount of time in each of the foregoing time periods to the amount of time in the whole performance period under each Long-Term Incentive Plan;

(d) to continue to participate throughout the Severance Period in all group health plans (as defined in Code section 106(b)(3) or any successor provision of the Internal Revenue Code of 1986, as amended, including but not limited to any medical and dental) that Employer continues to make available to Employer’s employees generally and that Employee was participating in on his Severance Date, except that participation in those plans after Employee becomes employed full-time during the Severance Period shall immediately cease unless Employee elects to continue coverage under the COBRA continuation provisions of any group health plan by paying the applicable premium therefor;

(e) to continue to participate throughout the Severance Period in all group life insurance and qualified or non-qualified retirement plans that Employer continues to make available to Employer’s employees generally and that Employee was participating in on his Severance Date;

(f) to receive out-placement counseling by a firm selected by Employer to continue until Employee becomes employed;

(g) to continue to receive throughout the Severance Period all executive perquisites (including automobile allowance, long distance services and all miscellaneous services) Employee was entitled to receive on the Severance Date except country club membership dues and accrual of vacation; and

(h) to have the end of the Severance Period treated as Employee’s termination date for purposes of Sprint’s employee stock option plans and restricted stock plans.

Employee shall not be entitled to participate in Sprint’s long- and short-term disability plan after the Severance Date.
(n) **Stock-Based Award**
“Stock-Based Award” means the award of restricted stock as elected by Employee under Section 3 of this Agreement.

(o) **Subsidiary**
“Subsidiary” means, with respect to any Person (the “Controlling Person”), all other Persons (the “Controlled Persons”) in whom the Controlling Person owns or controls more than 50% of the management or voting rights, together with all Subsidiaries of such Controlled Persons.

(p) **Termination for Cause**
“Termination for Cause” means termination by Employer of Employee’s employment because of

(i) conduct by the Employee that violates the Code of Ethics or reflects adversely on the Employee’s honesty or

(ii) Employee’s willful engagement in conduct that is materially injurious to the Employer.

Termination for failure to meet performance expectations, unless willful, continuing and substantial, shall not be deemed a Termination for Cause.

(q) **Total Disability**
“Total Disability” shall have the same meaning as in Sprint’s Long Term Disability Plan, as amended from time to time.

7. **General Provisions**

(a) **Obligations to Survive Termination of Employment**
Employee’s obligations under this Agreement shall survive his termination of employment with Employer.

(b) **Binding Effect**
This Agreement shall be binding upon and inure to the benefit of Employee’s executors, administrators, legal representatives, heirs, and legatees and to Employer’s successors and assigns.

(c) **Partial Invalidity**
The various provisions of this Agreement are intended to be severable and to constitute independent and distinct binding obligations. Should any provision of this Agreement be
determined to be void and unenforceable, in whole or in part, it shall not be deemed to affect or impair the validity of any other provision or part thereof, and such provision or part thereof shall be deemed modified to the extent required to permit enforcement. Without limiting the generality of the foregoing, if the scope of any provision contained in this Agreement is too broad to permit enforcement to its full extent, but may be enforceable by limitations thereon, such provision shall be enforced to the maximum extent permitted by law, and Employee hereby agrees that such scope may be judicially modified accordingly.

(d) Waiver
The waiver by either party of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.

(e) Prior Agreements Merged into Agreement
This Agreement represents the entire understanding of the parties and, to the extent that there is any conflict, supersedes all other agreements with respect to the subject matter hereof.

(f) Notices
Any notice or other communication required or permitted to be given hereunder shall be determined to have been duly given to any party (a) upon actual receipt at the address of such party specified below if delivered personally or by regular U.S. mail; (b) upon receipt by the sender of a “GOOD” or “OK” confirmation of transmission if transmitted by facsimile, but only if a copy is also sent by regular mail or courier; (c) when delivery is certified if sent as certified mail, return receipt requested, addressed, in any case to the party at the following addresses:

If to Employee: William R. Blessing
If to Employer: Sprint Corporation
6200 Sprint Parkway
Overland Park, KS 66251
Attn: Corporate Secretary
FAX: (913) 794-0144

or to such other address or telecopy number as any party may designate by written notice in the aforesaid manner, or with respect to Employee, such address as Employee may provide Employer for purposes of its human resources database.

(g) Governing Law
Because Employer’s business is headquartered in Kansas, and to ensure uniformity of enforcement of this Agreement, the validity, interpretation, and enforcement of this Agreement shall be governed by the laws of the State of Kansas.

13
(h) Number and Gender
Wherever the context requires, each term stated in either the singular or plural shall include the singular and the plural, and the pronouns stated in either the masculine, the feminine, or the neuter gender shall include the masculine, feminine, or neuter as appropriate.

(i) Headings
The headings of the Sections of this Agreement are for reference purposes only and do not define or limit, and shall not be used to interpret or construe the contents of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and effective as of August 12, 1996, above set forth.

I elect to receive the following as the Stock-Based Award (check one):

☐ Restricted Stock
☒ Stock Options

SPRINT CORPORATION

/s/ William R. Blessing
William R. Blessing

By: /s/ Don A. Jensen
Authorized Officer

14
Employment Agreement
(With Enhanced Change-in-Control Benefits)

THIS EMPLOYMENT AGREEMENT (this "Agreement") is dated as of December 3, 2003 (the "Effective Date"), by and among SPRINT CORPORATION, a Kansas corporation ("Sprint"), SPRINT/UNITED MANAGEMENT COMPANY, a Kansas corporation and subsidiary of Sprint ("SUMC") (Sprint, SUMC and the subsidiaries of Sprint are collectively referred to herein as the "Company"), and ROBERT J. DELLINGER ("Executive").

Recitals

1. Because the Company is mindful of Executive’s substantial contributions to the Company and of his attractiveness in the competitive marketplace, both within and outside of the telecommunications industry, it desires to insure his continued employment with the Company, it desires to encourage him to maintain and increase his ownership of Company stock, and it desires to provide him appropriate compensation arrangements that continue to motivate him to focus on and increase shareholder value.

2. Executive has been, and now is, serving as Executive Vice President and Chief Financial Officer.

3. The Company desires to secure the continued long-term employment of Executive.

4. Executive and the Company entered into a Special Compensation and Non-Compete Agreement, dated March 26, 2002 (the "Severance Agreement").

5. The Company granted Executive certain “Stock-Based Awards” in, and as such term is defined under, the Severance Agreement (the “Prior Awards”), and the Company and Executive desire to continue the vesting, acceleration, and other terms of the Prior Awards as set forth in the Severance Agreement but to supersedes all other aspects of the Severance Agreement by this Agreement.

6. Certain capitalized terms used herein are defined parenthetically throughout this Agreement or defined in Section 6 of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which consideration is mutually acknowledged by the parties, the parties hereby agree as follows:

1. Employment and Termination

1.01. Conditions of Employment

Subject to the terms of this Agreement, the Company hereby agrees to employ Executive as Executive Vice President and Chief Financial Officer, with such authority, power, responsibilities, and duties customarily exercised by a person holding such positions in a company of the size and nature of the Company.

1
1.02. Performance of Duties

Executive shall, during his employment with the Company, owe an undivided duty of loyalty to the Company and agrees to use his best efforts to promote and develop the business of the Company. Executive agrees that, during his employment with the Company, he must devote his full business time, energies, and talents to serving as a senior executive officer of the Company and that he shall perform his duties faithfully and efficiently subject to the directions of the Board. Notwithstanding the foregoing, Executive may, subject in all cases to the Company’s Principles of Business Conduct (or any successor code of conduct) (i) serve as a director, trustee, or officer or otherwise participate in not-for-profit educational, welfare, social, religious, and civic organizations; (ii) serve as a director of any for-profit business listed on Exhibit A hereto or, with the prior consent of the Board, serve as a director of any for-profit business that is not a Competitor; and (iii) acquire passive investment interests in one or more entities, to the extent that the other activities do not inhibit or interfere with the performance of Executive’s duties under this Agreement, or to the knowledge of Executive conflict in any material way with the business or policies of the Company.

1.03. Term of Employment

The term of Executive’s employment under this Agreement (the “Employment Term”) begins on the Effective Date and ends on Executive’s 65th birthday (the “End Date”). This Agreement sets forth certain terms of Executive’s employment during the Employment Term, the consequences of any termination of employment during the Employment Term, and the terms of certain restrictive covenants by Executive during and after the Employment Term. The Company and Executive agree that the employment relationship is at will, and either party may terminate the employment relationship for any reason in accordance with the procedures and with the consequences set forth in this Agreement.

1.04. Procedures for Termination

(a) General Procedures

Except as set forth below, any purported termination of this Agreement or of Executive’s employment by the Company or by Executive during the Employment Term, other than by Executive’s death, shall be communicated by a written notice of termination to the other party hereto delivered in accordance with Section 13 below indicating the specific termination provision in this Agreement relied upon and setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. Any such termination will be effective on the Termination Date.

(b) Cause Termination

The Company may not terminate Executive’s employment for Cause during the Employment Term until it delivers to Executive a written notice stating that Executive is guilty of conduct constituting Cause by reference to one or more clauses of Section 6.06 and specifying the particulars thereof in reasonable detail.
(c) **CIC Good Reason Termination**

Executive may terminate his employment for CIC Good Reason during the Employment Term only within the CIC Protected Period following written notice and an opportunity for the Company to cure; provided, however, that Executive may not give notice of termination for CIC Good Reason during any Period in which Executive is unable to substantially perform his duties with the Company due to physical or mental illness. In order to effect a termination for CIC Good Reason, Executive must, within 60 days following the event or circumstance giving rise to Executive’s claim, deliver a written notice to the Company that sets forth the specific event or circumstance giving rise to CIC Good Reason by reference to one or more clauses of the definition of CIC Good Reason set forth in Section 6.09 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for CIC Good Reason, Executive shall not be entitled to terminate his employment for CIC Good Reason by reason of such event or circumstance.

(d) **Non-CIC Good Reason Termination**

Executive may terminate his employment for Non-CIC Good Reason any time during the Employment Term following written notice and an opportunity for the Company to cure. In order to effect a termination for Non-CIC Good Reason, Executive must deliver a written notice to the Company within 60 days following the event or circumstance giving rise to Executive’s claim of Non-CIC Good Reason. The notice must set forth the specific event or circumstance giving rise to Non-CIC Good Reason by reference to one or more clauses of the definition of Non-CIC Good Reason set forth in Section 6.24 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for Non-CIC Good Reason, Executive shall not be entitled to terminate his employment for Non-CIC Good Reason by reason of such event or circumstance.

(e) **Payment of Compensation Earned Through Termination Date**

Upon a termination of Executive’s employment hereunder for any reason, Executive or, in the event of his death, Executive’s estate, in addition to any other payments or benefits to which Executive may be entitled hereunder, is entitled to

(i) Executive’s Base Salary prorated through the Termination Date,

(ii) any payment under the Incentive Plan for Performance Periods ending before the Termination Date, unless eliminated or reduced, and then only to the extent that such payments are eliminated or reduced, for all Senior Officers continuing employment with the Company, and
(iii) any vacation pay for vacation accrued by Executive in the calendar year of termination but not taken at the Termination Date. Except as otherwise provided herein, the Company must pay any other employee benefits to which Executive is entitled by reason of his employment to Executive or his estate at the time or times required by the terms of the applicable Company plan or policy.

(f) **Effect of Termination on Other Positions**

If, on the Termination Date, Executive (i) is a member of the Board or any board of directors of one of Sprint’s subsidiaries, (ii) serves on the board of directors of any other corporation by nomination, appointment, or designation by Sprint or any of its subsidiaries, or (iii) holds any other position with Sprint or any of its subsidiaries, Executive shall, unless otherwise agreed to by the Company, be deemed to have resigned from all such positions as of the Termination Date. Executive agrees to execute such documents and take such other actions as the Company may request to reflect such resignations.

(g) **Condition to Certain Payments**

Payments under Section 4 are conditioned on Executive’s compliance with the requirements of Section 4.03(b).

(h) **Exit Interview**

At the Company’s request, Executive shall participate in an exit interview prior to Executive’s last day worked as an employee of the Company to provide for the orderly transition of his duties, to arrange for the return of the Company’s property, to discuss his intended new employment, and to discuss and complete such other matters as may be necessary to ensure full compliance with this Agreement.

2. **Compensation**

Subject to the terms of this Agreement, during the Employment Term, while Executive is employed by the Company, the Company will compensate him for his services as follows:

2.01. **Base Salary**

Executive shall receive an annual base salary in an amount not less than his annual salary on the Effective Date, payable in monthly or more frequent installments in accordance with the Company’s payroll policies and practices (such annual base salary as adjusted pursuant to this Section 2.01 shall hereinafter be referred to as the “**Base Salary**”). Executive’s Base Salary shall be reviewed, and may be increased but not decreased below the rate in effect on the Effective Date (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.
2.02. Incentive Payments
Executive will continue to participate in the Incentive Plan, subject to its terms and conditions as they may from time to time be established, amended, interpreted, or terminated in accordance with the Company’s plans or policies governing such benefits to the Company’s Senior Officers generally. Executive’s Targeted Compensation under the Incentive Plan shall be reviewed, and may be increased but not decreased below his Targeted Compensation in effect in 2003 (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.

2.03. Employee Benefits
The Company will provide Executive with the employee benefits (including, without limitation, life, disability, medical and dental insurance coverage, participation in the Company’s Executive Deferred Compensation Plan, Savings Plan, and the Pension Plan, and other benefits generally provided to Senior Officers) that are no less favorable in the aggregate to Executive than those provided to him as of the Effective Date, subject to amendment, modification, interpretation by the Company, or termination in accordance with the Company’s plans or policies governing such benefits to Senior Officers generally.

2.04. Expense Reimbursement
The Company will reimburse Executive for reasonable out-of-pocket expenses incurred and accounted for in accordance with the policies and procedures of the Company for Senior Officers generally, as they may from time to time be established, interpreted, amended, or terminated.

2.05. Prior Awards Remain Outstanding
The Prior Awards shall remain outstanding, and the terms and conditions of the Prior Awards shall continue to be governed by the provisions of the Severance Agreement pertaining to the vesting and acceleration of the Prior Awards, and the Prior Awards shall be considered continuing partial consideration for the execution of this Agreement.

3. Executive Covenants

3.01. Principles of Business Conduct
Executive shall adhere in all respects to the Company’s Principles of Business Conduct (or any successor code of conduct) as they may from time to time be established, interpreted, amended, or terminated.

3.02. Proprietary Information
Executive acknowledges that during the course of his employment he has learned or will learn or develop Proprietary Information. Executive further acknowledges that unauthorized disclosure or use of such Proprietary Information, other than in discharge of Executive’s duties, will cause the Company irreparable harm. Except in the course of his employment with the Company under this Agreement, in the pursuit of the business of the Company, or as otherwise required in
employment with the Company, Executive shall not, during the course of his employment or at any time following termination of his employment, directly or indirectly, disclose, publish, communicate, or use on his behalf or another’s behalf, any Proprietary Information. If during or after his employment Executive has any questions about whether particular information is Proprietary Information he shall consult with the Company’s Corporate Secretary or other representative designated by the Company.

Executive also agrees to promptly disclose to the Company any information, ideas, or inventions made or conceived by him that result from or are suggested by services performed by him for the Company under this Agreement, and to assign to the Company all rights pertaining to such information, ideas, or inventions. Knowledge or information of any kind disclosed by Executive to the Company shall be deemed to have been disclosed without obligation on the part of the Company to hold the same in confidence, and the Company shall have the full right to use and disclose such knowledge and information without compensation to Executive beyond that specifically provided in this Agreement.

3.03. Non-Competition

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not engage in Competitive Employment, whether paid or unpaid and whether as a consultant, employee, or otherwise. This provision shall not apply if, within one year following a Change in Control:

(i) the Company terminates Executive’s employment with the Company for any reason other than for Cause or Total Disability; or
(ii) Executive terminates his employment with the Company for CIC-Good Reason.

If Executive ceases to be employed by the Company because of the sale, spin-off, divestiture, or other disposition by the Company of a subsidiary, division, or other divested unit employing Executive, this provision shall continue to apply during the Non-Compete Period, except that Executive’s continued employment for the subsidiary, division, or other divested unit disposed of by the Company shall not be deemed a violation of this provision.

Executive agrees that because of the worldwide nature of the Company’s business, breach of this Agreement by accepting Competitive Employment would irreparably injure the Company and that, therefore, a limited geographic restriction is neither feasible nor appropriate to protect the Company’s interests.

3.04. Inducement of Employees, Customers and Others

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, or customer of the Company, or vendor or other parties doing business with the Company, to terminate their employment, agency, or other relationship with the Company or to render services for or transfer business to any Competitor, and Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity on behalf of the Competitor.


3.05. No Adverse Actions

During the Non-Compete Period, Executive shall not, without the prior written consent of the Company, in any manner, solicit, request, advise, or assist any other person to (a) undertake any action that would be reasonably likely to, or is intended to, result in a Change in Control, or (b) seek to control in any material manner the Board.

3.06. Return of Property

Executive shall, upon his Termination Date, return to the Company all property of the Company in his possession, including all notes, reports, sketches, plans, published memoranda, or other documents, whether in hard copy or in electronic form, created, developed, generated, received, or held by Executive during his employment, concerning or related to the Company’s business, whether containing or relating to Proprietary Information or not. Executive shall not remove, by e-mail, by removal of computer discs or hard drives, or by other means, any of the above property containing Proprietary Information, or reproductions or copies thereof, or any apparatus from the Company’s premises without the Company’s written consent.

3.07. Mutual Non-disparagement

Executive agrees to refrain from making any statements about the Company or its officers or directors that would disparage, or reflect unfavorably upon the image or reputation of the Company or any such officer or director. The Company agrees to use reasonable efforts to prevent its directors and officers from making any statements about Executive that would disparage, or reflect unfavorably upon the image or reputation of, Executive.

3.08. Assistance with Claims

Executive agrees that, consistent with Executive’s business and personal affairs, during and after his employment by the Company, he will assist the Company in the defense of any claims or potential claims that may be made or threatened to be made against it in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (“Proceeding”) and will assist the Company in the prosecution of any claims that may be made by the Company in any Proceeding, to the extent that such claims may relate to Executive’s services provided under this Agreement.

Executive agrees, unless precluded by law, to promptly inform the Company if Executive is asked to participate (or otherwise become involved) in any Proceeding involving such claims or potential claims.

Executive also agrees, unless precluded by law, to promptly inform the Company if Executive is asked to assist in any investigation (whether governmental or private) of the Company (or its actions), regardless of whether a lawsuit has then been filed against the Company with respect to such investigation. The Company agrees to reimburse Executive for all of Executive’s reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys’ fees and shall pay a reasonable per diem fee (equal to 1/250 of his Base Salary rate at his Termination Date) for Executive’s services.
3.09. Key Man Life Insurance
The Company may, at its discretion, purchase for its own benefit and at its own expense, key man life insurance on the life of Executive. Neither Executive nor Executive’s spouse or dependents shall have any right, title, or interest in or to such insurance or the proceeds thereof. Executive agrees to cooperate with the life insurance company and the Company in the insurance underwriting process, including submitting to a physical examination and other tests necessary to secure coverage, and signing all appropriate applications and written forms as may be required by the insurance company.

4. Payments On Certain Terminations

4.01. Payments on Certain Terminations Not in Connection with Change in Control
If, during the Employment Term but not within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability or (b) Executive terminates his employment with the Company for Non-CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “Non-CIC Benefits”) in lieu of any other payments or benefits available under Section 4.02 below or under any and all Company separation plans or policies:

(i) The Company will pay Executive his Base Salary, in equal installments in arrears and on the same schedule as paid before his Termination Date, for a period (the “Non-CIC Severance Period”) commencing on the Termination Date and ending on the earlier to occur of (A) the date 18 months after the Termination Date, or (B) the End Date, at the rate in effect on his Termination Date.

(ii) The Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) the bonus amount under the Incentive Plan for the Non-CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Non-CIC Termination Period Incentive Payout.

(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Capped Incentive Payout for such Performance Period or, alternatively, in the event that the Non-CIC
Severance Period ends within such Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.

(C) In the event that the Non-CIC Severance Period ends in the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.

For purposes of Sections 4.01(ii) (B) and (C), in determining whether to count the month in which the Non-CIC Severance Period ends, if the end of the Non-CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the Non-CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

This Section 4.01(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 4.01(ii) shall be made at the time payouts are made for the Performance Period in which the Non-CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 4.01(ii), that would have accrued and been payable to Executive under the Incentive Plan for the Non-CIC Severance Period had the Performance Periods remained 12 months in length.

(iii) During the Non-CIC Severance Period, the Company will provide any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country club membership dues and accrual of vacation) that Executive was receiving or was entitled to receive as of the Termination Date, except that long term-disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the Non-CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of such Company’s group health care plans by paying the applicable premium therefor.

(iv) During the Non-CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the Non-CIC Severance Period.
In all events, Executive’s right to receive the Non-CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.02. Payments on Certain Terminations in Connection with a Change in Control

If, during the Employment Term and within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability, or (b) Executive terminates his employment with the Company for CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “CIC Benefits”) in lieu of any other payments or benefits available under Section 4.01 above or under any and all Company separation plans or policies:

(i) In lieu of any further salary payments to Executive for periods after the Termination Date, the Company will pay Executive an aggregate amount equal to two times Executive’s Base Salary (without regard to any deferred amounts); provided, however, to the extent that Executive terminates his employment because of CIC Good Reason and a reduction in Executive’s Base Salary has occurred which constitutes CIC Good Reason under Section 6.09(ii) of this Agreement, Executive’s Base Salary for the purpose of this Section 4.02(i) shall be Executive’s Base Salary immediately prior to such Base Salary reduction. The payment made pursuant to this Section 4.02(i) shall be paid to Executive in equal installments in arrears and on the same schedule as Executive’s Base Salary was being paid to Executive before the Termination Date for a period (the “CIC Severance Period”) beginning on the Termination Date and ending on the earlier to occur of (A) the date 24 months after the Termination Date or (B) the End Date.

(ii) In lieu of any payments under, and notwithstanding any provisions of the Incentive Plan, the Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) a bonus amount equal to the amount Executive could have received under the Incentive Plan for the CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the CIC Termination Period Incentive Payout.
For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to Executive’s Final Targeted Compensation or, alternatively, in the event that the CIC Severance Period ends within such Performance Period, Executive’s Final Targeted Compensation prorated through the month in which the CIC Severance Period ends.

In the event that the CIC Severance Period ends during the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, Executive’s Final Targeted Compensation prorated through the month in which the CIC Severance Period ends.

For purposes of Sections 4.02(ii) (B) and (C), in determining whether to count the month in which the CIC Severance Period ends, if the end of the CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

Notwithstanding the above and for the purpose of determining the payout amounts under Sections 4.02(ii)(B) and (C), to the extent that Executive terminates his employment because of CIC Good Reason and a reduction in Executive’s Targeted Compensation has occurred which constitutes CIC Good Reason under Section 6.09(vi) of this Agreement, Executive’s Final Targeted Compensation for purposes of Sections 4.02(ii)(B) and (C) shall be Executive’s Targeted Compensation immediately prior to such Targeted Compensation reduction.

This Section 4.02(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 4.02(ii) shall be made at the time payouts are made for the Performance Period in which the CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 4.02(ii), that would have accrued and been payable to Executive under the Incentive Plan for the CIC Severance Period had the Performance Periods remained 12 months in length.

During the CIC Severance Period, the Company will, in such manner as is selected by the Company in its sole discretion, provide, arrange to provide, or reimburse Executive for any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country club membership dues and accrual of vacation) that Executive was
receiving or was entitled to receive as of the Termination Date, except that long-term disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of the Company’s group health care plans by paying the applicable premium therefor.

(iv) During the CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the CIC Severance Period.

(v) The end of the CIC Severance Period will be treated as Executive’s termination date for purposes of the Company’s stock option and restricted stock programs.

In all events, Executive’s right to receive the CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches any of the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.03. Other Provisions Regarding Payments and Benefits

(a) No Mitigation; No Offset

In the event of any termination of employment resulting in payments under this Section 4, Executive need not seek other employment and, except as expressly provided herein, there shall be no offset against amounts due to Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.

(b) Settlement and Release

The payments and benefits provided for hereunder shall be in full settlement and satisfaction of all of Executive’s claims and demands relating to or arising out of Executive’s employment with the Company or the termination thereof; provided, however, such settlement and release does not apply to (i) any rights or benefits as set forth in this Agreement and (ii) any rights to indemnification to which Executive is entitled under the Company’s Certificate of Incorporation, Bylaws, Kansas common or statutory law, or any other applicable indemnification agreements entered into between Executive and the Company. The Company’s obligation to provide such payments and benefits is expressly made subject to and conditioned upon (i) Executive’s execution, within forty-five (45) days after the Termination Date, of a release of such claims and demands in such form as the Company may reasonably determine and (ii) Executive’s non-revocation of such release in accordance with the terms thereof.
(c) **Nature of Payments**

Any amounts due under this Section 4 are in the nature of severance payments considered to be reasonable by the parties and are not in the nature of a penalty.

(d) **Benefit Plans**

If, for any period during which Executive is entitled to continued benefits under this Section 4, the Company reasonably determines that Executive cannot participate in any benefit plan because he is not actively performing services for the Company, then, in lieu of providing benefits under any such plan, the Company shall provide comparable benefits or the cash equivalent of the cost thereof (after taking into account incremental payroll and income tax consequences thereof to Executive and Executive’s dependents as the case may be) to Executive and, if applicable, Executive’s dependents through other arrangements.

(e) **Other Severance Arrangements**

Subject to Section 2.05 and except as may be otherwise specifically provided in an amendment of this Section 4.03(e) adopted in accordance with this Agreement, Executive’s rights under Section 4 shall be in lieu of any benefits that may be otherwise payable to or on behalf of Executive pursuant to the terms of the Severance Agreement or any other Company separation plans or policies or any other similar arrangement of the Company providing benefits upon termination of employment.

(f) **Time of Payments**

If the amount of any payment provided for in Section 4.01 or 4.02 cannot reasonably be calculated on or before the date on which such payment is due, the Company shall pay to Executive on such date an estimate, as calculated in good faith by the Company, of the minimum amount of such payment and shall pay the remainder of such payments when reasonably calculable.

5. **Enforcement and Equitable Remedies**

Executive consents to jurisdiction and venue in the state and federal courts in and for Johnson County, Kansas, for all disputes arising under this Agreement; provided, however, that the Company may seek injunctive relief in any court of competent jurisdiction to enjoin any violation of Sections 3.02 through 3.07 (the “Restrictive Covenants”). Executive acknowledges that the Company would be irreparably injured by a violation of the Restrictive Covenants, and he agrees that the Company, in addition to any other remedies available to it for any breach or threatened breach, shall be entitled to a preliminary or permanent injunction, temporary restraining order, or other equitable relief, restraining Executive from any actual or threatened breach of the Restrictive Covenants. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that the bond need not be more than a nominal sum. **THE COMPANY AND EXECUTIVE VOLUNTARILY WAIVE ANY RIGHT TO TRIAL BY JURY AND CONSENT TO A BENCH TRIAL OF ALL DISPUTES ARISING UNDER THIS AGREEMENT.**
If Executive materially breaches any of the Restrictive Covenants or if any of those provisions are held to be unenforceable against Executive, Executive shall return any compensation or benefits paid pursuant to Section 4. Moreover, if Executive’s breach occurs within the five-year period beginning on the “Grant Date”, as defined in the Severance Agreement, Executive shall return to the Company the stock received with respect to the Prior Awards, or, if Executive has disposed of such stock, an amount equal to the fair market value thereof on the date of disposition. This remedy is a return of consideration and shall be in addition to any other remedies. During Executive’s employment with the Company, the Committee shall determine whether Executive has materially breached the Restrictive Covenants, and the Committee’s determination shall be final.

6. Definitions
As used in this Agreement, the following terms shall have the meanings set forth below.

6.01. Actual Incentive Payout
“Actual Incentive Payout” means, with respect to a Performance Period, the product of (1) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.

6.02. Affiliate
“Affiliate” means, with respect to any person, a person, other than a Subsidiary of such person, (i) controlling, controlled by, or under common control with such person and (ii) any other person with whom such person reports consolidated financial information for financial reporting purposes. “Control” for this purpose means direct or indirect possession by one person of voting or management rights of at least 20% with respect to another person.

6.03. Base Salary
“Base Salary” shall have the meaning as defined in Section 2.01 of this Agreement.

6.04. Board
“Board” shall mean the Board of Directors of Sprint.

6.05. Capped Incentive Payout
“Capped Incentive Payout” means, with respect to a Performance Period under the Incentive Plan, the product of (1) the lesser of (a) 100% and (b) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.
6.06. Cause
Termination by the Company of Executive’s employment for “Cause” means termination upon

(i) the willful and continued failure by Executive to substantially perform his duties with the Company (other than any such failure resulting from Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the Company, which demand specifically identifies the manner in which the Company believes that Executive has not substantially performed his duties, or

(ii) the willful engaging by Executive in conduct that is a violation of the Company’s Principles of Business Conduct (or any successor code of conduct), or

(iii) the willful act, or failure to act, by Executive that is injurious to the Company, or

(iv) the willful violation by Executive of any of the Restrictive Covenants.

For purposes of this definition, no act, or failure to act, on Executive’s part shall be deemed “willful” (x) unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive’s action or omission was in the best interest of the Company, or (y) unless done, or omitted to be done, by Executive with reckless disregard for Executive’s duties. Failure to meet performance expectations, unless willful, continuing, and substantial, shall not be considered “Cause.”

6.07. Change in Control

“Change in Control” means the occurrence of any of the following events:

(i) the acquisition, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder, including, without limitation, Rule 13d-5(b)) of “beneficial ownership” (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (“voting securities”) of Sprint that represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint or by any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint, or

(B) an acquisition of voting securities by Sprint or a corporation owned, directly or indirectly, by the stockholders of Sprint in substantially the same proportions as their ownership of the stock of Sprint, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);
(ii) a change in the composition of the Board that causes less than a majority of the directors of Sprint to be directors that meet one or more of the following descriptions:

(A) a director who has been a director of Sprint for a continuous period of at least 24 months, or

(B) a director whose election or nomination as director was approved by a vote of at least two-thirds of the then directors described in clauses (ii)(A), (B), or (C) by prior nomination or election, but excluding, for the purpose of this subclause (B), any director whose initial assumption of office occurred as a result of an actual or threatened (y) election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or group other than the Board or (z) tender offer, merger, sale of substantially all of Sprint’s assets, consolidation, reorganization, or business combination that would be a Change in Control under clause (iii) on consummation thereof, or

(C) who were serving on the Board as a result of the consummation of a transaction described in clause (iii) that would not be a Change in Control under clause (iii);

(iii) the consummation by Sprint (whether directly involving Sprint or indirectly involving Sprint through one or more intermediaries) of

(x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of Sprint’s assets or (z) the acquisition of assets or stock of another entity, in each case, other than in a transaction

(A) that results in Sprint’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Sprint or the person that, as a result of the transaction, controls, directly or indirectly, Sprint or owns, directly or indirectly, all or substantially all of Sprint’s assets or otherwise succeeds to the business of Sprint (Sprint or such person, the “Successor Entity”)) directly or indirectly, at least 50% of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(B) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Board at the time of the Board’s approval of the agreement providing for the transaction or other action of the Board approving the transaction (or whose election or nomination was approved by a vote of at least two-thirds of the members who were members of the Board at that time), and
after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, no person or group shall be treated for purposes of this clause (C) as beneficially owning 30% or more of combined voting power of the Successor Entity solely as a result of the voting power held in Sprint prior to the consummation of the transaction; or

(iv) a liquidation or dissolution of Sprint.

For purposes of clarification, (x) a change in the voting power of Sprint voting securities based on the relative trading values of Sprint’s then outstanding securities as determined pursuant to Sprint’s Articles of Incorporation, or (y) an acquisition of Sprint securities by Sprint that, in either case, by itself (or in combination only with the other event listed in this sentence) causes the Sprint voting securities beneficially owned by a person or group to represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, is not to be treated as an “acquisition” by any person or group for purposes of clause (i) above. For purposes of clause (i) above, Sprint makes the calculation of voting power as if the date of the acquisition were a record date for a vote of Sprint’s shareholders, and for purposes of clause (iii) above, Sprint makes the calculation of voting power as if the date of the consummation of the transaction were a record date for a vote of Sprint’s shareholders.

6.08. CIC Benefits

“CIC Benefits” shall have the meaning as defined in Section 4.02 of this Agreement.

6.09. CIC Good Reason

“CIC Good Reason” means the occurrence, within a CIC Protected Period, of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(c) of this Agreement:

(i) a substantial adverse alteration in the nature or status of Executive’s duties from those in effect immediately before the Change in Control, any reduction in job grade or any substantial adverse alteration of Executive’s title from that in effect immediately before the Change in Control;

(ii) a reduction by the Company in Executive’s Base Salary as in effect on the Effective Date or as the same may be increased from time to time, except for across-the-board salary reductions similarly affecting all officers of the Company and all officers of any person in control of the Company;

(iii) the failure by the Company, without Executive’s consent, to pay to Executive any portion of Executive’s current compensation within seven days of the date it is
due, except pursuant to an across-the-board compensation deferral similarly affecting all officers of the Company and all officers of
any person in control of the Company;

(iv) (A) the relocation of the Company’s principal executive offices to a location outside the metropolitan area in which such offices are
located immediately before the Change in Control; or (B) the Company’s requiring Executive to be based anywhere other than the
Company’s principal executive offices except for required travel on the Company’s business to an extent substantially consistent
with Executive’s present business travel obligations; or (C) the Company’s requiring Executive to travel to an extent substantially
inconsistent with Executive’s business travel obligations as in effect immediately before the Change in Control;

(v) a substantial and involuntary adverse alteration in the physical conditions under or in which Executive is expected to perform
Executive’s duties, other than an alteration similarly affecting all officers of the Company and all officers of any person in control of
the Company;

(vi) the Company’s failure to continue in effect any compensation plan in which Executive participated immediately before the Change in
Control and that is material to Executive’s total compensation, including but not limited to the Incentive Plan or any substitute plans
adopted before the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has
been made with respect to the plan, or the Company’s failure to continue Executive’s participation therein (or in such substitute or
alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of
Executive’s participation relative to other Senior Officers, as existed at the time of the Change in Control;

(vii) the Company’s failure to continue to provide Executive with benefits substantially similar in the aggregate to those he enjoyed under
any of the Company’s benefit plans in which Executive was participating at the time of the Change in Control; the taking of any
action by the Company that would directly or indirectly materially reduce any of such benefits or deprive Executive of any material
fringe benefit enjoyed by Executive at the time of the Change in Control; or the failure by the Company to provide Executive with
the number of paid vacation days to which Executive is entitled on the basis of years of service with the Company in accordance with
the Company’s normal vacation policy in effect at the time of the Change in Control; unless, in any of the foregoing events, an
equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such benefits;

(viii) the Company’s failure to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as
contemplated in Section 7 hereof; or
the Company’s attempt to terminate Executive’s employment without complying with the procedures set forth in Section 1.04; any such attempt shall not be effective.

6.10. **CIC Protected Period**

“CIC Protected Period” means a period commencing on the date of a Change in Control and ending on the earlier to occur of (A) the two year anniversary of the date of the Change in Control or (B) the day before the End Date.

6.11. **CIC Severance Period**

“CIC Severance Period” shall have the meaning as defined in Section 4.02(i) of this Agreement.

6.12. **CIC Termination Period Incentive Payout**

“CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) Executive’s Targeted Compensation for the Termination Performance Period. The weights in the weighted average will be, for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.13. **Committee**

“Committee” means the Compensation Committee of the Board or any successor committee primarily responsible for executive compensation.

6.14. **Competitive Employment**

“Competitive Employment” means the performance of duties or responsibilities, or the supervision of individuals performing such duties or responsibilities, for a Competitor

   (i) (A) that are of a similar nature or employ similar professional or technical skills (for example, executive, managerial, marketing, engineering, legal, etc.) to those employed by Executive in his performance of services for the Company at any time during the two years before the Termination Date, and

   (B) that relate to products or services that are competitive with any of the Company’s products or services with respect to which Executive performed services for the Company at any time during the two years before the Termination Date,
or

(ii) in the performance of which, Proprietary Information to which Executive had access at any time during the two-year period before the Termination Date could be of substantial economic value to the Competitor.

6.15. Competitor

Because of the highly competitive, evolving nature of the Company’s industry, the identities of companies in competition with the Company are likely to change over time. The following tests, while not exclusive indications of what employment may be competitive, are designed to assist the parties and any court in evaluating whether particular employment is prohibited under this Agreement.

“Competitor” means any one or more of the following

(i) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenues from providing communications services of any type (for example, voice, data, including Internet, and video), employing any transmission medium (for example, wireline, wireless, or any other technology), over any distance (for example, local, long-distance, and distance insensitive services), using any protocol (for example, circuit-switched, or packet-based, such as Internet Protocol), or services or capabilities ancillary to such communications services (for example, network security services);

(ii) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company receives at least 3% of its gross operating revenues;

(iii) any person doing business in the United States, or any of its Divisions employing Executive, operating for less than 5 years a line of business from which the Company derives at least 3% of its gross operating revenues, notwithstanding such person’s or Division’s lack of substantial revenues in such line of business; or

(iv) any person doing business in the United States, or any of its Divisions employing Executive, if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company has operated for less than 5 years, notwithstanding the Company’s lack of substantial revenues in such line of business.
For purposes of the foregoing, gross operating revenues of the Company and such other person shall be those of the Company or such person, together with their Consolidated Affiliates, but those of any Division employing or proposing to employ Executive shall be on a stand-alone basis, all measured by the most recent available financial information of both the Company and such other person or Division at the time Executive accepts, or proposes to accept, employment with or to otherwise perform services for such person. If financial information is not publicly available or is inadequate for purposes of applying this definition, the burden shall be on Executive to demonstrate that such person is not a Competitor.

6.16. Consolidated Affiliate
“Consolidated Affiliate” means, with respect to any person, all Affiliates and Subsidiaries of such person, if any, with whom the financial statements of such person are required, under generally accepted accounting principles, to be reported on a consolidated basis.

6.17. Division
“Division” means any distinct group or unit organized as a segment or portion of a person that is devoted to the production, provision, or management of a common product or service or group of related products or services, regardless of whether the group is organized as a legally distinct entity.

6.18. Employment Term
“Employment Term” shall have the meaning as defined in Section 1.03 of this Agreement.

6.19. End Date
“End Date” shall have the meaning as defined in Section 1.03 of this Agreement.

6.20. Final Targeted Compensation
“Final Targeted Compensation” means the Targeted Compensation of Executive for the Termination Performance Period.

6.21. FON Common Stock
“FON Common Stock” means Sprint’s FON Common Stock, Series 1, $2.00 par value per share.

6.22. Incentive Plan
“Incentive Plan” means the Company’s Management Incentive Plan, together with other incentive compensation plans specifically approved for this purpose by the Committee.

6.23. Non-CIC Benefits
“Non-CIC Benefits” shall have the meaning as defined in Section 4.01 of this Agreement.
6.24. Non-CIC Good Reason

“Non-CIC Good Reason” means the occurrence of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(d) of this Agreement:

(i) unless the Company first offers to Executive a position having an equal or greater grade rating, reassignment of Executive from his then current position with the Company to a position having a lower grade rating, in each case under the Company’s methodology of rating employment positions for its employees generally;

(ii) a reduction within any 24-month period (other than an across-the-board reduction similarly affecting all Senior Officers) of Executive’s Targeted Total Compensation to an amount that is less than 90% of Executive’s highest Targeted Total Compensation during the 24-month period; or

(iii) the Company’s requiring that Executive be based anywhere other than the Kansas City metropolitan area.

6.25. Non-CIC Severance Period

“Non-CIC Severance Period” shall have the meaning as defined in Section 4.01(i) of this Agreement.

6.26. Non-CIC Termination Period Incentive Payout

“Non-CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) the Capped Incentive Payout for the Termination Performance Period. The weights in the weighted average will be for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the Non-CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.27. Non-Compete Period

“Non-Compete Period” means the 18-month period beginning on the Termination Date. If Executive breaches or violates any of the covenants or provisions of this Agreement, the running of the Non-Compete Period shall be extended for an additional period equal to the period the breach or violation continues.
6.28. **PCS Common Stock**

“PCS Common Stock” means Sprint’s PCS Common Stock, Series 1, $1.00 par value per share.

6.29. **Performance Measure**

“Performance Measure” means, with respect to any Performance Period, a measure, expressed as a percentage, of the extent to which the performance goals were achieved, as determined by the Committee, during the Performance Period.

6.30. **Performance Period**

“Performance Period” means a period of time under the Incentive Plan for which the Committee establishes performance goals for the Company’s business units and authorizes payment of incentive compensation based on a measure of the extent to which those goals were achieved during the period.

6.31. **Prior Awards**

“Prior Awards” shall have the meaning as defined in the fifth Recital to this Agreement.

6.32. **Post I Termination Performance Period**

“Post I Termination Performance Period” means the Performance Period immediately following the Termination Performance Period.

6.33. **Post II Termination Performance Period**

“Post II Termination Performance Period” means the Performance Period immediately following the Post I Termination Performance Period.

6.34. **Proceeding**

“Proceeding” shall have the meaning as defined in Section 3.08 of this Agreement.

6.35. **Proprietary Information**

“Proprietary Information” means trade secrets (such as customer information, technical and non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, or process) and other confidential and proprietary information concerning the products, processes, or services of the Company or the Company’s affiliates, including but not limited to: computer programs, unpatented or unpatentable inventions, discoveries or improvements; marketing, manufacturing, organizational, or research and development results and plans; business and strategic plans; sales forecasts and plans; personnel information, including the identity of other employees of the Company, their responsibilities, competence, abilities, and compensation; pricing and financial information; current and prospective customer lists and information on customers or their employees; information concerning purchases of major equipment or property; and information about potential mergers, acquisitions or other transactions which
information: (i) has not been made known generally to the public, and (ii) is useful or of value to the current or anticipated business, or research or development activities of the Company or of any customer or supplier of the Company, or (iii) has been identified to Executive as confidential by the Company, either orally or in writing.

6.36. **Restrictive Covenants**

“Restrictive Covenants” means those covenants applicable to Executive set forth in Section 3.02 through 3.07 of this Agreement.

6.37. **Senior Officer**

“Senior Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (or any successor statute or statutes there to), and the rules and regulations promulgated thereunder.

6.38. **Severance Agreement**

“Severance Agreement” shall have the meaning as defined in the fourth recital to this Agreement.

6.39. **Subsidiary**

“Subsidiary” means, with respect to any person (the “Controlling Person”), all other persons (the “Controlled Persons”) in whom the Controlling Person, alone or in combination with one or more of its Subsidiaries, owns or controls more than 50% of the management or voting rights, together with all Subsidiaries of such Controlled Persons.

6.40. **Targeted Compensation**

“Targeted Compensation” means the amount established by the Committee that would be the payout under the Incentive Plan, if the Performance Measure for the Performance Period were 100%.

6.41. **Targeted Total Compensation**

“Targeted Total Compensation” means, as of any time, the sum of Executive’s (1) Base Salary, (2) Targeted Compensation, and (3) targeted value of his annual stock option award, annual restricted stock or restricted stock unit award (ignoring the value of the options, restricted stock or restricted stock units granted before the Effective Date) as adopted by the Committee.

6.42. **Termination Date**

“Termination Date” means (i) in the case of a termination of Executive’s employment by reason of Executive’s death, Executive’s date of death, (ii) in the case of a termination of Executive’s employment by reason of a Non-CIC Good Reason, the date which is thirty (30) days after the notice of termination is given, and (iii) in all other cases, the date of any notice of termination or the date, if any, on which the notice declares itself to be effective (but in no event later than the 60th day after the date on which such notice is given).
6.43. **Termination Performance Period**

“Termination Performance Period” means the Performance Period in which Executive’s Termination Date occurs.

6.44. **Total Disability**

“Total Disability” shall have the same meaning as in Sprint’s Long-Term Disability Plan, as amended from time to time or any successor plan.

7. **Assignability, Binding Nature**

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (in the case of Executive), and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that they may be assigned or transferred to any subsidiary of Sprint or pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, but only if the assignee or transferee becomes the successor to all or substantially all of the assets of the Company and assumes the liabilities, obligations, and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale of assets or liquidation as described in the preceding sentence, it will take whatever action it legally can in order to cause the assignee or transferee to expressly assume the liabilities, obligations, and duties of the Company hereunder.

No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his rights to compensation and benefits, which may be transferred only in connection with Executive’s estate planning objectives or by will or operation of law. If Executive should die or become disabled while any amount is owed but unpaid to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid to Executive’s legal guardian or to his devisee, legatee or other designee, as the case may be, or if there is no such designee, to Executive’s estate.

8. **Amendment**

This Agreement may be amended, modified, or canceled only by mutual agreement of the parties in writing.

9. **Applicable Law**

The provisions of this Agreement shall be construed in accordance with the internal laws of the State of Kansas, without regard to the conflict of law provisions of any state.
10. Tax Withholding
All payments made pursuant to this Agreement shall be subject to applicable federal, state and local income and other withholding taxes, and to other applicable withholdings or deductions elected by Executive or otherwise required by law or judicial process.

11. Severability
The parties intend the various provisions of this Agreement to be severable and to constitute independent and distinct binding obligations. If any provision of this Agreement is determined to be invalid, illegal, or incapable of being enforced, in whole or in part, it shall not affect or impair the validity of any other provision or part of this Agreement, and the provision or part shall be deemed modified to the minimum extent required to permit enforcement. Upon such a determination that any term or other provision is invalid, illegal, or incapable of being enforced, the court or arbitrator, as applicable, shall have the authority to so modify the provision or term. If the provision or term is not modified by the court or arbitrator, the parties must negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the provisions of this Agreement are preserved to the greatest extent possible.

12. Waiver of Breach
No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by the other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of either party to take any action by reason of such breach will not deprive the party of the right to take action at any time while the breach continues.

13. Notices
Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or prepaid overnight courier to the parties at the addresses set forth below or at such other addresses as shall be specified by the parties by like notice:

If to Executive:
Robert J. Dellinger

If to the Company:
Sprint Corporation
Attn: Corporate Secretary
6200 Sprint Parkway
Overland Park, KS 66251

with copy to:
Sprint Corporation
Attn: General Counsel
6200 Sprint Parkway
Overland Park, KS 66251
or to the latest address furnished by Executive to the Company for purposes of general communications.

Each party, by written notice furnished to the other party, may modify the applicable delivery address, but any notice of change of address shall be effective only upon receipt. Such notices, demands, claims and other communications shall be deemed given in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery; or in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail, but in no event will any such communications be deemed to be given later than the date they are actually received.

14. **Survivorship**

Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties shall survive the expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement. In particular, without limiting the generality of the preceding sentence, any obligation of the Company to make payments or provide services under Section 4 shall continue beyond the end of the Employment Term and the obligations and covenants of Executive set forth in Section 3, and the rights and remedies of the Company with respect thereto, shall continue beyond the Employment Term to the extent contemplated therein.

15. **Entire Agreement**

Except as otherwise noted herein, this Agreement constitutes the entire agreement between the parties concerning the subject matter specifically addressed herein and, except for the terms and provisions of any other employee benefit or other compensation plans (or any agreements or awards thereunder) referred to herein or contemplated hereby, this Agreement supersedes

(i) all prior and contemporaneous oral agreements, if any, between the parties relating to the subject matter specifically addressed herein; and

(ii) subject to Section 2.05, the Severance Agreement.

16. **Headings**

The headings in this Agreement are for convenience of reference only and will not affect the construction of any of its provisions.

17. **Counterparts**

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

[The remainder of this page has intentionally been left blank.]
I N W ITNESS W HEREOF, the parties hereto have caused this Agreement to be duly executed as of the date set forth above.

S PRINT C ORPORATION

By: /s/ Claudia S. Toussaint

Claudia S. Toussaint, Vice President Law - Corporate Governance and Corporate Secretary

S PRINT /U NITED M ANAGEMENT C OMPANY

By: /s/ James G. Kissinger

James G. Kissinger, Senior Vice President—Human Resources

/s/ Robert J. Dellinger

Robert J. Dellinger, “Executive”
Exhibit A
Boards of Directors of For-Profit Businesses

Member of the Board of Directors of SIRVA, Inc.
Special Compensation and Non-Compete Agreement

THIS AGREEMENT is entered into as of the 12th day of August, 1997 (the “Effective Date”), by and between SPRINT CORPORATION, a Kansas corporation (“Sprint,” and it, together with its Subsidiaries, the “Employer”), and MICHAEL B. FULLER (“Employee”).

Recitals

1. Employer is engaged in the telecommunications and related businesses. This is a worldwide business that may be conducted from sites and serve customers throughout the world.
2. By virtue of his work for Employer, Employee has gained and will continue to gain additional valuable Proprietary Information of Employer.
3. Employer desires to enter into this Agreement to provide severance and other benefits for Employee in exchange for Employee’s agreement to maintain the confidentiality of certain information and to refrain from competing with Employer during and after termination of his employment with Employer.

Capitalized terms are defined in Section 6 of, or parenthetically throughout this Agreement.

NOW, THEREFORE, in consideration of the premises and of the mutual promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the parties, the parties hereby agree as follows:

1. Employment At Will.

Employee’s employment may be terminated by either party for any reason. Employee shall provide Employer with written notice of his intent to terminate at least 30 days before the effective date of the termination. Except in the event of Termination for Cause, Employer shall provide Employee with written notice of its intent to terminate Employee’s employment at least 30 days before the effective date of the termination.

2. Employee’s Covenants.

2.01 Exclusivity of Services.

Employee shall, during his employment with Employer, owe an undivided duty of loyalty to Employer and agrees to devote his entire business time and attention to the performance of those duties and responsibilities and to use his best efforts to promote and develop the business of Employer. Employee shall adhere to the conflicts of interest provisions set forth in Section 7 of the Sprint Code of Ethics (or any successor provision, which is incorporated by this reference) as in effect as of the date of this Agreement and as may be amended from time to time hereafter. The determination of the Committee as to the Employee’s compliance with this provision shall be final.
2.02 Proprietary Information.
Employee acknowledges that during the course of his employment he has learned or will learn or develop Proprietary Information. Employee further acknowledges that unauthorized disclosure or use of such Information, other than in discharge of Employee’s duties, will cause Employer irreparable harm.

Except in the course of his employment with Employer under this Agreement, in the pursuit of the business of Employer, or as otherwise required in employment with Employer, Employee shall not, during the course of his employment or at any time following termination of his employment, directly or indirectly, disclose, publish, communicate, or use on his behalf or another’s behalf, any Proprietary Information. If during or after his employment Employee has any questions about whether particular information is Proprietary Information he shall consult with Employer’s Corporate Secretary.

2.03 Non-Competition.
Employee shall not, during the Non-Compete Period, engage in Competitive Employment, whether paid or unpaid and whether as a consultant, employee, or otherwise. This provision shall not apply if, within one year following a Change in Control:

(i) Employer terminates Employee’s employment with Employer for any reason other than Termination for Cause or Total Disability; or
(ii) Employee terminates his employment with Employer upon Constructive Discharge.

If Employee ceases to be employed by Employer because of a sale, merger, divestiture, or other transaction entered into by Employer, this provision shall continue to apply during the Non-Compete Period, except that Employee’s continued employment for the subsidiary, division, or other divested unit of the Employer shall not be deemed a violation of this provision.

Employee agrees that because of the worldwide nature of Employer’s business, breach of this agreement by accepting Competitive Employment anywhere in the United States would irreparably injure Employer and that, therefore, a more limited geographic restriction is neither feasible nor appropriate to protect Employer’s interests.

2.04 Inducement of Employees, Customers and Others.
During the term of his employment and the Non-Compete Period, Employee shall not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, or customer of Employer with whom he has worked or about whom he has gained Proprietary Information to terminate his or its employment, agency, or customer relationship with Employer or to render services for or transfer business to any Competitor of Employer.
2.05 Return of Employer’s Property.
Employee shall, upon termination of his employment with Employer, return to Employer all property of Employer in his possession, including all notes, reports, sketches, plans, published memoranda or other documents, whether in hard copy or in computer form, created, developed, generated, received, or held by Employee during employment, concerning or related to Employer’s business, whether containing or relating to Proprietary Information or not. Employee shall not remove, by e-mail, by removal of computer discs or hard drives, or by other means, any of the above property containing Proprietary Information, or reproductions or copies thereof, or any apparatus from Employer’s premises without Employer’s authorization.

2.06 Exit Interview.
At Employer’s request, Employee shall participate in an exit interview prior to his Severance Date to provide for the orderly transition of his duties, to arrange for the return of Employer’s property, to discuss his intended new employment, and to discuss and complete such other matters as may be necessary to ensure full compliance with this Agreement.

2.07 Confidentiality of Agreement.
Employee shall not disclose or discuss the existence of this Agreement, the Stock-Based Award, the Special Compensation, or any other terms of the Agreement except
(i) to members of his immediate family,
(ii) to his financial advisor or attorney, but then only to the extent necessary for them to assist him,
(iii) to a potential employer on a strictly confidential basis, and then only to the extent necessary for reasonable disclosure in the course of serious negotiations, or
(iv) as required by law or to enforce his legal rights.

3. Stock-Based Award.
As partial consideration for Employee’s agreements hereunder, Employee shall be granted the Stock-Based Award on the terms set forth in this section.

3.01 Award of Restricted Stock.
Employer hereby grants to Employee an award of 7,500 shares of restricted stock under Sprint’s 1990 Restricted Stock Plan, the terms of which are hereby incorporated into this Agreement by this reference.
3.02 Lapse of Restrictions.
Employee may not sell, transfer, assign, pledge, or otherwise encumber or dispose of shares of restricted stock until the restrictions on the shares lapse. Restrictions on the shares covered by this award shall lapse, with respect to 100% of the total shares granted, on the fifth anniversary of the Effective Date.

3.03 Rights as Stockholder and Issuance of Shares.
Except as set forth in the 1990 Restricted Stock Plan, Employee shall have all rights of a stockholder with respect to the shares of restricted stock, including the right to vote the shares of stock and the right to dividends on the shares. The shares of restricted stock shall be registered in the name of the Employee and the certificates evidencing the shares shall, at Employer’s sole election, either (i) bear an appropriate legend referring to the terms, conditions, and restrictions applicable to the award or (ii) be held in escrow by the Company. Within 60 days of the Effective Date of this Agreement, the Employee shall execute a stock power or powers assigning the shares of restricted stock to Sprint, and Sprint shall hold the stock power and the certificate in escrow and may use the stock power to effect forfeiture of the restricted stock to the extent the shares are forfeited under the terms of this Agreement. Sprint shall cause the certificate evidencing unrestricted shares of common stock to be issued to the Employee as soon as practicable after the restrictions lapse on the restricted shares.

3.04 Provisions Applicable to Stock-Based Award.
(a) Acceleration of Stock-Based Award.
   (1) Conditions to Acceleration.
       The restrictions on all shares of restricted stock that have not otherwise lapsed shall lapse, if, on or after the first anniversary of the Effective Date, Employee is not in breach of this Agreement and
       (i) Employer terminates Employee’s employment with Employer for any reason other than Termination for Cause or Employee’s Total Disability or
       (ii) Employee terminates his employment with Employer by reason of Employee’s Constructive Discharge or
       (iii) Employee ceases to be employed by Employer because of a sale, merger, divestiture, or other transaction entered into by Employer.
   (2) No Acceleration on Transfer of Employment to Affiliates.
       In no event shall the restrictions lapse on restricted stock as provided in the prior section upon Employee’s ceasing employment with Employer to commence employment with an Affiliate of Sprint.
(b) **Forfeiture of Stock-Based Award on Transfer to Affiliates and on Termination of Employment in Certain Circumstances.**

Employee shall not be entitled to sell or continue to own any unvested shares of restricted stock before such restricted shares vest,

(i) Employee ceases employment with Employer and begins employment with an Affiliate of Employer,

(ii) Employer terminates Employee’s employment with Employer for any reason constituting Termination for Cause or by reason of Employee’s Total Disability, or

(iii) Employee terminates his employment with Employer for any reason other than Employee’s Constructive Discharge.

Except as to clause (iii), this provision applies regardless of what subsequent employment Employee may take.

(c) **Tax Withholding.** Employer may withhold the amount of any tax attributable to any amount payable or shares issuable under this Agreement.

4. **Payment of Special Compensation.**

In lieu of any payments or benefits available under any and all Employer severance plans or policies but not in lieu of benefits under Sprint’s Long-Term Disability Plan, Employee shall be entitled to Special Compensation plus any vacation pay for vacation accrued but not taken by Employee on his Severance Date, if

(i) Employer terminates Employee’s employment with Employer for any reason other than Termination for Cause or Total Disability or

(ii) Employee terminates his employment with Employer upon Constructive Discharge.

The payments and benefits provided for in this section shall be in addition to all other sums then payable and owing to Employee hereunder and, except as expressly provided herein, shall not be subject to reduction for any amounts received by Employee for employment or services provided to any Person other than Employer after the Severance Date and shall be in full settlement and satisfaction of all of Employee’s claims against and demands upon Employer.

Employee’s right to receive severance or other benefits pursuant to this section shall cease immediately if Employee is re-employed by Employer or Employee materially breaches this Agreement.
5. Dispute Resolution.

5.01 Jurisdiction and Venue.
Employee consents to jurisdiction and venue in the state and federal courts in and for Johnson County, Kansas, for any and all disputes arising under this Agreement, provided, however, that Employer may seek injunctive relief in any court of competent jurisdiction to enjoin any violation of the covenants under Section 2, as well as seeking damages therefor.

5.02 Remedies.
Employee acknowledges that the restraints and agreements herein provided are fair and reasonable, that enforcement of the provisions of this Agreement will not cause him undue hardship and that the provisions are reasonably necessary and commensurate with the need to protect Employer and its legitimate and proprietary business interests and property from irreparable harm.

Employee acknowledges that failure to comply with the terms of this Agreement, particularly the provisions of Section 2, will cause irreparable damage to Employer. Therefore, Employee agrees that, in addition to any other remedies at law or in equity available to Employer for Employee’s breach or threatened breach of this Agreement, Employer is entitled to specific performance or injunctive relief, without bond, against Employee to prevent such damage or breach, and the existence of any claim or cause of action Employee may have against Employer shall not constitute a defense thereto.

If Employee materially breaches any provision of Section 2 or if any of those provisions are held to be unenforceable against Employee

(i) Employee shall return any Special Compensation paid pursuant to this Agreement and

(ii) if Employee’s breach occurs within the five-year period beginning on the Effective Date of this Agreement, Employee shall return to Employer the stock received with respect to the Stock-Based Award, or, if Employee has disposed of the stock, an amount equal to the fair market value thereof on the date of disposition.

This remedy is a return of consideration and shall be in addition to any other remedies. During Employee’s employment with Employer, the Committee shall determine whether Employee has materially breached the provisions of Section 2, and the Committee’s determination shall be final.

6. Definitions.

6.01 Affiliate.
“Affiliate” means, with respect to any Person, a Person, other than a Subsidiary of such Person, (i) controlling, controlled by, or under common control with such Person and (ii) any other
Person with whom such Person reports consolidated financial information for financial reporting purposes. “Control” for this purpose means direct or indirect possession by one Person of voting or management rights of at least 20% with respect to another Person.

6.02 Change in Control.

“Change in Control” means the occurrence of any of the following events:

(i) the acquisition, without the approval of a majority of the directors described in clause (ii) of this Section 6.02, by any “person” or “group” as such terms are defined in Section 13(d) and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder other than

(A) a trustee or other fiduciary holding securities under an employee benefit plan of Sprint or

(B) Sprint or a corporation owned, directly or indirectly, by the stockholders of Sprint in substantially the same proportions as their ownership of stock of Sprint

of securities of Sprint representing 20% or more of the combined voting power of Sprint’s then outstanding securities; or

(ii) at the end of any two-year period, less than a majority of the directors of Sprint are directors

(A) who were directors of Sprint at the beginning of the two-year period or

(B) whose election or nomination as director was approved by a vote of 2/3’s of the then directors described in clause (ii) of this Section 6.02 by prior nomination or election; or

(iii) the shareholders of Sprint approve a merger, consolidation, liquidation or dissolution of Sprint, or a sale of all or substantially all of the assets of Sprint without approval of a majority of the directors described in clause (ii) of this Section 6.02.

6.03 Committee.

“Committee” means the Organization, Compensation, and Nominating Committee of Sprint’s board of directors.

6.04 Competitive Employment.

“Competitive Employment” means the performance of duties or responsibilities for a Competitor of Employer
(i) that are of a similar nature or employ similar professional or technical skills (e.g., marketing, engineering, legal, etc.) to those employed by Employee in his performance of services for Employer at any time during the two years before the Severance Date,

(ii) that relate to products or services that are competitive with Employer’s products or services with respect to which Employee performed services for Employer at any time during the two years before the Severance Date, or

(iii) in the performance of which Proprietary Information to which Employee had access at any time during the two-year period before the Severance Date could be of substantial economic value to the Competitor of Employer.

6.05 Competitor of Employer.

Because of the highly competitive, evolving nature of Employer’s industry, the identities of companies in competition with Employer are likely to change over time. The following tests, while not exclusive indications of what employment may be competitive, are designed to assist the parties and any court in evaluating whether particular employment is prohibited under this Agreement. A Sprint Affiliate shall not be a Competitor of Employer.

“Competitor of Employer” means:

(i) any Person doing business in the United States whose primary business is providing local or long distance telephone or wireless service;

(ii) any Person doing business in the United States who, together with its Consolidated Affiliates, receives more than 15% of its gross operating revenue from a line of business in which Employer, together with its Consolidated Affiliates, receives more than 15% of its gross operating revenues, all as measured by the most recent available financial information of both Employer and such other Person, at the time Employee accepts, or proposes to accept, employment with or to otherwise perform services for such Person;

(iii) any Person doing business in the United States and operating, for less than 5 years, a line of business from which Employer derives more than 15% of its gross operating revenues, notwithstanding such Person’s lack of substantial revenues in such line of business; and

(iv) any Person doing business in the United States, who receives more than 15% of its gross operating revenue from a line of business in which Employer has operated for less than 5 years, notwithstanding Employer’s lack of substantial revenues in such line of business.

If financial information is not publicly available or is inadequate for purposes of applying this definition, the burden shall be on the Employee to demonstrate that such Person is not a Competitor of Employer.
6.06 Consolidated Affiliate.
“Consolidated Affiliate” means, with respect to any person, all Affiliates and Subsidiaries of such person, if any, with whom the financial statements of such person are required, under generally accepted accounting principles, to be reported on a consolidated basis.

6.07 Constructive Discharge.
“Constructive Discharge” means termination by the Employee of his employment with the Employer by written notice given within 60 days following one or more of the following events:
(i) unless Employer first offers to Employee a position having an equal or greater grade rating, reassignment of Employee from his then current position with Employer to a position having a lower grade rating, in each case under Employer’s methodology of rating employment positions for its employees generally;
(ii) a reduction in Employee’s targeted total compensation by more than 10% other than by an across-the-board reduction affecting substantially all similarly situated employees of Employer; or
(iii) a change in the Employee’s base employment area to anywhere other than the Kansas City metropolitan area within one year following a Change in Control.

6.08 Non-Compete Period.
“Non-Compete Period” means the 18-month period beginning on Employee’s Severance Date. If Employee breaches or violates any of the covenants or provisions of this Agreement, the running of the Non-Compete Period shall be tolled during the period the breach or violation continues.

6.09 Person.
“Person” means any individual, corporation, partnership, association, company, or other entity.

6.10 Proprietary Information.
“Proprietary Information” means trade secrets (such as customer information, technical and non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, process) and other confidential and proprietary information concerning the products, processes, or services of Employer or Employer’s Affiliates, including but not limited to: computer programs, unpatented or unpatentable inventions, discoveries or improvements; marketing, manufacturing, or organizational research and development results and plans; business and strategic plans; sales forecasts and plans; personnel information, including the identity of other employees of Employer, their responsibilities, competence, abilities, and compensation; pricing and financial information; current and prospective customer lists and information on customers or their employees; information concerning purchases of major equipment or property; and information about potential mergers or acquisitions which information: (i) has not been made
generally to the public; and (ii) is useful or of value to the current or anticipated business, or research or development activities of Employer or of any customer or supplier of Employer, or (iii) has been identified to Employee as confidential by Employer, either orally or in writing.

6.11 Severance Date.

“Severance Date” means the last day on which Employee actually performs services as an employee of Employer.

6.12 Severance Period.

“Severance Period” means the 18-month period beginning on Employee’s Severance Date.

6.13 Special Compensation.

“Special Compensation” means Employee’s right

(i) to continue to receive during the Severance Period periodic compensation at the same rate as his base salary in effect at the Employee’s Severance Date;

(ii) to receive bonuses under one or more of Sprint’s Management Incentive Plan, Executive Management Incentive Plan, and Sales Incentive Compensation Plan in which Employee participated on the Severance Date (together with other incentive compensation plans specifically approved for this purpose by the Committee, the “Short-Term Incentive Plans”) based on the Employee’s target amount under such plans on the Severance Date, and assuming achievement of performance targets under the Short-Term Incentive Plans of

(A) the actual performance level for periods before the beginning of the Severance Period and

(B) the lesser of (a) the actual performance level during the Severance Period and (b) 100% of targeted performance during the Severance Period,

pro-rating the foregoing performance levels under the Short-Term Incentive Plans based on the ratio of the amount of time in each of the foregoing time periods to the amount of time in the whole performance period under each Short-Term Incentive Plan;

(iii) to receive an award under the Long Term Incentive Plan and the Executive Long Term Incentive Plan (the (“Long-Term Incentive Plans”), assuming achievement of performance targets under the Long-Term Incentive Plans of

(A) the actual performance level for periods before the beginning of the Severance Period and

(B) 0% of targeted performance during the Severance Period,
pro-rating the foregoing performance levels under the Long-Term Incentive Plans based on the ratio of the amount of time in each of the foregoing time periods to the amount of time in the whole performance period under each Long-Term Incentive Plan;

(iv) to continue to participate throughout the Severance Period in all group health plans (as defined in Code section 106(b)(3) or any successor provision of the Internal Revenue Code of 1986, as amended, including but not limited to any medical and dental) that Employer continues to make available to Employer’s employees generally and that Employee was participating in on his Severance Date, except that participation in those plans after Employee becomes employed full-time during the Severance Period shall immediately cease unless Employee elects to continue coverage under the COBRA continuation provisions of any group health plan by paying the applicable premium therefor;

(v) to continue to participate throughout the Severance Period in all group life insurance and qualified or non-qualified retirement plans that Employer continues to make available to Employer’s employees generally and that Employee was participating in on his Severance Date;

(vi) to receive out-placement counseling by a firm selected by Employer to continue until Employee becomes employed;

(vii) to continue to receive throughout the Severance Period all executive perquisites (including automobile allowance, long distance services and all miscellaneous services) Employee was entitled to receive on the Severance Date except country club membership dues and accrual of vacation; and

(viii) to have the end of the Severance Period treated as Employee’s termination date for purposes of Sprint’s employee stock option plans and restricted stock plans.

Employee shall not be entitled to participate in Sprint’s long- and short-term disability plan after the Severance Date.

6.14 Stock-Based Award.

“Stock-Based Award” means the award of restricted stock under Section 3 of this Agreement.

6.15 Subsidiary.

“Subsidiary” means, with respect to any Person (the “Controlling Person”), all other Persons (the “Controlled Persons”) in whom the Controlling Person, alone or in combination with one or more of its Subsidiaries, owns or controls more than 50% of the management or voting rights, together with all Subsidiaries of such Controlled Persons.
6.16 *Termination for Cause.*

“Termination for Cause” means termination by Employer of Employee’s employment because of

(i) conduct by the Employee that violates the Employer’s code of ethics or reflects adversely on the Employee’s honesty or

(ii) Employee’s willful engagement in conduct that is materially injurious to the Employer.

Termination for failure to meet performance expectations, unless willful, continuing and substantial, shall not be deemed a Termination for Cause.

6.17 *Total Disability.*

“Total Disability” shall have the same meaning as in Sprint’s Long Term Disability Plan, as amended from time to time.

7. **General Provisions.**

7.01 *Obligations to Survive Termination of Employment.*

Employee’s obligations under this Agreement shall survive his termination of employment with Employer.

7.02 *Binding Effect.*

This Agreement shall be binding upon and inure to the benefit of Employee’s executors, administrators, legal representatives, heirs, and legatees and to Employer’s successors and assigns.

7.03 *Partial Invalidity.*

The various provisions of this Agreement are intended to be severable and to constitute independent and distinct binding obligations. Should any provision of this Agreement be determined to be void and unenforceable, in whole or in part, it shall not be deemed to affect or impair the validity of any other provision or part thereof, and such provision or part thereof shall be deemed modified to the extent required to permit enforcement. Without limiting the generality of the foregoing, if the scope of any provision contained in this Agreement is too broad to permit enforcement to its full extent, but may be enforceable by limitations thereon, such provision shall be enforced to the maximum extent permitted by law, and Employee hereby agrees that such scope may be judicially modified accordingly.

7.04 *Waiver.*

The waiver by either party of a breach of any provision of this Agreement by any other party shall not operate or be construed as a waiver of any subsequent breach.
7.05 Prior Agreements Merged into Agreement.
This Agreement represents the entire understanding of the parties and, to the extent that there is any conflict, supersedes all other agreements with respect to the subject matter hereof.

7.06 Notices.
Any notice or other communication required or permitted to be given hereunder shall be determined to have been duly given to any party
(i) upon actual receipt at the address of such party specified below if delivered personally or by regular U.S. mail;
(ii) upon receipt by the sender of a “GOOD” or “OK” confirmation of transmission if transmitted by facsimile, but only if a copy is also sent by regular mail or courier;
(iii) when delivery is certified if sent as certified mail, return receipt requested, addressed, in any case to the party at the following addresses:

If to Employee: Michael B. Fuller

If to Employer: Sprint Corporation
Attn: Corporate Secretary
6200 Sprint Parkway
Overland Park, KS 66251
FAX: (913) 794-0144

or to such other address or telex number as any party may designate by written notice in the aforesaid manner, or with respect to Employee, such address as Employee may provide Employer for purposes of its human resources database.

7.07 Governing Law.
Because Employer’s business is headquartered in Kansas, and to ensure uniformity of enforcement of this Agreement, the validity, interpretation, and enforcement of this Agreement shall be governed by the laws of the State of Kansas.

7.08 Number and Gender.
Wherever the context requires, each term stated in either the singular or plural shall include the singular and the plural, and the pronouns stated in either the masculine, the feminine, or the neuter gender shall include the masculine, feminine, or neuter as appropriate.
7.09 Headings.
The headings of the Sections of this Agreement are for reference purposes only and do not define or limit, and shall not be used to interpret or construe the contents of this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and effective as of August 12, 1997.

SPRINT CORPORATION

/s/ Michael B. Fuller

By: /s/ Don A. Jensen

Michael B. Fuller, Employee

Don A. Jensen, Vice President and Secretary
CONTINGENCY EMPLOYMENT AGREEMENT

by and between

SPRINT CORPORATION

(the “Company”)

and

Michael B. Fuller

("you")

Dated as of August 12, 1997
TABLE OF CONTENTS

1. TERM OF AGREEMENT 3
2. DUTIES DURING EMPLOYMENT 3
3. RIGHTS ACCRUED THROUGH DATE OF TERMINATION 3
4. BENEFIT PACKAGE 3
5. [DELETED] 4
6. TIME OF PAYMENTS. 4
   ( I ) TIMING 4
   ( II ) EXCESS PAYMENTS CONSTITUTE LOAN. 4
7. LUMP SUM ELECTION 4
8. NO MITIGATION OR OFFSETS 4
9. SUCCESSOR ASSUMPTION OF AGREEMENT 5
10. BENEFITS TO PERSONAL REPRESENTATIVES 5
11. NOTICE 5
12. [DELETED] 5
13. RESOLUTION OF CONTROVERSIES 5
14. MISCELLANEOUS 6
15. DEFINITIONS AND DETAILED PROVISIONS 6
   ( I ) CHANGE IN CONTROL OF THE COMPANY 6
       (a) Actual Change in Control of the Company 6
       (b) Potential Change in Control of the Company. 7
   ( II ) RETIREMENT 7
   ( III ) CAUSE 7
   ( IV ) GOOD REASON 8
       (A) Change in Duties, Reporting, Status 8
       (B) Reduction in Salary Base 8
       (C) Failure to Pay You Currently 8
       (D) Relocation, Substantial Change in Travel Obligations 8
       (E) Substantial Change in Physical Working Conditions 8
       (F) Noncontinuation of Compensation Plans 8
1
| (G) Noncontinuation of Benefit Plans                  | 9 |
| (H) Non-Assumption by Successor                      | 9 |
| (I) Attempted Termination                            | 9 |
| (V) BENEFIT PACKAGE                                  | 9 |
| (A) Payments in Lieu of Salary                       | 9 |
| (B) Payments in Lieu of Incentive Compensation       | 9 |
| (C) Savings, Deferred Compensation and Other Plans   | 9 |
| (D) Retirement Benefits                              | 10|
| (E) Medical, Dental, Insurance, Disability Insurance | 10|
| (F) Attorney Fees and Expenses                       | 10|
| (G) Outplacement Fees                                | 10|
| (H) Tax Reimbursement                                | 11|

EXHIBIT A 12
1. **TERM OF AGREEMENT**

This Agreement shall commence on the date hereof and shall continue in effect through August 12, 2000; provided, however, that commencing on August 13, 2000, and each third August 13 thereafter, the term of this Agreement shall automatically be extended for three additional years unless, not later than August 13 of that year, the Company shall have given notice that it does not wish to extend this Agreement; provided, further, if “a change in control of the Company” (as defined in Section 15(i)) shall have occurred during the original or extended term of this Agreement, this Agreement shall continue in effect for a period of thirty-six (36) months beyond the month in which such change in control occurred; provided, further, this Agreement shall terminate on the earliest of the date you reach age 65, the date you actually retire, or the Agreement otherwise lapses as set forth in this paragraph. The obligations of the Company to make payments hereunder shall survive the expiration of the term of this Agreement.

2. **DUTIES DURING EMPLOYMENT**

You agree that while you are employed by Sprint Corporation (the “Company”), you shall devote your full time and best efforts exclusively to the business and affairs of the Company and do your utmost to promote its interests. All references in this Agreement to employment with the Company shall be deemed to include employment with Sprint/United Management Company (the “Management Company”) or any other affiliate of the Company (the “Employer Company”). Related references to the Company or Employer Company shall be deemed to include the Management Company or other employer affiliate of the Company as the context requires, and such interpretation shall not be construed to limit the obligations of the Company under this Agreement. It is understood that you will receive no benefits under this Agreement unless and until there is a change in control of the Company and your employment is terminated thereafter (other than by reason of your death or retirement at age 65) by you for Good Reason (as defined in Section 15(iv)) or by the Company without Cause (as defined in Section 15(iii)).

3. **RIGHTS ACCRUED THROUGH DATE OF TERMINATION**

This Agreement shall not reduce, impede or hinder any rights which you accrue as a result of your performance of services as an employee of the Employer Company. If your employment is terminated following a change in control of the Company, the Company shall pay you your salary through the Date of Termination at the rate in effect at the time Notice of Termination is given, plus all other amounts and benefits to which you are entitled under the Company’s disability, retirement, insurance and all other benefit and compensation programs then in effect in accordance with the terms of such programs. “Date of Termination” shall mean the 30th day after Notice of Termination (as defined in Section 11) is given.

4. **BENEFIT PACKAGE**

Within three years following a change in control of the Company if your employment by the Employer Company shall be terminated (in circumstances other than normal retirement or death) (a) by the Company other than for Cause, or (b) by you for Good Reason, then you shall be entitled to the following payments and benefits (all as provided in Section 15(v)):

- (A) 35 months’ salary payments at highest monthly base salary;
- (B) 3 payments based on annual short-term and long-term incentive payments;
- (C) (1) Deferred Compensation: interest rate of 3% plus Moody’s Index rate
  - (2) Benefits under Key Management Benefit Plan
(3) Savings Plan, Nonvested Company Contribution

(D) Retirement Benefits:
(1) 3 years’ service credit based on the Company Pension Plan
(2) Post-retirement benefits if you are age 55 or have 10 years’ service
(3) Maximum benefits under any individual Pension Supplemental Agreements
(4) No Early Retirement Reduction based on the Company Pension Plan

(E) Continuation of medical, dental, life insurance and disability coverages for 35 months, or until you are reemployed

(F) Payment of attorney fees and expenses connected with enforcing this Agreement

(G) Payment of Outplacement Fees

5. [DELETED]

6. **Time of Payments**

(i) Timing
The payments provided for in Section 15(v), (A) and (B), shall be made commencing not later than the fifth day following the Date of Termination, provided, however, that if the amount of payments to be made on the first payment date cannot be calculated on or before such day, the Company shall pay to you on such day an estimate, as calculated in good faith by the Company, of the minimum amount of such payments and shall pay the remainder of such payments due on such date (together with interest at the rate provided in Section 280G(d)(4) of the Code) as soon as the amount thereof can be calculated but in no event later than the sixtieth day after the Date of Termination.

(ii) Excess Payments Constitute Loan.
In the event that any estimated payment is determined to be in excess of the amount due, such excess shall constitute a loan by the Company to you, payable on the 90th day after demand by the Company (together with interest at the rate provided in Section 280G(d)(4) of the Code).

7. **Lump Sum Election**
You shall have the right to elect to have all or a portion of the payments to be made pursuant to paragraph (A) or (B) of Section 15(v) paid in a lump sum. If you make this election, the amount paid to you shall equal the present value of the payments or portion thereof, as calculated by the Company’s independent auditors using the discount rate specified in Section 280G(d)(4) of the Code.

8. **No Mitigation or Offsets**
You shall not be required to mitigate the amount of any payment by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for be reduced by any compensation earned by you as the result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by you to the Company, or otherwise, except as specifically provided in this Agreement.
9. **SUCCESSOR ASSUMPTION OF AGREEMENT**

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. Failure of the Company to obtain such assumption and agreement as of the effectiveness of any such succession shall be a breach of this Agreement and shall entitle you to compensation from the Company in the same amount and on the same terms hereunder as if you had terminated your employment for Good Reason following a change in control of the Company, provided you give Notice of Termination within 90 days after the effective date of such succession. As used in this Agreement, “Company” shall mean the Company as hereinafore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. **BENEFITS TO PERSONAL REPRESENTATIVES**

This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. All benefits hereunder shall be subject to your beneficiary designations in effect under the appropriate benefit plan with reference to which you have elected to receive benefits; such designations are incorporated by reference as if fully set forth in this Agreement. If you should die, all amounts payable to you hereunder shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

11. **NOTICE**

Any purported termination of this Agreement or of your employment by the Employer Company or by you shall be communicated by written Notice of Termination to the other party hereto. “Notice of Termination” shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. Notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notice to the Company shall be directed to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

12. **DELETED**

13. **RESOLUTION OF CONTROVERSIES**

You shall be entitled to seek specific performance of your right to be paid to the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement. All other disputes, claims or controversies arising under or in connection with this Agreement shall be settled exclusively by binding arbitration in the greater Kansas City area in accordance with the rules of the American Arbitration Association then in effect; provided, however, that three arbitrators shall be appointed, one by the Company, one by you and the third of whom shall be appointed by the first two arbitrators.
14. MISCELLANEOUS

(i) No provisions of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing.

(ii) No waiver by either party hereto at any time of any breach by the other party hereto of, or in compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

(iii) No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement.

(iv) The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Kansas.

(v) All references to sections of the Securities Exchange Act of 1934 (“Exchange Act”) or the Internal Revenue Code (“Code”) shall be deemed also to refer to any successor provisions to such sections. All references to provisions of the Company’s Pension Plan and all other Company benefit plans shall be deemed also to refer to amended provisions of such plans and to provisions of successor or substitute plans.

(vi) Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law.

(vii) Captions are intended for reference only and shall not constitute a part of this Agreement.

(viii) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(ix) This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(x) The Company shall take every reasonable step necessary to maximize the payments and benefits received or to be received by you in connection with a change in control of the Company (whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company, with any person whose actions result in a change in control or with any person affiliated with the Company or such person) (collectively “Total Payments”).

15. DEFINITIONS AND DETAILED PROVISIONS

(i) Change in Control of the Company

(A) Actual Change in Control of the Company

For purposes of this Agreement, a “change in control of the Company” shall be deemed to have occurred if (A) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company, and other than the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company’s then outstanding securities; or (B) during any period of two consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board of Directors of the Company (the “Board”) and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (A) of this
Subsection) whose election by the Board or nomination for election by the Company’s stockholders was approved by a vote of at least two-thirds (\( \frac{2}{3} \)) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof.

(B) Potential Change in Control of the Company.

For purposes of this Agreement, a “potential change in control of the Company” shall be deemed to have occurred if (A) the Company enters into an agreement, the consummation of which would result in the occurrence of a change in control of the Company, (B) any person (including the Company) publicly announces an intention to take or to consider taking actions which if consummated would constitute a change in control of the Company; (C) any person, other than a trustee or other fiduciary holding securities under an employee benefit plan of the Company who is or becomes the beneficial owner, directly or indirectly, of securities of the Company representing 10% or more of the combined voting power of the Company’s then outstanding securities, increases his beneficial ownership of such securities by 5% or more over the percentage so owned by such person on the date hereof; or (D) the Board adopts a resolution to the effect that, for purposes of this Agreement, a potential change in control of the Company has occurred.

(ii) Retirement

Termination of your employment based on “Retirement” shall mean termination in accordance with the Company’s Pension Plan or in accordance with any retirement arrangement established with your written consent with respect to you.

(iii) Cause

Termination by the Employer Company of your employment for “Cause” shall mean termination upon (A) the willful and continued failure by you to substantially perform your duties with the Employer Company (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure after the issuance of a Notice of Termination by you for Good Reason) after a written demand for substantial performance is delivered to you, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or (B) the willful engaging by you in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise. For purposes of this Subsection, no act, or failure to act, on your part shall be deemed “willful” unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company. Notwithstanding the foregoing, you shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters (\( \frac{3}{4} \)) of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice to you and an opportunity for you, together with your counsel, to be heard before the Board), finding that in the good faith opinion of the Board you were guilty of conduct set forth above in clauses (A) or (B) of the first sentence of this subsection and specifying the particulars thereof in detail. Delivery of such Resolution shall constitute Notice of Termination for cause by the Company.
You shall be entitled to terminate your employment for Good Reason, except that you shall not be entitled to give Notice of Termination during any period in which you are unable to substantially perform your duties with the Employer Company due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason hereunder. For purposes of this Agreement, “Good Reason” shall mean, without your express written consent, the occurrence of any of the following circumstances unless such circumstances are fully corrected prior to the Date of Termination specified in the Notice of Termination given in respect thereof:

(A) Change in Duties, Reporting, Status

the assignment to you of any duties inconsistent with your status as an officer of the Company or a substantial adverse alteration in the nature or status of your responsibilities from those in effect immediately prior to the change in control of the Company or any downgrading of your position from that in effect immediately prior to the change in control of the Company;

(B) Reduction in Salary Base

a reduction by the Company in your annual base salary as in effect on the date hereof or as the same may be increased from time to time except for across-the-board salary reductions similarly affecting all officers of the Company and all officers of any business entity or entities in control of the Company;

(C) Failure to Pay You Currently

the failure by the Company or Employer Company, without your consent, to pay to you any portion of your current compensation within seven (7) days of the date such compensation is due except pursuant to an across-the-board compensation deferral similarly affecting all officers of the Company and all officers of any business entity or entities in control of the Company;

(D) Relocation, Substantial Change in Travel Obligations

(1) the relocation of the Company’s principal executive offices to a location outside the metropolitan area in which such offices are located immediately prior to the change in control of the Company; or

(2) the Company’s requiring you to be based anywhere other than the Company’s principal executive offices except for required travel on the Company’s business to an extent substantially consistent with your present business travel obligations; or

(3) the Company’s requiring you to travel to an extent substantially inconsistent with your present business travel obligations;

(E) Substantial Change in Physical Working Conditions

a substantial adverse alteration in the physical conditions under or in which you are expected to perform your duties other than an alteration similarly affecting all officers of the Company and all officers of any person in control of the Company;

(F) Noncontinuation of Compensation Plans

the failure by the Company to continue in effect any compensation plan in which you participate immediately prior to the change in control of the Company which is material to your total compensation, including but not limited to the Company’s Short-term and Long-term Incentive Plans or any substitute plans adopted prior to the change in control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or the failure by the Company to continue your participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed at the time of the change in control;
(G) Noncontinuation of Benefit Plans
the failure by the Company to continue to provide you with benefits substantially similar to those enjoyed by you under any of the Company’s plans, including but not limited to the Company’s Pension Plan, Stock Option Plan, Savings Plan, Supplemental Employee Retirement Agreement, Key Management Benefit Plan, Executive Deferred Compensation Plan, life insurance, medical, health and accident, or disability plans in which you were participating at the time of the change in control of the Company; the taking of any action by the Company which would directly or indirectly materially reduce any of such benefits or deprive you of any material fringe benefit enjoyed by you at the time of the change in control of the Company; or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company’s normal vacation policy in effect at the time of the change in control of the Company; unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such benefits;

(H) Non-Assumption by Successor
the failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 9 hereof; or

(I) Attempted Termination
any attempted termination of your employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Sections 11 and 15(iii) above; for purposes of this Agreement, no such attempted termination shall be effective.

(v) Benefit Package

(A) Payments in Lieu of Salary
In lieu of any further salary payments to you for periods subsequent to the Date of Termination, the Company shall pay to you monthly (for a period of 35 months or until the month in which you reach 65 years of age, whichever first occurs) a monthly payment equal to your highest monthly base salary (including any deferred amounts) paid during the 36-month period prior to the Date of Termination.

(B) Payments in Lieu of Incentive Compensation
In lieu of any payments under, and notwithstanding any provisions of the long-term and short-term incentive plans, the Company shall pay to you in three equal installments on the first day of the 13th, 25th and 35th months following the Date of Termination an amount equal to the sum of (i) the highest short-term incentive payment and (ii) the highest long-term incentive payment received by you during the 36-month period prior to the Date of Termination under the long-term and short-term incentive plans.

(C) Savings, Deferred Compensation and Other Plans

(1) Deferred Compensation Interest Rate
For purposes of the Executive Deferred Compensation Plan, notwithstanding any provision to the contrary in such plan, the rate at which interest will be credited to your Deferred Compensation Account AA (as defined in such plan) will be equal to the Moody’s Index plus 3% (as defined in such plan) or the maximum interest rate allowed under such Plan if and as amended.

9
(2) Key Management Benefit Plan Benefits
For purposes of the Key Management Benefit Plan, even if you are not 60 years of age on the Date of Termination, you shall be deemed to have remained a Key Executive (as defined in such plan) until age 60.

(3) Savings Plan, Nonvested Company Contribution
Notwithstanding anything in the Company Savings Plan, you shall be entitled to receive the nonvested portion of your Company Contribution Account as of the Date of Termination.

(D) Retirement Benefits
In addition to the retirement benefits to which you are entitled under the Company’s Pension Plan or any successor plans thereto:

(1) you will be credited with three years of additional service at your highest annual compensation rate during the term of this Agreement for purposes of determining the amount of your pension;

(2) if you are at least 55 years of age or have 10 years of credited pension service at the Date of Termination, you will, at the time of your retirement, receive the life and medical post-retirement benefits that would be due to a retiree under the Company’s Pension Plan;

(3) for purposes of any Supplemental Employee Retirement Agreement, if applicable, you shall be credited as of the Date of Termination with the maximum number of years of service at your highest annual compensation rate during the term of this Agreement potentially available to you under such agreement; and

(4) if you take early retirement, the Company shall supplement your pension so that you are, notwithstanding the Company’s Pension Plan early retirement provisions, not subject to any early retirement pension reduction.

(E) Medical, Dental, Insurance, Disability Insurance
For a thirty-five (35) month period after Termination, the Company shall arrange to provide you with or reimburse you for life, disability, medical and dental insurance coverages substantially similar and at the same cost to you as those which active employees at the same grade level receive during such period, provided, however, such coverages shall cease immediately if you obtain subsequent employment.

(F) Attorney Fees and Expenses
The Company also shall pay to you all reasonable legal fees and expenses incurred by you in seeking to obtain or enforce any right or benefit provided by this Agreement. Such payments shall be made within five (5) days after your request for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.

(G) Outplacement Fees
The Company shall also pay to you all fees and expenses incurred by you for the services of a recognized outplacement firm of your selection. Such payments shall be made within five (5) days after your request for payment accompanied with such evidence of fees and expenses incurred as the Company reasonably may require.
(H) Tax Reimbursement

If the benefits provided under this Agreement, either alone or together with other benefits you receive from the Company, would constitute an “excess parachute payment,” as defined in Section 280G of the Code, the Company shall pay you an additional amount such that the net amount retained by you after payment of any excise tax that would be imposed by Section 4999 of the Code (Excise Tax) and any federal, state and local income tax, FICA tax and Excise Tax payable with respect to the payment provided for in this subsection 15(v)(H), shall be equal to the benefits provided for under this Agreement. For the purpose of determining the amount of the payment provided for in this subsection, you shall be deemed to pay federal, state and local income taxes at the highest marginal rates in effect as of the Date of Termination and the calculation of federal income tax shall take into account the deduction of any state and local income taxes.

IN WITNESS WHEREOF, you and the Company have executed this Agreement as of the 12th day of August, 1997.

SPRINT CORPORATION

By: /s/ Don A. Jensen

[Authorized Officer]

/s/ Michael B. Fuller

Michael B. Fuller

Agreed to as of the 12th day of August, 1997
EXHIBIT A
LUMP SUM ELECTION

I hereby elect to take the following portion of any Severance Payments to be made to me pursuant to paragraph (A) or (B) of Sections 4 and 15 (v) of this Agreement in a lump sum in accordance with Section 7: 100% of payments under paragraph (A); 100% of payments under paragraph (B). The remainder of such payments shall be paid pro rata in accordance with Section 15(v)(A) or 15(v)(B), respectively.

/s/ Michael B. Fuller

Michael B. Fuller
Amendment Number 1 to Contingency
Employment Agreement

THIS AMENDMENT is entered into between SPRINT CORPORATION ("Sprint") and MICHAEL B. FULLER ("you") as an amendment to the Contingency Employment Agreement between Sprint and you, dated August 12, 1997 (the "Agreement").

Recitals

1. You and Sprint have entered into this amendment to clarify the wording of the Agreement with respect to the application of Code Section 280G to the Agreement.

2. In addition, you and Sprint have agreed to a modification of the definition of the term "change in control of the Company" as used in the Agreement to reflect certain changes in the equity structure of Sprint since the original date of the Agreement.

1. Modification Relating to Code Section 180G.

The Agreement is amended by

(i) Changing Section 15(v)(H), to read as follows:

   (H) **Tax Reimbursement**

   If the benefits provided under this Agreement together with other benefits, if any, you receive from the Company constitute "excess parachute payments," (the "Affected Benefits") as defined in Section 280G of the Code, the Company shall pay you an additional amount such that the net amount retained by you after payment of any excise tax that would be imposed by Section 4999 of the Code (the "Excise Tax") and any federal, state and local income tax, FICA tax and Excise Tax payable with respect to the payment provided for in this subsection 15(v)(H), shall equal the amount the Affected Benefits would have been in the absence of the Excise Tax. For the purposes of determining the amount of the payment provided for in this subsection, you shall be deemed to pay federal, state and local income taxes at the highest marginal rates in effect as of the Date of Termination and the calculation of federal income tax shall take into account the deduction of any state and local income taxes.

(ii) Deleting Section 15(i)(B).

(iii) Adding Section 15(v)(I) to read as follows:

   (I) **Removal of 180G Limitations for Other Benefits**

   If (i) this Agreement remains in effect at the time of any change in control of the Company or other change in the equity structure of the Company that would
result in the acceleration of benefits under the Company’s stock option plans, restricted stock plans, or other benefit plans of the Company, except that such plans or agreements under such plans limit acceleration to amounts deductible by the Company under Code Section 280G (or any successor provision) and (ii) within 3 years following any such change in control of the Company, the Company terminates your employment other than for Cause or you terminate your employment for Good Reason, then such limitations shall not apply to you.

2. **Definition of Change in Control.**

   Section 15(i)(A) of the Agreement is restated in its entirety to read as follows:

   For purposes of this Agreement, a “change in control of the Company” means a “Change in Control” as defined at the time of any such event by the Company’s 1990 Stock Option Plan or any successor plan thereto. If at any time no such plan is in effect, the definition as set forth in the last such plan to be in effect shall control this Agreement.

IN WITNESS WHEREOF, you and Sprint have executed this Amendment as of June 30, 1999.

SPRINT CORPORATION

By: /s/ Don A. Jensen

Don A. Jensen, Vice President and Secretary

/s/ Michael B. Fuller

Michael B. Fuller
### MID-CAREER PENSION ENHANCEMENT
under the
SPRINT SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

<table>
<thead>
<tr>
<th>Executive</th>
<th>When Granted</th>
<th>Years Credited</th>
<th>When Credited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Michael B. Fuller, President – Local Telecommunications Division</td>
<td>4/20/99</td>
<td>6</td>
<td>fully credited; will vest at age 60</td>
</tr>
</tbody>
</table>

The Sprint Supplemental Executive Retirement Plan, as amended, was filed as Exhibit 10(l) to the Sprint Corporation Annual Report on Form 10-K/A for the year ended December 31, 2001 and is incorporated herein by reference.
Employment Agreement
(With Enhanced Change-in-Control Benefits)

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is dated as of December 3, 2003 (the “Effective Date”), by and among SPRINT CORPORATION, a Kansas corporation (“Sprint”), SPRINT/UNITED MANAGEMENT COMPANY, a Kansas corporation and subsidiary of Sprint (“SUMC”) (Sprint, SUMC and the subsidiaries of Sprint are collectively referred to herein as the “Company”), and THOMAS A. GERKE (“Executive”).

Recitals

1. Because the Company is mindful of Executive’s substantial contributions to the Company and of his attractiveness in the competitive marketplace, both within and outside of the telecommunications industry, it desires to insure his continued employment with the Company, it desires to encourage him to maintain and increase his ownership of Company stock, and it desires to provide him appropriate compensation arrangements that continue to motivate him to focus on and increase shareholder value.

2. Executive has been, and now is, serving as Executive Vice President—General Counsel and External Affairs.

3. The Company desires to secure the continued long-term employment of Executive.

4. Executive and the Company entered into a Special Compensation and Non-Compete Agreement, dated December 9, 1997 (the “Severance Agreement”).

5. The Company granted Executive certain “Stock-Based Awards” in, and as such term is defined under, the Severance Agreement (the “Prior Awards”), and the Company and Executive desire to continue the vesting, acceleration, and other terms of the Prior Awards as set forth in the Severance Agreement but to supersede all other aspects of the Severance Agreement by this Agreement.

6. Certain capitalized terms used herein are defined parenthetically throughout this Agreement or defined in Section 6 of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which consideration is mutually acknowledged by the parties, the parties hereby agree as follows:

1. Employment and Termination

1.01. Conditions of Employment

Subject to the terms of this Agreement, the Company hereby agrees to employ Executive as Executive Vice President—General Counsel and External Affairs, with such authority, power, responsibilities, and duties customarily exercised by a person holding such positions in a company of the size and nature of the Company.
1.02. Performance of Duties
Executive shall, during his employment with the Company, owe an undivided duty of loyalty to the Company and agrees to use his best efforts to promote and develop the business of the Company. Executive agrees that, during his employment with the Company, he must devote his full business time, energies, and talents to serving as a senior executive officer of the Company and that he shall perform his duties faithfully and efficiently subject to the directions of the Board. Notwithstanding the foregoing, Executive may, subject in all cases to the Company’s Principles of Business Conduct (or any successor code of conduct) (i) serve as a director, trustee, or officer or otherwise participate in not-for-profit educational, welfare, social, religious, and civic organizations; (ii) serve as a director of any for-profit business listed on Exhibit A hereto or, with the prior consent of the Board, serve as a director of any for-profit business that is not a Competitor; and (iii) acquire passive investment interests in one or more entities, to the extent that the other activities do not inhibit or interfere with the performance of Executive’s duties under this Agreement, or to the knowledge of Executive conflict in any material way with the business or policies of the Company.

1.03. Term of Employment
The term of Executive’s employment under this Agreement (the “Employment Term”) begins on the Effective Date and ends on Executive’s 65th birthday (the “End Date”). This Agreement sets forth certain terms of Executive’s employment during the Employment Term, the consequences of any termination of employment during the Employment Term, and the terms of certain restrictive covenants by Executive during and after the Employment Term. The Company and Executive agree that the employment relationship is at will, and either party may terminate the employment relationship for any reason in accordance with the procedures and with the consequences set forth in this Agreement.

1.04. Procedures for Termination
(a) General Procedures
Except as set forth below, any purported termination of this Agreement or of Executive’s employment by the Company or by Executive during the Employment Term, other than by Executive’s death, shall be communicated by a written notice of termination to the other party hereto delivered in accordance with Section 13 below indicating the specific termination provision in this Agreement relied upon and setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. Any such termination will be effective on the Termination Date.

(b) Cause Termination
The Company may not terminate Executive’s employment for Cause during the Employment Term until it delivers to Executive a written notice stating that Executive is guilty of conduct constituting Cause by reference to one or more clauses of Section 6.06 and specifying the particulars thereof in reasonable detail.
(c) **CIC Good Reason Termination**

Executive may terminate his employment for CIC Good Reason during the Employment Term only within the CIC Protected Period following written notice and an opportunity for the Company to cure; provided, however, that Executive may not give notice of termination for CIC Good Reason during any Period in which Executive is unable to substantially perform his duties with the Company due to physical or mental illness. In order to effect a termination for CIC Good Reason, Executive must, within 60 days following the event or circumstance giving rise to Executive’s claim, deliver a written notice to the Company that sets forth the specific event or circumstance giving rise to CIC Good Reason by reference to one or more clauses of the definition of CIC Good Reason set forth in Section 6.09 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for CIC Good Reason, Executive shall not be entitled to terminate his employment for CIC Good Reason by reason of such event or circumstance.

(d) **Non-CIC Good Reason Termination**

Executive may terminate his employment for Non-CIC Good Reason any time during the Employment Term following written notice and an opportunity for the Company to cure. In order to effect a termination for Non-CIC Good Reason, Executive must deliver a written notice to the Company within 60 days following the event or circumstance giving rise to Executive’s claim of Non-CIC Good Reason. The notice must set forth the specific event or circumstance giving rise to Non-CIC Good Reason by reference to one or more clauses of the definition of Non-CIC Good Reason set forth in Section 6.24 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for Non-CIC Good Reason, Executive shall not be entitled to terminate his employment for Non-CIC Good Reason by reason of such event or circumstance.

(e) **Payment of Compensation Earned Through Termination Date**

Upon a termination of Executive’s employment hereunder for any reason, Executive or, in the event of his death, Executive’s estate, in addition to any other payments or benefits to which Executive may be entitled hereunder, is entitled to

(i) Executive’s Base Salary prorated through the Termination Date,

(ii) any payment under the Incentive Plan for Performance Periods ending before the Termination Date, unless eliminated or reduced, and then only to the extent that such payments are eliminated or reduced, for all Senior Officers continuing employment with the Company, and
(iii) any vacation pay for vacation accrued by Executive in the calendar year of termination but not taken at the Termination Date.
Except as otherwise provided herein, the Company must pay any other employee benefits to which Executive is entitled by reason of his employment to Executive or his estate at the time or times required by the terms of the applicable Company plan or policy.

(f) **Effect of Termination on Other Positions**

If, on the Termination Date, Executive (i) is a member of the Board or any board of directors of one of Sprint’s subsidiaries, (ii) serves on the board of directors of any other corporation by nomination, appointment, or designation by Sprint or any of its subsidiaries, or (iii) holds any other position with Sprint or any of its subsidiaries, Executive shall, unless otherwise agreed to by the Company, be deemed to have resigned from all such positions as of the Termination Date. Executive agrees to execute such documents and take such other actions as the Company may request to reflect such resignations.

(g) **Condition to Certain Payments**

Payments under Section 4 are conditioned on Executive’s compliance with the requirements of Section 4.03(b).

(h) **Exit Interview**

At the Company’s request, Executive shall participate in an exit interview prior to Executive’s last day worked as an employee of the Company to provide for the orderly transition of his duties, to arrange for the return of the Company’s property, to discuss his intended new employment, and to discuss and complete such other matters as may be necessary to ensure full compliance with this Agreement.

2. **Compensation**

Subject to the terms of this Agreement, during the Employment Term, while Executive is employed by the Company, the Company will compensate him for his services as follows:

2.01. **Base Salary**

Executive shall receive an annual base salary in an amount not less than his annual salary on the Effective Date, payable in monthly or more frequent installments in accordance with the Company’s payroll policies and practices (such annual base salary as adjusted pursuant to this Section 2.01 shall hereinafter be referred to as the “Base Salary”). Executive’s Base Salary shall be reviewed, and may be increased but not decreased below the rate in effect on the Effective Date (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.
2.02. *Incentive Payments*

Executive will continue to participate in the Incentive Plan, subject to its terms and conditions as they may from time to time be established, amended, interpreted, or terminated in accordance with the Company’s plans or policies governing such benefits to the Company’s Senior Officers generally. Executive’s Targeted Compensation under the Incentive Plan shall be reviewed, and may be increased but not decreased below his Targeted Compensation in effect in 2003 (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.

2.03. *Employee Benefits*

The Company will provide Executive with the employee benefits (including, without limitation, life, disability, medical and dental insurance coverage, participation in the Company’s Executive Deferred Compensation Plan, Savings Plan, and the Pension Plan, and other benefits generally provided to Senior Officers) that are no less favorable in the aggregate to Executive than those provided to him as of the Effective Date, subject to amendment, modification, interpretation by the Company, or termination in accordance with the Company’s plans or policies governing such benefits to Senior Officers generally.

2.04. *Expense Reimbursement*

The Company will reimburse Executive for reasonable out-of-pocket expenses incurred and accounted for in accordance with the policies and procedures of the Company for Senior Officers generally, as they may from time to time be established, interpreted, amended, or terminated.

2.05. *Prior Awards Remain Outstanding*

The Prior Awards shall remain outstanding, and the terms and conditions of the Prior Awards shall continue to be governed by the provisions of the Severance Agreement pertaining to the vesting and acceleration of the Prior Awards, and the Prior Awards shall be considered continuing partial consideration for the execution of this Agreement.

3. **Executive Covenants**

3.01. *Principles of Business Conduct*

Executive shall adhere in all respects to the Company’s Principles of Business Conduct (or any successor code of conduct) as they may from time to time be established, interpreted, amended, or terminated.

3.02. *Proprietary Information*

Executive acknowledges that during the course of his employment he has learned or will learn or develop Proprietary Information. Executive further acknowledges that unauthorized disclosure or use of such Proprietary Information, other than in discharge of Executive’s duties, will cause the Company irreparable harm. Except in the course of his employment with the Company under this Agreement, in the pursuit of the business of the Company, or as otherwise required in
employment with the Company, Executive shall not, during the course of his employment or at any time following termination of his employment, directly or indirectly, disclose, publish, communicate, or use on his behalf or another’s behalf, any Proprietary Information. If during or after his employment Executive has any questions about whether particular information is Proprietary Information he shall consult with the Company’s Corporate Secretary or other representative designated by the Company.

Executive also agrees to promptly disclose to the Company any information, ideas, or inventions made or conceived by him that result from or are suggested by services performed by him for the Company under this Agreement, and to assign to the Company all rights pertaining to such information, ideas, or inventions. Knowledge or information of any kind disclosed by Executive to the Company shall be deemed to have been disclosed without obligation on the part of the Company to hold the same in confidence, and the Company shall have the full right to use and disclose such knowledge and information without compensation to Executive beyond that specifically provided in this Agreement.

3.03. Non-Competition

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not engage in Competitive Employment, whether paid or unpaid and whether as a consultant, employee, or otherwise. This provision shall not apply if, within one year following a Change in Control:

(i) the Company terminates Executive’s employment with the Company for any reason other than for Cause or Total Disability; or
(ii) Executive terminates his employment with the Company for CIC-Good Reason.

If Executive ceases to be employed by the Company because of the sale, spin-off, divestiture, or other disposition by the Company of a subsidiary, division, or other divested unit employing Executive, this provision shall continue to apply during the Non-Compete Period, except that Executive’s continued employment for the subsidiary, division, or other divested unit disposed of by the Company shall not be deemed a violation of this provision.

Executive agrees that because of the worldwide nature of the Company’s business, breach of this Agreement by accepting Competitive Employment would irreparably injure the Company and that, therefore, a limited geographic restriction is neither feasible nor appropriate to protect the Company’s interests.

3.04. Inducement of Employees, Customers and Others

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, or customer of the Company, or vendor or other parties doing business with the Company, to terminate their employment, agency, or other relationship with the Company or to render services for or transfer business to any Competitor, and Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity on behalf of the Competitor.
3.05. No Adverse Actions
During the Non-Compete Period, Executive shall not, without the prior written consent of the Company, in any manner, solicit, request, advise, or assist any other person to (a) undertake any action that would be reasonably likely to, or is intended to, result in a Change in Control, or (b) seek to control in any material manner the Board.

3.06. Return of Property
Executive shall, upon his Termination Date, return to the Company all property of the Company in his possession, including all notes, reports, sketches, plans, published memoranda, or other documents, whether in hard copy or in electronic form, created, developed, generated, received, or held by Executive during his employment, concerning or related to the Company’s business, whether containing or relating to Proprietary Information or not. Executive shall not remove, by e-mail, by removal of computer discs or hard drives, or by other means, any of the above property containing Proprietary Information, or reproductions or copies thereof, or any apparatus from the Company’s premises without the Company’s written consent.

3.07. Mutual Non-disparagement
Executive agrees to refrain from making any statements about the Company or its officers or directors that would disparage, or reflect unfavorably upon the image or reputation of the Company or any such officer or director. The Company agrees to use reasonable efforts to prevent its directors and officers from making any statements about Executive that would disparage, or reflect unfavorably upon the image or reputation of, Executive.

3.08. Assistance with Claims
Executive agrees that, consistent with Executive’s business and personal affairs, during and after his employment by the Company, he will assist the Company in the defense of any claims or potential claims that may be made or threatened to be made against it in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (“Proceeding”) and will assist the Company in the prosecution of any claims that may be made by the Company in any Proceeding, to the extent that such claims may relate to Executive’s services provided under this Agreement; provided, however, in no event shall the term “assist” in the previous sentence be interpreted as requiring Executive to render legal services of any nature to or on behalf of the Company in connection with any such defense or prosecution after Executive’s employment by the Company.

Executive agrees, unless precluded by law, to promptly inform the Company if Executive is asked to participate (or otherwise become involved) in any Proceeding involving such claims or potential claims.

Executive also agrees, unless precluded by law, to promptly inform the Company if Executive is asked to assist in any investigation (whether governmental or private) of the Company (or its actions), regardless of whether a lawsuit has then been filed against the Company with respect to such investigation. The Company agrees to reimburse Executive for all of Executive’s reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys’ fees and shall pay a reasonable per diem fee (equal to 1/250 th of his Base Salary rate at his Termination Date) for Executive’s services.
3.09. Key Man Life Insurance

The Company may, at its discretion, purchase for its own benefit and at its own expense, key man life insurance on the life of Executive. Neither Executive nor Executive’s spouse or dependents shall have any right, title, or interest in or to such insurance or the proceeds thereof. Executive agrees to cooperate with the life insurance company and the Company in the insurance underwriting process, including submitting to a physical examination and other tests necessary to secure coverage, and signing all appropriate applications and written forms as may be required by the insurance company.

4. Payments On Certain Terminations

4.01. Payments on Certain Terminations Not in Connection with Change in Control

If, during the Employment Term but not within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability or (b) Executive terminates his employment with the Company for Non-CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “Non-CIC Benefits”) in lieu of any other payments or benefits available under Section 4.02 below or under any and all Company separation plans or policies:

(i) The Company will pay Executive his Base Salary, in equal installments in arrears and on the same schedule as paid before his Termination Date, for a period (the “Non-CIC Severance Period”) commencing on the Termination Date and ending on the earlier to occur of (A) the date 18 months after the Termination Date, or (B) the End Date, at the rate in effect on his Termination Date.

(ii) The Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) the bonus amount under the Incentive Plan for the Non-CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Non-CIC Termination Period Incentive Payout.

(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Capped Incentive Payout for such Performance Period or, alternatively, in the event that the Non-CIC Severance Period ends within such Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.
(C) In the event that the Non-CIC Severance Period ends in the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.

For purposes of Sections 4.01(ii) (B) and (C), in determining whether to count the month in which the Non-CIC Severance Period ends, if the end of the Non-CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the Non-CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

This Section 4.01(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 4.01(ii) shall be made at the time payouts are made for the Performance Period in which the Non-CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 4.01(ii), that would have accrued and been payable to Executive under the Incentive Plan for the Non-CIC Severance Period had the Performance Periods remained 12 months in length.

(iii) During the Non-CIC Severance Period, the Company will provide any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country club membership dues and accrual of vacation) that Executive was receiving or was entitled to receive as of the Termination Date, except that long term-disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the Non-CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of such Company’s group health care plans by paying the applicable premium therefor.

(iv) During the Non-CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the Non-CIC Severance Period.
(v) The end of the Non-CIC Severance Period will be treated as Executive’s termination date for purposes of the Company’s stock option and restricted stock programs.

In all events, Executive’s right to receive the Non-CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.02. Payments on Certain Terminations in Connection with a Change in Control

If, during the Employment Term and within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability, or (b) Executive terminates his employment with the Company for CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “CIC Benefits”) in lieu of any other payments or benefits available under Section 4.01 above or under any and all Company separation plans or policies:

(i) In lieu of any further salary payments to Executive for periods after the Termination Date, the Company will pay Executive an aggregate amount equal to two times Executive’s Base Salary (without regard to any deferred amounts); provided, however, to the extent that Executive terminates his employment because of CIC Good Reason and a reduction in Executive’s Base Salary has occurred which constitutes CIC Good Reason under Section 6.09(ii) of this Agreement, Executive’s Base Salary for the purpose of this Section 4.02(i) shall be Executive’s Base Salary immediately prior to such Base Salary reduction. The payment made pursuant to this Section 4.02(i) shall be paid to Executive in equal installments in arrears and on the same schedule as Executive’s Base Salary was being paid to Executive before the Termination Date for a period (the “CIC Severance Period”) beginning on the Termination Date and ending on the earlier to occur of (A) the date 24 months after the Termination Date or (B) the End Date.

(ii) In lieu of any payments under, and notwithstanding any provisions of the Incentive Plan, the Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) a bonus amount equal to the amount Executive could have received under the Incentive Plan for the CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the CIC Termination Period Incentive Payout.
(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to Executive’s Final Targeted Compensation or, alternatively, in the event that the CIC Severance Period ends within such Performance Period, Executive’s Final Targeted Compensation prorated through the month in which the CIC Severance Period ends.

(C) In the event that the CIC Severance Period ends during the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, Executive’s Final Targeted Compensation prorated through the month in which the CIC Severance Period ends.

For purposes of Sections 4.02(ii) (B) and (C), in determining whether to count the month in which the CIC Severance Period ends, if the end of the CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

Notwithstanding the above and for the purpose of determining the payout amounts under Sections 4.02(ii)(B) and (C), to the extent that Executive terminates his employment because of CIC Good Reason and a reduction in Executive’s Targeted Compensation has occurred which constitutes CIC Good Reason under Section 6.09(vi) of this Agreement, Executive’s Final Targeted Compensation for purposes of Sections 4.02(ii)(B) and (C) shall be Executive’s Targeted Compensation immediately prior to such Targeted Compensation reduction.

This Section 4.02(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 4.02(ii) shall be made at the time payouts are made for the Performance Period in which the CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 4.02(ii), that would have accrued and been payable to Executive under the Incentive Plan for the CIC Severance Period had the Performance Periods remained 12 months in length.

(iii) During the CIC Severance Period, the Company will, in such manner as is selected by the Company in its sole discretion, provide, arrange to provide, or reimburse Executive for any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country club membership dues and accrual of vacation) that Executive was
receiving or was entitled to receive as of the Termination Date, except that long-term disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of the Company’s group health care plans by paying the applicable premium therefor.

(iv) During the CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the CIC Severance Period.

(v) The end of the CIC Severance Period will be treated as Executive’s termination date for purposes of the Company’s stock option and restricted stock programs.

In all events, Executive’s right to receive the CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches any of the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.03. Other Provisions Regarding Payments and Benefits

(a) No Mitigation; No Offset

In the event of any termination of employment resulting in payments under this Section 4, Executive need not seek other employment and, except as expressly provided herein, there shall be no offset against amounts due to Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.

(b) Settlement and Release

The payments and benefits provided for hereunder shall be in full settlement and satisfaction of all of Executive’s claims and demands relating to or arising out of Executive’s employment with the Company or the termination thereof; provided, however, such settlement and release does not apply to (i) any rights or benefits as set forth in this Agreement and (ii) any rights to indemnification to which Executive is entitled under the Company’s Certificate of Incorporation, Bylaws, Kansas common or statutory law, or any other applicable indemnification agreements entered into between Executive and the Company. The Company’s obligation to provide such payments and benefits is expressly made subject to and conditioned upon (i) Executive’s execution, within forty-five (45) days after the Termination Date, of a release of such claims and demands in such form as the Company may reasonably determine and (ii) Executive’s non-revocation of such release in accordance with the terms thereof.
(c) **Nature of Payments**

Any amounts due under this Section 4 are in the nature of severance payments considered to be reasonable by the parties and are not in the nature of a penalty.

(d) **Benefit Plans**

If, for any period during which Executive is entitled to continued benefits under this Section 4, the Company reasonably determines that Executive cannot participate in any benefit plan because he is not actively performing services for the Company, then, in lieu of providing benefits under any such plan, the Company shall provide comparable benefits or the cash equivalent of the cost thereof (after taking into account incremental payroll and income tax consequences thereof to Executive and Executive’s dependents as the case may be) to Executive and, if applicable, Executive’s dependents through other arrangements.

(e) **Other Severance Arrangements**

Subject to Section 2.05 and except as may be otherwise specifically provided in an amendment of this Section 4.03(e) adopted in accordance with this Agreement, Executive’s rights under Section 4 shall be in lieu of any benefits that may be otherwise payable to or on behalf of Executive pursuant to the terms of the Severance Agreement or any other Company separation plans or policies or any other similar arrangement of the Company providing benefits upon termination of employment.

(f) **Time of Payments**

If the amount of any payment provided for in Section 4.01 or 4.02 cannot reasonably be calculated on or before the date on which such payment is due, the Company shall pay to Executive on such date an estimate, as calculated in good faith by the Company, of the minimum amount of such payment and shall pay the remainder of such payments when reasonably calculable.

5. **Enforcement and Equitable Remedies**

Executive consents to jurisdiction and venue in the state and federal courts in and for Johnson County, Kansas, for all disputes arising under this Agreement; provided, however, that the Company may seek injunctive relief in any court of competent jurisdiction to enjoin any violation of Sections 3.02 through 3.07 (the “Restrictive Covenants”). Executive acknowledges that the Company would be irreparably injured by a violation of the Restrictive Covenants, and he agrees that the Company, in addition to any other remedies available to it for any breach or threatened breach, shall be entitled to a preliminary or permanent injunction, temporary restraining order, or other equitable relief, restraining Executive from any actual or threatened breach of the Restrictive Covenants. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that the bond need not be more than a nominal sum. **THE COMPANY AND EXECUTIVE VOLUNTARILY WAIVE ANY RIGHT TO TRIAL BY JURY AND CONSENT TO A BENCH TRIAL OF ALL DISPUTES ARISING UNDER THIS AGREEMENT.**
If Executive materially breaches any of the Restrictive Covenants or if any of those provisions are held to be unenforceable against Executive, Executive shall return any compensation or benefits paid pursuant to Section 4. This remedy is a return of consideration and shall be in addition to any other remedies. During Executive’s employment with the Company, the Committee shall determine whether Executive has materially breached the Restrictive Covenants, and the Committee’s determination shall be final.

6. Definitions
As used in this Agreement, the following terms shall have the meanings set forth below.

6.01. Actual Incentive Payout
“Actual Incentive Payout” means, with respect to a Performance Period, the product of (1) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.

6.02. Affiliate
“Affiliate” means, with respect to any person, a person, other than a Subsidiary of such person, (i) controlling, controlled by, or under common control with such person and (ii) any other person with whom such person reports consolidated financial information for financial reporting purposes. “Control” for this purpose means direct or indirect possession by one person of voting or management rights of at least 20% with respect to another person.

6.03. Base Salary
“Base Salary” shall have the meaning as defined in Section 2.01 of this Agreement.

6.04. Board
“Board” shall mean the Board of Directors of Sprint.

6.05. Capped Incentive Payout
“Capped Incentive Payout” means, with respect to a Performance Period under the Incentive Plan, the product of (1) the lesser of (a) 100% and (b) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.

6.06. Cause
Termination by the Company of Executive’s employment for “Cause” means termination upon

(i) the willful and continued failure by Executive to substantially perform his duties with the Company (other than any such failure resulting from Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the Company, which demand specifically identifies the manner in which the Company believes that Executive has not substantially performed his duties, or
(ii) the willful engaging by Executive in conduct that is a violation of the Company’s Principles of Business Conduct (or any successor code of conduct), or

(iii) the willful act, or failure to act, by Executive that is injurious to the Company, or

(iv) the willful violation by Executive of any of the Restrictive Covenants.

For purposes of this definition, no act, or failure to act, on Executive’s part shall be deemed “willful” (x) unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive’s action or omission was in the best interest of the Company, or (y) unless done, or omitted to be done, by Executive with reckless disregard for Executive’s duties. Failure to meet performance expectations, unless willful, continuing, and substantial, shall not be considered “Cause.”

6.07. Change in Control

“Change in Control” means the occurrence of any of the following events:

(i) the acquisition, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder, including, without limitation, Rule 13d-5(b)) of “beneficial ownership” (as determined pursuant to Rule 13d-3 under the Exchange Act) of voting securities of Sprint that represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint or by any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint, or

(B) an acquisition of voting securities by Sprint or a corporation owned, directly or indirectly, by the stockholders of Sprint in substantially the same proportions as their ownership of the stock of Sprint, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);
(ii) a change in the composition of the Board that causes less than a majority of the directors of Sprint to be directors that meet one or more of the following descriptions:

(A) a director who has been a director of Sprint for a continuous period of at least 24 months, or

(B) a director whose election or nomination as director was approved by a vote of at least two-thirds of the then directors described in clauses (ii)(A), (B), or (C) by prior nomination or election, but excluding, for the purpose of this subclause (B), any director whose initial assumption of office occurred as a result of an actual or threatened (y) election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or group other than the Board or (z) tender offer, merger, sale of substantially all of Sprint’s assets, consolidation, reorganization, or business combination that would be a Change in Control under clause (iii) on consummation thereof, or

(C) who were serving on the Board as a result of the consummation of a transaction described in clause (iii) that would not be a Change in Control under clause (iii);

(iii) the consummation by Sprint (whether directly involving Sprint or indirectly involving Sprint through one or more intermediaries) of

(x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of Sprint’s assets or (z) the acquisition of assets or stock of another entity, in each case, other than in a transaction

(A) that results in Sprint’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Sprint or the person that, as a result of the transaction, controls, directly or indirectly, Sprint or owns, directly or indirectly, all or substantially all of Sprint’s assets or otherwise succeeds to the business of Sprint (Sprint or such person, the “Successor Entity”)) directly or indirectly, at least 50% of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(B) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Board at the time of the Board’s approval of the agreement providing for the transaction or other action of the Board approving the transaction (or whose election or nomination was approved by a vote of at least two-thirds of the members who were members of the Board at that time), and

(C) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, no person or group shall be treated for purposes of this clause (C) as beneficially owning 30% or more of combined voting power of the Successor Entity solely as a result of the voting power held in Sprint prior to the consummation of the transaction; or
For purposes of clarification, (x) a change in the voting power of Sprint voting securities based on the relative trading values of Sprint’s then outstanding securities as determined pursuant to Sprint’s Articles of Incorporation, or (y) an acquisition of Sprint securities by Sprint that, in either case, by itself (or in combination only with the other event listed in this sentence) causes the Sprint voting securities beneficially owned by a person or group to represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, is not to be treated as an “acquisition” by any person or group for purposes of clause (i) above. For purposes of clause (i) above, Sprint makes the calculation of voting power as if the date of the acquisition were a record date for a vote of Sprint’s shareholders, and for purposes of clause (iii) above, Sprint makes the calculation of voting power as if the date of the consummation of the transaction were a record date for a vote of Sprint’s shareholders.

6.08. CIC Benefits
“CIC Benefits” shall have the meaning as defined in Section 4.02 of this Agreement.

6.09. CIC Good Reason
“CIC Good Reason” means the occurrence, within a CIC Protected Period, of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(c) of this Agreement:

(i) a substantial adverse alteration in the nature or status of Executive’s duties from those in effect immediately before the Change in Control, any reduction in job grade or any substantial adverse alteration of Executive’s title from that in effect immediately before the Change in Control;

(ii) a reduction by the Company in Executive’s Base Salary as in effect on the Effective Date or as the same may be increased from time to time, except for across-the-board salary reductions similarly affecting all officers of the Company and all officers of any person in control of the Company;

(iii) the failure by the Company, without Executive’s consent, to pay to Executive any portion of Executive’s current compensation within seven days of the date it is due, except pursuant to an across-the-board compensation deferral similarly affecting all officers of the Company and all officers of any person in control of the Company;

(iv) (A) the relocation of the Company’s principal executive offices to a location outside the metropolitan area in which such offices are located immediately before the Change in Control; or (B) the Company’s requiring Executive to be
based anywhere other than the Company’s principal executive offices except for required travel on the Company’s business to an extent substantially consistent with Executive’s present business travel obligations; or (C) the Company’s requiring Executive to travel to an extent substantially inconsistent with Executive’s business travel obligations as in effect immediately before the Change in Control;

(v) a substantial and involuntary adverse alteration in the physical conditions under or in which Executive is expected to perform Executive’s duties, other than an alteration similarly affecting all officers of the Company and all officers of any person in control of the Company;

(vi) the Company’s failure to continue in effect any compensation plan in which Executive participated immediately before the Change in Control and that is material to Executive’s total compensation, including but not limited to the Incentive Plan or any substitute plans adopted before the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the Company’s failure to continue Executive’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of Executive’s participation relative to other Senior Officers, as existed at the time of the Change in Control;

(vii) the Company’s failure to continue to provide Executive with benefits substantially similar in the aggregate to those he enjoyed under any of the Company’s benefit plans in which Executive was participating at the time of the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the time of the Change in Control; or the failure by the Company to provide Executive with the number of paid vacation days to which Executive is entitled on the basis of years of service with the Company in accordance with the Company’s normal vacation policy in effect at the time of the Change in Control; unless, in any of the foregoing events, an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such benefits;

(viii) the Company’s failure to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7 hereof; or

(ix) the Company’s attempt to terminate Executive’s employment without complying with the procedures set forth in Section 1.04; any such attempt shall not be effective.
6.10. **CIC Protected Period**
“CIC Protected Period” means a period commencing on the date of a Change in Control and ending on the earlier to occur of (A) the two year anniversary of the date of the Change in Control or (B) the day before the End Date.

6.11. **CIC Severance Period**
“CIC Severance Period” shall have the meaning as defined in Section 4.02(i) of this Agreement.

6.12. **CIC Termination Period Incentive Payout**
“CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) Executive’s Targeted Compensation for the Termination Performance Period. The weights in the weighted average will be, for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.13. **Committee**
“Committee” means the Compensation Committee of the Board or any successor committee primarily responsible for executive compensation.

6.14. **Competitive Employment**
“Competitive Employment” means the performance of duties or responsibilities, or the supervision of individuals performing such duties or responsibilities, for a Competitor

(i) (A) that are of a similar nature or employ similar professional or technical skills (for example, executive, managerial, marketing, engineering, legal, etc.) to those employed by Executive in his performance of services for the Company at any time during the two years before the Termination Date, and

(B) that relate to products or services that are competitive with any of the Company’s products or services with respect to which Executive performed services for the Company at any time during the two years before the Termination Date,

or
(ii) in the performance of which, Proprietary Information to which Executive had access at any time during the two-year period before the Termination Date could be of substantial economic value to the Competitor.

6.15. Competitor

Because of the highly competitive, evolving nature of the Company’s industry, the identities of companies in competition with the Company are likely to change over time. The following tests, while not exclusive indications of what employment may be competitive, are designed to assist the parties and any court in evaluating whether particular employment is prohibited under this Agreement.

“Competitor” means any one or more of the following

(i) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenues from providing communications services of any type (for example, voice, data, including Internet, and video), employing any transmission medium (for example, wireline, wireless, or any other technology), over any distance (for example, local, long-distance, and distance insensitive services), using any protocol (for example, circuit-switched, or packet-based, such as Internet Protocol), or services or capabilities ancillary to such communications services (for example, network security services);

(ii) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company receives at least 3% of its gross operating revenues;

(iii) any person doing business in the United States, or any of its Divisions employing Executive, operating for less than 5 years a line of business from which the Company derives at least 3% of its gross operating revenues, notwithstanding such person’s or Division’s lack of substantial revenues in such line of business; or

(iv) any person doing business in the United States, or any of its Divisions employing Executive, if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company has operated for less than 5 years, notwithstanding the Company’s lack of substantial revenues in such line of business.

For purposes of the foregoing, gross operating revenues of the Company and such other person shall be those of the Company or such person, together with their Consolidated Affiliates, but those of any Division employing or proposing to employ Executive shall be on a stand-alone basis, all measured by the most recent available financial information of both the Company and such other person or Division at the time Executive accepts, or proposes to accept, employment with or to otherwise perform services for such person. If financial information is not publicly available or is inadequate for purposes of applying this definition, the burden shall be on Executive to demonstrate that such person is not a Competitor.
6.16. **Consolidated Affiliate**

“Consolidated Affiliate” means, with respect to any person, all Affiliates and Subsidiaries of such person, if any, with whom the financial statements of such person are required, under generally accepted accounting principles, to be reported on a consolidated basis.

6.17. **Division**

“Division” means any distinct group or unit organized as a segment or portion of a person that is devoted to the production, provision, or management of a common product or service or group of related products or services, regardless of whether the group is organized as a legally distinct entity.

6.18. **Employment Term**

“Employment Term” shall have the meaning as defined in Section 1.03 of this Agreement.

6.19. **End Date**

“End Date” shall have the meaning as defined in Section 1.03 of this Agreement.

6.20. **FinalTargeted Compensation**

“Final Targeted Compensation” means the Targeted Compensation of Executive for the Termination Performance Period.

6.21. **FON Common Stock**

“FON Common Stock” means Sprint’s FON Common Stock, Series 1, $2.00 par value per share.

6.22. **Incentive Plan**

“Incentive Plan” means the Company’s Management Incentive Plan, together with other incentive compensation plans specifically approved for this purpose by the Committee.

6.23. **Non-CIC Benefits**

“Non-CIC Benefits” shall have the meaning as defined in Section 4.01 of this Agreement.
6.24. **Non-CIC Good Reason**

“Non-CIC Good Reason” means the occurrence of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(d) of this Agreement:

(i) unless the Company first offers to Executive a position having an equal or greater grade rating, reassignment of Executive from his then current position with the Company to a position having a lower grade rating, in each case under the Company’s methodology of rating employment positions for its employees generally;

(ii) a reduction within any 24-month period (other than an across-the-board reduction similarly affecting all Senior Officers) of Executive’s Targeted Total Compensation to an amount that is less than 90% of Executive’s highest Targeted Total Compensation during the 24-month period; or

(iii) the Company’s requiring that Executive be based anywhere other than the Kansas City metropolitan area.

6.25. **Non-CIC Severance Period**

“Non-CIC Severance Period” shall have the meaning as defined in Section 4.01(i) of this Agreement.

6.26. **Non-CIC Termination Period Incentive Payout**

“Non-CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) the Capped Incentive Payout for the Termination Performance Period. The weights in the weighted average will be for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the Non-CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.27. **Non-Compete Period**

“Non-Compete Period” means the 18-month period beginning on the Termination Date. If Executive breaches or violates any of the covenants or provisions of this Agreement, the running of the Non-Compete Period shall be extended for an additional period equal to the period the breach or violation continues.

6.28. **PCS Common Stock**

“PCS Common Stock” means Sprint’s PCS Common Stock, Series 1, $1.00 par value per share.
6.29. **Performance Measure**

“Performance Measure” means, with respect to any Performance Period, a measure, expressed as a percentage, of the extent to which the performance goals were achieved, as determined by the Committee, during the Performance Period.

6.30. **Performance Period**

“Performance Period” means a period of time under the Incentive Plan for which the Committee establishes performance goals for the Company’s business units and authorizes payment of incentive compensation based on a measure of the extent to which those goals were achieved during the period.

6.31. **Prior Awards**

“Prior Awards” shall have the meaning as defined in the fifth Recital to this Agreement.

6.32. **Post I Termination Performance Period**

“Post I Termination Performance Period” means the Performance Period immediately following the Termination Performance Period.

6.33. **Post II Termination Performance Period**

“Post II Termination Performance Period” means the Performance Period immediately following the Post I Termination Performance Period.

6.34. **Proceeding**

“Proceeding” shall have the meaning as defined in Section 3.08 of this Agreement.

6.35. **Proprietary Information**

“Proprietary Information” means trade secrets (such as customer information, technical and non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, or process) and other confidential and proprietary information concerning the products, processes, or services of the Company or the Company’s affiliates, including but not limited to: computer programs, unpatented or unpatentable inventions, discoveries or improvements; marketing, manufacturing, organizational, or research and development results and plans; business and strategic plans; sales forecasts and plans; personnel information, including the identity of other employees of the Company, their responsibilities, competence, abilities, and compensation; pricing and financial information; current and prospective customer lists and information on customers or their employees; information concerning purchases of major equipment or property; and information about potential mergers, acquisitions or other transactions which information: (i) has not been made known generally to the public, and (ii) is useful or of value to the current or anticipated business, or research or development activities of the Company or of any customer or supplier of the Company, or (iii) has been identified to Executive as confidential by the Company, either orally or in writing.
6.36. **Restrictive Covenants**
“Restrictive Covenants” means those covenants applicable to Executive set forth in Section 3.02 through 3.07 of this Agreement.

6.37. **Senior Officer**
“Senior Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (or any successor statute or statutes thereto), and the rules and regulations promulgated thereunder.

6.38. **Severance Agreement**
“Severance Agreement” shall have the meaning as defined in the fourth recital to this Agreement.

6.39. **Subsidiary**
“Subsidiary” means, with respect to any person (the “**Controlling Person**”), all other persons (the “**Controlled Persons**”) in whom the Controlling Person, alone or in combination with one or more of its Subsidiaries, owns or controls more than 50% of the management or voting rights, together with all Subsidiaries of such Controlled Persons.

6.40. **Targeted Compensation**
“Targeted Compensation” means the amount established by the Committee that would be the payout under the Incentive Plan, if the Performance Measure for the Performance Period were 100%.

6.41. **Targeted Total Compensation**
“Targeted Total Compensation” means, as of any time, the sum of Executive’s (1) Base Salary, (2) Targeted Compensation, and (3) targeted value of his annual stock option award, annual restricted stock or restricted stock unit award (ignoring the value of the options, restricted stock or restricted stock units granted before the Effective Date) as adopted by the Committee.

6.42. **Termination Date**
“Termination Date” means (i) in the case of a termination of Executive’s employment by reason of Executive’s death, Executive’s date of death, (ii) in the case of a termination of Executive’s employment by reason of a Non-CIC Good Reason, the date which is thirty (30) days after the notice of termination is given, and (iii) in all other cases, the date of any notice of termination or the date, if any, on which the notice declares itself to be effective (but in no event later than the 60th day after the date on which such notice is given).
6.43. Termination Performance Period
“Termination Performance Period” means the Performance Period in which Executive’s Termination Date occurs.

6.44. Total Disability
“Total Disability” shall have the same meaning as in Sprint’s Long-Term Disability Plan, as amended from time to time or any successor plan.

7. Assignability, Binding Nature
This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (in the case of Executive), and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that they may be assigned or transferred to any subsidiary of Sprint or pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, but only if the assignee or transferee becomes the successor to all or substantially all of the assets of the Company and assumes the liabilities, obligations, and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale of assets or liquidation as described in the preceding sentence, it will take whatever action it legally can in order to cause the assignee or transferee to expressly assume the liabilities, obligations, and duties of the Company hereunder.

No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his rights to compensation and benefits, which may be transferred only in connection with Executive’s estate planning objectives or by will or operation of law. If Executive should die or become disabled while any amount is owed but unpaid to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid to Executive’s legal guardian or to his devisee, legatee or other designee, as the case may be, or if there is no such designee, to Executive’s estate.

8. Amendment
This Agreement may be amended, modified, or canceled only by mutual agreement of the parties in writing.

9. Applicable Law
The provisions of this Agreement shall be construed in accordance with the internal laws of the State of Kansas, without regard to the conflict of law provisions of any state.

10. Tax Withholding
All payments made pursuant to this Agreement shall be subject to applicable federal, state and local income and other withholding taxes, and to other applicable withholdings or deductions elected by Executive or otherwise required by law or judicial process.
11. Severability
The parties intend the various provisions of this Agreement to be severable and to constitute independent and distinct binding obligations. If any provision of this Agreement is determined to be invalid, illegal, or incapable of being enforced, in whole or in part, it shall not affect or impair the validity of any other provision or part of this Agreement, and the provision or part shall be deemed modified to the minimum extent required to permit enforcement. Upon such a determination that any term or other provision is invalid, illegal, or incapable of being enforced, the court or arbitrator, as applicable, shall have the authority to so modify the provision or term. If the provision or term is not modified by the court or arbitrator, the parties must negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the provisions of this Agreement are preserved to the greatest extent possible.

12. Waiver of Breach
No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by the other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of either party to take any action by reason of such breach will not deprive the party of the right to take action at any time while the breach continues.

13. Notices
Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or prepaid overnight courier to the parties at the addresses set forth below or at such other addresses as shall be specified by the parties by like notice:

If to Executive: Thomas A. Gerke

If to the Company: Sprint Corporation
Attn: Corporate Secretary
6200 Sprint Parkway
Overland Park, KS 66251

with copy to:
Sprint Corporation
Attn: Senior Vice President – Human Resources
6200 Sprint Parkway Overland Park, KS 66251

or to the latest address furnished by Executive to the Company for purposes of general communications.
Each party, by written notice furnished to the other party, may modify the applicable delivery address, but any notice of change of address shall be effective only upon receipt. Such notices, demands, claims and other communications shall be deemed given in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery; or in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail, but in no event will any such communications be deemed to be given later than the date they are actually received.

14. Survivorship
Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties shall survive the expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement. In particular, without limiting the generality of the preceding sentence, any obligation of the Company to make payments or provide services under Section 4 shall continue beyond the end of the Employment Term and the obligations and covenants of Executive set forth in Section 3, and the rights and remedies of the Company with respect thereto, shall continue beyond the Employment Term to the extent contemplated therein.

15. Entire Agreement
Except as otherwise noted herein, this Agreement constitutes the entire agreement between the parties concerning the subject matter specifically addressed herein and, except for the terms and provisions of any other employee benefit or other compensation plans (or any agreements or awards thereunder) referred to herein or contemplated hereby, this Agreement supersedes

(i) all prior and contemporaneous oral agreements, if any, between the parties relating to the subject matter specifically addressed herein; and

(ii) subject to Section 2.05, the Severance Agreement.

16. Headings
The headings in this Agreement are for convenience of reference only and will not affect the construction of any of its provisions.

17. Counterparts
This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

[The remainder of this page has intentionally been left blank.]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date set forth above.

S PRINT CORPORATION

By: /s/ Claudia S. Toussaint

Claudia S. Toussaint, Vice President Law - Corporate Governance and Corporate Secretary

S PRINT /UNITED MANAGEMENT COMPANY

By: /s/ James G. Kissinger

James G. Kissinger, Senior Vice President—Human Resources

/s/ Tom Gerke

Thomas A. Gerke, “Executive”
Exhibit A
Boards of Directors of For-Profit Businesses

NONE

29
Employment Agreement
(With Enhanced Change-in-Control Benefits)

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is dated as of December 3, 2003 (the “Effective Date”), by and among SPRINT CORPORATION, a Kansas corporation (“Sprint”), SPRINT/UNITED MANAGEMENT COMPANY, a Kansas corporation and subsidiary of Sprint ("SUMC") (Sprint, SUMC and the subsidiaries of Sprint are collectively referred to herein as the “Company”), and HOWARD E. JANZEN (“Executive”).

Recitals

1. Because the Company is mindful of Executive’s substantial contributions to the Company and of his attractiveness in the competitive marketplace, both within and outside of the telecommunications industry, it desires to insure his continued employment with the Company, it desires to encourage him to maintain and increase his ownership of Company stock, and it desires to provide him appropriate compensation arrangements that continue to motivate him to focus on and increase shareholder value.

2. Executive has been, and now is, serving as President—Global Markets Group.

3. The Company desires to secure the continued long-term employment of Executive.

4. Executive and the Company entered into a Special Compensation and Non-Compete Agreement, dated May 13, 2003 (the “Severance Agreement”).

5. The Company granted Executive certain “Stock-Based Awards” in, and as such term is defined under, the Severance Agreement (the “Prior Awards”), and the Company and Executive desire to continue the vesting, acceleration, and other terms of the Prior Awards as set forth in the Severance Agreement but to supersede all other aspects of the Severance Agreement by this Agreement.

6. Certain capitalized terms used herein are defined parenthetically throughout this Agreement or defined in Section 6 of this Agreement.

NOW, THEREFORE, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which consideration is mutually acknowledged by the parties, the parties hereby agree as follows:

1. Employment and Termination

1.01. Conditions of Employment

Subject to the terms of this Agreement, the Company hereby agrees to employ Executive as President—Global Markets Group, with such authority, power, responsibilities, and duties customarily exercised by a person holding such position in a company of the size and nature of the Company.
1.02. Performance of Duties
Executive shall, during his employment with the Company, owe an undivided duty of loyalty to the Company and agrees to use his best efforts to promote and develop the business of the Company. Executive agrees that, during his employment with the Company, he must devote his full business time, energies, and talents to serving as a senior executive officer of the Company and that he shall perform his duties faithfully and efficiently subject to the directions of the Board. Notwithstanding the foregoing, Executive may, subject in all cases to the Company’s Principles of Business Conduct (or any successor code of conduct) (i) serve as a director, trustee, or officer or otherwise participate in not-for-profit educational, welfare, social, religious, and civic organizations; (ii) serve as a director of any for-profit business listed on Exhibit A hereto or, with the prior consent of the Board, serve as a director of any for-profit business that is not a Competitor; and (iii) acquire passive investment interests in one or more entities, to the extent that the other activities do not inhibit or interfere with the performance of Executive’s duties under this Agreement, or to the knowledge of Executive conflict in any material way with the business or policies of the Company.

1.03. Term of Employment
The term of Executive’s employment under this Agreement (the “Employment Term”) begins on the Effective Date and ends on Executive’s 65th birthday (the “End Date”). This Agreement sets forth certain terms of Executive’s employment during the Employment Term, the consequences of any termination of employment during the Employment Term, and the terms of certain restrictive covenants by Executive during and after the Employment Term. The Company and Executive agree that the employment relationship is at will, and either party may terminate the employment relationship for any reason in accordance with the procedures and with the consequences set forth in this Agreement.

1.04. Procedures for Termination
(a) General Procedures
Except as set forth below, any purported termination of this Agreement or of Executive’s employment by the Company or by Executive during the Employment Term, other than by Executive’s death, shall be communicated by a written notice of termination to the other party hereto delivered in accordance with Section 13 below indicating the specific termination provision in this Agreement relied upon and setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. Any such termination will be effective on the Termination Date.

(b) Cause Termination
The Company may not terminate Executive’s employment for Cause during the Employment Term until it delivers to Executive a written notice stating that Executive is guilty of conduct constituting Cause by reference to one or more clauses of Section 6.06 and specifying the particulars thereof in reasonable detail.
(c) **CIC Good Reason Termination**

Executive may terminate his employment for CIC Good Reason during the Employment Term only within the CIC Protected Period following written notice and an opportunity for the Company to cure; provided, however, that Executive may not give notice of termination for CIC Good Reason during any Period in which Executive is unable to substantially perform his duties with the Company due to physical or mental illness. In order to effect a termination for CIC Good Reason, Executive must, within 60 days following the event or circumstance giving rise to Executive’s claim, deliver a written notice to the Company that sets forth the specific event or circumstance giving rise to CIC Good Reason by reference to one or more clauses of the definition of CIC Good Reason set forth in Section 6.09 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for CIC Good Reason, Executive shall not be entitled to terminate his employment for CIC Good Reason by reason of such event or circumstance.

(d) **Non-CIC Good Reason Termination**

Executive may terminate his employment for Non-CIC Good Reason any time during the Employment Term following written notice and an opportunity for the Company to cure. In order to effect a termination for Non-CIC Good Reason, Executive must deliver a written notice to the Company within 60 days following the event or circumstance giving rise to Executive’s claim of Non-CIC Good Reason. The notice must set forth the specific event or circumstance giving rise to Non-CIC Good Reason by reference to one or more clauses of the definition of Non-CIC Good Reason set forth in Section 6.24 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for Non-CIC Good Reason, Executive shall not be entitled to terminate his employment for Non-CIC Good Reason by reason of such event or circumstance.

(e) **Payment of Compensation Earned Through Termination Date**

Upon a termination of Executive’s employment hereunder for any reason, Executive or, in the event of his death, Executive’s estate, in addition to any other payments or benefits to which Executive may be entitled hereunder, is entitled to

(i) Executive’s Base Salary prorated through the Termination Date,

(ii) any payment under the Incentive Plan for Performance Periods ending before the Termination Date, unless eliminated or reduced, and then only to the extent that such payments are eliminated or reduced, for all Senior Officers continuing employment with the Company, and

(iii) any vacation pay for vacation accrued by Executive in the calendar year of termination but not taken at the Termination Date.
Except as otherwise provided herein, the Company must pay any other employee benefits to which Executive is entitled by reason of his employment to Executive or his estate at the time or times required by the terms of the applicable Company plan or policy.

(f) **Effect of Termination on Other Positions**

If, on the Termination Date, Executive (i) is a member of the Board or any board of directors of one of Sprint’s subsidiaries, (ii) serves on the board of directors of any other corporation by nomination, appointment, or designation by Sprint or any of its subsidiaries, or (iii) holds any other position with Sprint or any of its subsidiaries, Executive shall, unless otherwise agreed to by the Company, be deemed to have resigned from all such positions as of the Termination Date. Executive agrees to execute such documents and take such other actions as the Company may request to reflect such resignations.

(g) **Condition to Certain Payments**

Payments under Section 4 are conditioned on Executive’s compliance with the requirements of Section 4.03(b).

(h) **Exit Interview**

At the Company’s request, Executive shall participate in an exit interview prior to Executive’s last day worked as an employee of the Company to provide for the orderly transition of his duties, to arrange for the return of the Company’s property, to discuss his intended new employment, and to discuss and complete such other matters as may be necessary to ensure full compliance with this Agreement.

2. **Compensation**

Subject to the terms of this Agreement, during the Employment Term, while Executive is employed by the Company, the Company will compensate him for his services as follows:

2.01. **Base Salary**

Executive shall receive an annual base salary in an amount not less than his annual salary on the Effective Date, payable in monthly or more frequent installments in accordance with the Company’s payroll policies and practices (such annual base salary as adjusted pursuant to this Section 2.01 shall hereinafter be referred to as the “Base Salary”). Executive’s Base Salary shall be reviewed, and may be increased but not decreased below the rate in effect on the Effective Date (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.

2.02. **Incentive Payments**

Executive will continue to participate in the Incentive Plan, subject to its terms and conditions as they may from time to time be established, amended, interpreted, or terminated in accordance
with the Company’s plans or policies governing such benefits to the Company’s Senior Officers generally. Executive’s Targeted Compensation under the Incentive Plan shall be reviewed, and may be increased but not decreased below his Targeted Compensation in effect in 2003 (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.

2.03. Employee Benefits
The Company will provide Executive with the employee benefits (including, without limitation, life, disability, medical and dental insurance coverage, participation in the Company’s Executive Deferred Compensation Plan, Savings Plan, and the Pension Plan, and other benefits generally provided to Senior Officers) that are no less favorable in the aggregate to Executive than those provided to him as of the Effective Date, subject to amendment, modification, interpretation by the Company, or termination in accordance with the Company’s plans or policies governing such benefits to Senior Officers generally.

2.04. Expense Reimbursement
The Company will reimburse Executive for reasonable out-of-pocket expenses incurred and accounted for in accordance with the policies and procedures of the Company for Senior Officers generally, as they may from time to time be established, interpreted, amended, or terminated.

2.05. Prior Awards Remain Outstanding
The Prior Awards shall remain outstanding, and the terms and conditions of the Prior Awards shall continue to be governed by the provisions of the Severance Agreement pertaining to the vesting and acceleration of the Prior Awards, and the Prior Awards shall be considered continuing partial consideration for the execution of this Agreement.

3. Executive Covenants

3.01. Principles of Business Conduct
Executive shall adhere in all respects to the Company’s Principles of Business Conduct (or any successor code of conduct) as they may from time to time be established, interpreted, amended, or terminated.

3.02. Proprietary Information
Executive acknowledges that during the course of his employment he has learned or will learn or develop Proprietary Information. Executive further acknowledges that unauthorized disclosure or use of such Proprietary Information, other than in discharge of Executive’s duties, will cause the Company irreparable harm. Except in the course of his employment with the Company under this Agreement, in the pursuit of the business of the Company, or as otherwise required in employment with the Company, Executive shall not, during the course of his employment or at any time following termination of his employment, directly or indirectly, disclose, publish, communicate, or use on his behalf or another’s behalf, any Proprietary Information. If during or after his employment Executive has any questions about whether particular information is Proprietary Information he shall consult with the Company’s Corporate Secretary or other representative designated by the Company.
Executive also agrees to promptly disclose to the Company any information, ideas, or inventions made or conceived by him that result from or are suggested by services performed by him for the Company under this Agreement, and to assign to the Company all rights pertaining to such information, ideas, or inventions. Knowledge or information of any kind disclosed by Executive to the Company shall be deemed to have been disclosed without obligation on the part of the Company to hold the same in confidence, and the Company shall have the full right to use and disclose such knowledge and information without compensation to Executive beyond that specifically provided in this Agreement.

3.03. Non-Competition

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not engage in Competitive Employment, whether paid or unpaid and whether as a consultant, employee, or otherwise. This provision shall not apply if, within one year following a Change in Control:

(i) the Company terminates Executive’s employment with the Company for any reason other than for Cause or Total Disability; or
(ii) Executive terminates his employment with the Company for CIC-Good Reason.

If Executive ceases to be employed by the Company because of the sale, spin-off, divestiture, or other disposition by the Company of a subsidiary, division, or other divested unit employing Executive, this provision shall continue to apply during the Non-Compete Period, except that Executive’s continued employment for the subsidiary, division, or other divested unit disposed of by the Company shall not be deemed a violation of this provision.

Executive agrees that because of the worldwide nature of the Company’s business, breach of this Agreement by accepting Competitive Employment would irreparably injure the Company and that, therefore, a limited geographic restriction is neither feasible nor appropriate to protect the Company’s interests.

3.04. Inducement of Employees, Customers and Others

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, or customer of the Company, or vendor or other parties doing business with the Company, to terminate their employment, agency, or other relationship with the Company or to render services for or transfer business to any Competitor, and Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity on behalf of the Competitor.
3.05. No Adverse Actions
During the Non-Compete Period, Executive shall not, without the prior written consent of the Company, in any manner, solicit, request, advise, or assist any other person to (a) undertake any action that would be reasonably likely to, or is intended to, result in a Change in Control, or (b) seek to control in any material manner the Board.

3.06. Return of Property
Executive shall, upon his Termination Date, return to the Company all property of the Company in his possession, including all notes, reports, sketches, plans, published memoranda, or other documents, whether in hard copy or in electronic form, created, developed, generated, received, or held by Executive during his employment, concerning or related to the Company’s business, whether containing or relating to Proprietary Information or not. Executive shall not remove, by e-mail, by removal of computer discs or hard drives, or by other means, any of the above property containing Proprietary Information, or reproductions or copies thereof, or any apparatus from the Company’s premises without the Company’s written consent.

3.07. Mutual Non-disparagement
Executive agrees to refrain from making any statements about the Company or its officers or directors that would disparage, or reflect unfavorably upon the image or reputation of the Company or any such officer or director. The Company agrees to use reasonable efforts to prevent its directors and officers from making any statements about Executive that would disparage, or reflect unfavorably upon the image or reputation of, Executive.

3.08. Assistance with Claims
Executive agrees that, consistent with Executive’s business and personal affairs, during and after his employment by the Company, he will assist the Company in the defense of any claims or potential claims that may be made or threatened to be made against it in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (“Proceeding”) and will assist the Company in the prosecution of any claims that may be made by the Company in any Proceeding, to the extent that such claims may relate to Executive’s services provided under this Agreement.

Executive agrees, unless precluded by law, to promptly inform the Company if Executive is asked to participate (or otherwise become involved) in any Proceeding involving such claims or potential claims.

Executive also agrees, unless precluded by law, to promptly inform the Company if Executive is asked to assist in any investigation (whether governmental or private) of the Company (or its actions), regardless of whether a lawsuit has then been filed against the Company with respect to such investigation. The Company agrees to reimburse Executive for all of Executive’s reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys’ fees and shall pay a reasonable per diem fee (equal to 1/250 of his Base Salary rate at his Termination Date) for Executive’s services.
3.09. **Key Man Life Insurance**

The Company may, at its discretion, purchase for its own benefit and at its own expense, key man life insurance on the life of Executive. Neither Executive nor Executive’s spouse or dependents shall have any right, title, or interest in or to such insurance or the proceeds thereof. Executive agrees to cooperate with the life insurance company and the Company in the insurance underwriting process, including submitting to a physical examination and other tests necessary to secure coverage, and signing all appropriate applications and written forms as may be required by the insurance company.

4. **Payments On Certain Terminations**

4.01. **Payments on Certain Terminations Not in Connection with Change in Control**

If, during the Employment Term but not within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability or (b) Executive terminates his employment with the Company for Non-CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “**Non-CIC Benefits**”) in lieu of any other payments or benefits available under Section 4.02 below or under any and all Company separation plans or policies:

(i) The Company will pay Executive his Base Salary, in equal installments in arrears and on the same schedule as paid before his Termination Date, for a period (the “**Non-CIC Severance Period**”) commencing on the Termination Date and ending on the earlier to occur of (A) the date 18 months after the Termination Date, or (B) the End Date, at the rate in effect on his Termination Date.

(ii) The Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) the bonus amount under the Incentive Plan for the Non-CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Non-CIC Termination Period Incentive Payout.

(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Capped Incentive Payout for such Performance Period or, alternatively, in the event that the Non-CIC Severance Period ends within such Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.
(C) In the event that the Non-CIC Severance Period ends in the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.

For purposes of Sections 4.01(ii) (B) and (C), in determining whether to count the month in which the Non-CIC Severance Period ends, if the end of the Non-CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the Non-CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

This Section 4.01(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 4.01(ii) shall be made at the time payouts are made for the Performance Period in which the Non-CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 4.01(ii), that would have accrued and been payable to Executive under the Incentive Plan for the Non-CIC Severance Period had the Performance Periods remained 12 months in length.

(iii) During the Non-CIC Severance Period, the Company will provide any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country club membership dues and accrual of vacation) that Executive was receiving or was entitled to receive as of the Termination Date, except that long term-disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the Non-CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of such Company’s group health care plans by paying the applicable premium therefor.

(iv) During the Non-CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the Non-CIC Severance Period.
(v) The end of the Non-CIC Severance Period will be treated as Executive’s termination date for purposes of the Company’s stock option and restricted stock programs.

In all events, Executive’s right to receive the Non-CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.02. Payments on Certain Terminations in Connection with a Change in Control

If, during the Employment Term and within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability, or (b) Executive terminates his employment with the Company for CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “CIC Benefits”) in lieu of any other payments or benefits available under Section 4.01 above or under any and all Company separation plans or policies:

(i) In lieu of any further salary payments to Executive for periods after the Termination Date, the Company will pay Executive an aggregate amount equal to two times Executive’s Base Salary (without regard to any deferred amounts); provided, however, to the extent that Executive terminates his employment because of CIC Good Reason and a reduction in Executive’s Base Salary has occurred which constitutes CIC Good Reason under Section 6.09(ii) of this Agreement, Executive’s Base Salary for the purpose of this Section 4.02(i) shall be Executive’s Base Salary immediately prior to such Base Salary reduction. The payment made pursuant to this Section 4.02(i) shall be paid to Executive in equal installments in arrears and on the same schedule as Executive’s Base Salary was being paid to Executive before the Termination Date for a period (the “CIC Severance Period”) beginning on the Termination Date and ending on the earlier to occur of (A) the date 24 months after the Termination Date or (B) the End Date.

(ii) In lieu of any payments under, and notwithstanding any provisions of the Incentive Plan, the Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) a bonus amount equal to the amount Executive could have received under the Incentive Plan for the CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the CIC Termination Period Incentive Payout.
(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that 
Performance Period, an amount equal to Executive’s Final Targeted Compensation or, alternatively, in the event that the CIC 
Severance Period ends within such Performance Period, Executive’s Final Targeted Compensation prorated through the 
month in which the CIC Severance Period ends.

(C) In the event that the CIC Severance Period ends during the Post II Termination Performance Period, the Company will pay 
Executive, at the time when payouts are made for that Performance Period, Executive’s Final Targeted Compensation 
prorated through the month in which the CIC Severance Period ends.

For purposes of Sections 4.02(ii) (B) and (C), in determining whether to count the month in which the CIC Severance Period ends, if 
the end of the CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end 
of the CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

Notwithstanding the above and for the purpose of determining the payout amounts under Sections 4.02(ii)(B) and (C), to the extent 
that Executive terminates his employment because of CIC Good Reason and a reduction in Executive’s Targeted Compensation has 
ocurred which constitutes CIC Good Reason under Section 6.09(vi) of this Agreement, Executive’s Final Targeted Compensation 
for purposes of Sections 4.02(ii)(B) and (C) shall be Executive’s Targeted Compensation immediately prior to such Targeted 
Compensation reduction.

This Section 4.02(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that 
Performance Periods are greater or less than 12 months, the above payout schedule shall be appropriately adjusted by the 
Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that 
(i) the final payment made to Executive under this Section 4.02(ii) shall be made at the time payouts are made for the Performance 
Period in which the CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using 
concepts and formulas consistent with those provided in this Section 4.02(ii), that would have accrued and been payable to Executive 
under the Incentive Plan for the CIC Severance Period had the Performance Periods remained 12 months in length.

(iii) During the CIC Severance Period, the Company will, in such manner as is selected by the Company in its sole discretion, provide, 
arrange to provide, or reimburse Executive for any employee benefit (including, but not limited to, executive medical, dental and life 
coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country 
club membership dues and accrual of vacation) that Executive was
receiving or was entitled to receive as of the Termination Date, except that long-term disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of the Company’s group health care plans by paying the applicable premium therefor.

(iv) During the CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the CIC Severance Period.

(v) The end of the CIC Severance Period will be treated as Executive’s termination date for purposes of the Company’s stock option and restricted stock programs.

In all events, Executive’s right to receive the CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches any of the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.03. Other Provisions Regarding Payments and Benefits

(a) No Mitigation; No Offset
In the event of any termination of employment resulting in payments under this Section 4, Executive need not seek other employment and, except as expressly provided herein, there shall be no offset against amounts due to Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.

(b) Settlement and Release
The payments and benefits provided for hereunder shall be in full settlement and satisfaction of all of Executive’s claims and demands relating to or arising out of Executive’s employment with the Company or the termination thereof; provided, however, such settlement and release does not apply to (i) any rights or benefits as set forth in this Agreement and (ii) any rights to indemnification to which Executive is entitled under the Company’s Certificate of Incorporation, Bylaws, Kansas common or statutory law, or any other applicable indemnification agreements entered into between Executive and the Company. The Company’s obligation to provide such payments and benefits is expressly made subject to and conditioned upon (i) Executive’s execution, within forty-five (45) days after the Termination Date, of a release of such claims and demands in such form as the Company may reasonably determine and (ii) Executive’s non-revocation of such release in accordance with the terms thereof.

(c) Nature of Payments
Any amounts due under this Section 4 are in the nature of severance payments considered to be reasonable by the parties and are not in the nature of a penalty.
(d) **Benefit Plans**

If, for any period during which Executive is entitled to continued benefits under this Section 4, the Company reasonably determines that Executive cannot participate in any benefit plan because he is not actively performing services for the Company, then, in lieu of providing benefits under any such plan, the Company shall provide comparable benefits or the cash equivalent of the cost thereof (after taking into account incremental payroll and income tax consequences thereof to Executive and Executive’s dependents as the case may be) to Executive and, if applicable, Executive’s dependents through other arrangements.

(e) **Other Severance Arrangements**

Subject to Section 2.05 and except as may be otherwise specifically provided in an amendment of this Section 4.03(e) adopted in accordance with this Agreement, Executive’s rights under Section 4 shall be in lieu of any benefits that may be otherwise payable to or on behalf of Executive pursuant to the terms of the Severance Agreement or any other Company separation plans or policies or any other similar arrangement of the Company providing benefits upon termination of employment.

(f) **Time of Payments**

If the amount of any payment provided for in Section 4.01 or 4.02 cannot reasonably be calculated on or before the date on which such payment is due, the Company shall pay to Executive on such date an estimate, as calculated in good faith by the Company, of the minimum amount of such payment and shall pay the remainder of such payments when reasonably calculable.

5. **Enforcement and Equitable Remedies**

Executive consents to jurisdiction and venue in the state and federal courts in and for Johnson County, Kansas, for all disputes arising under this Agreement; provided, however, that the Company may seek injunctive relief in any court of competent jurisdiction to enjoin any violation of Sections 3.02 through 3.07 (the “Restrictive Covenants”). Executive acknowledges that the Company would be irreparably injured by a violation of the Restrictive Covenants, and he agrees that the Company, in addition to any other remedies available to it for any breach or threatened breach, shall be entitled to a preliminary or permanent injunction, temporary restraining order, or other equitable relief, restraining Executive from any actual or threatened breach of the Restrictive Covenants. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that the bond need not be more than a nominal sum. **THE COMPANY AND EXECUTIVE VOLUNTARILY WAIVE ANY RIGHT TO TRIAL BY JURY AND CONSENT TO A BENCH TRIAL OF ALL DISPUTES ARISING UNDER THIS AGREEMENT.**
If Executive materially breaches any of the Restrictive Covenants or if any of those provisions are held to be unenforceable against Executive, Executive shall return any compensation or benefits paid pursuant to Section 4. Moreover, if Executive’s breach occurs within the five-year period beginning on the “Grant Date”, as defined in the Severance Agreement, Executive shall return to the Company the stock received with respect to the Prior Awards, or, if Executive has disposed of such stock, an amount equal to the fair market value thereof on the date of disposition. This remedy is a return of consideration and shall be in addition to any other remedies. During Executive’s employment with the Company, the Committee shall determine whether Executive has materially breached the Restrictive Covenants, and the Committee’s determination shall be final.

6. **Definitions**

As used in this Agreement, the following terms shall have the meanings set forth below.

**6.01. Actual Incentive Payout**

“Actual Incentive Payout” means, with respect to a Performance Period, the product of (1) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.

**6.02. Affiliate**

“Affiliate” means, with respect to any person, a person, other than a Subsidiary of such person, (i) controlling, controlled by, or under common control with such person and (ii) any other person with whom such person reports consolidated financial information for financial reporting purposes. “Control” for this purpose means direct or indirect possession by one person of voting or management rights of at least 20% with respect to another person.

**6.03. Base Salary**

“Base Salary” shall have the meaning as defined in Section 2.01 of this Agreement.

**6.04. Board**

“Board” shall mean the Board of Directors of Sprint.

**6.05. Capped Incentive Payout**

“Capped Incentive Payout” means, with respect to a Performance Period under the Incentive Plan, the product of (1) the lesser of (a) 100% and (b) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.
6.06. Cause

Termination by the Company of Executive’s employment for “Cause” means termination upon

(i) the willful and continued failure by Executive to substantially perform his duties with the Company (other than any such failure resulting from Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the Company, which demand specifically identifies the manner in which the Company believes that Executive has not substantially performed his duties, or

(ii) the willful engaging by Executive in conduct that is a violation of the Company’s Principles of Business Conduct (or any successor code of conduct), or

(iii) the willful act, or failure to act, by Executive that is injurious to the Company, or

(iv) the willful violation by Executive of any of the Restrictive Covenants.

For purposes of this definition, no act, or failure to act, on Executive’s part shall be deemed “willful” (x) unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive’s action or omission was in the best interest of the Company, or (y) unless done, or omitted to be done, by Executive with reckless disregard for Executive’s duties. Failure to meet performance expectations, unless willful, continuing, and substantial, shall not be considered “Cause.”

6.07. Change in Control

“Change in Control” means the occurrence of any of the following events:

(i) the acquisition, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder, including, without limitation, Rule 13d-5(b)) of “beneficial ownership” (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (“voting securities”) of Sprint that represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint or by any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint, or

(B) an acquisition of voting securities by Sprint or a corporation owned, directly or indirectly, by the stockholders of Sprint in substantially the same proportions as their ownership of the stock of Sprint, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);
(ii) a change in the composition of the Board that causes less than a majority of the directors of Sprint to be directors that meet one or more of the following descriptions:

(A) a director who has been a director of Sprint for a continuous period of at least 24 months, or

(B) a director whose election or nomination as director was approved by a vote of at least two-thirds of the then directors described in clauses (ii)(A), (B), or (C) by prior nomination or election, but excluding, for the purpose of this subclause (B), any director whose initial assumption of office occurred as a result of an actual or threatened (y) election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or group other than the Board or (z) tender offer, merger, sale of substantially all of Sprint’s assets, consolidation, reorganization, or business combination that would be a Change in Control under clause (iii) on consummation thereof, or

(C) who were serving on the Board as a result of the consummation of a transaction described in clause (iii) that would not be a Change in Control under clause (iii);

(iii) the consummation by Sprint (whether directly involving Sprint or indirectly involving Sprint through one or more intermediaries) of

(x) a merger, consolidation, reorganization, or business combination or

(y) a sale or other disposition of all or substantially all of Sprint’s assets or

(z) the acquisition of assets or stock of another entity, in each case, other than in a transaction

(A) that results in Sprint’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Sprint or the person that, as a result of the transaction, controls, directly or indirectly, Sprint or owns, directly or indirectly, all or substantially all of Sprint’s assets or otherwise succeeds to the business of Sprint (Sprint or such person, the “Successor Entity”)) directly or indirectly, at least 50% of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(B) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Board at the time of the Board’s approval of the agreement providing for the transaction or other action of the Board approving the transaction (or whose election or nomination was approved by a vote of at least two-thirds of the members who were members of the Board at that time), and
after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, no person or group shall be treated for purposes of this clause (C) as beneficially owning 30% or more of combined voting power of the Successor Entity solely as a result of the voting power held in Sprint prior to the consummation of the transaction; or

(iv) a liquidation or dissolution of Sprint.

For purposes of clarification, (x) a change in the voting power of Sprint voting securities based on the relative trading values of Sprint’s then outstanding securities as determined pursuant to Sprint’s Articles of Incorporation, or (y) an acquisition of Sprint securities by Sprint that, in either case, by itself (or in combination only with the other event listed in this sentence) causes the Sprint voting securities beneficially owned by a person or group to represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, is not to be treated as an “acquisition” by any person or group for purposes of clause (i) above. For purposes of clause (i) above, Sprint makes the calculation of voting power as if the date of the acquisition were a record date for a vote of Sprint’s shareholders, and for purposes of clause (iii) above, Sprint makes the calculation of voting power as if the date of the consummation of the transaction were a record date for a vote of Sprint’s shareholders.

6.08. CIC Benefits

“CIC Benefits” shall have the meaning as defined in Section 4.02 of this Agreement.

6.09. CIC Good Reason

“CIC Good Reason” means the occurrence, within a CIC Protected Period, of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(c) of this Agreement:

(i) a substantial adverse alteration in the nature or status of Executive’s duties from those in effect immediately before the Change in Control, any reduction in job grade or any substantial adverse alteration of Executive’s title from that in effect immediately before the Change in Control;

(ii) a reduction by the Company in Executive’s Base Salary as in effect on the Effective Date or as the same may be increased from time to time, except for across-the-board salary reductions similarly affecting all officers of the Company and all officers of any person in control of the Company;

(iii) the failure by the Company, without Executive’s consent, to pay to Executive any portion of Executive’s current compensation within seven days of the date it is
due, except pursuant to an across-the-board compensation deferral similarly affecting all officers of the Company and all officers of any person in control of the Company;

(iv) (A) the relocation of the Company’s principal executive offices to a location outside the metropolitan area in which such offices are located immediately before the Change in Control; or (B) the Company’s requiring Executive to be based anywhere other than the Company’s principal executive offices except for required travel on the Company’s business to an extent substantially consistent with Executive’s present business travel obligations; or (C) the Company’s requiring Executive to travel to an extent substantially inconsistent with Executive’s business travel obligations as in effect immediately before the Change in Control;

(v) a substantial and involuntary adverse alteration in the physical conditions under or in which Executive is expected to perform Executive’s duties, other than an alteration similarly affecting all officers of the Company and all officers of any person in control of the Company;

(vi) the Company’s failure to continue in effect any compensation plan in which Executive participated immediately before the Change in Control and that is material to Executive’s total compensation, including but not limited to the Incentive Plan or any substitute plans adopted before the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the Company’s failure to continue Executive’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of Executive’s participation relative to other Senior Officers, as existed at the time of the Change in Control;

(vii) the Company’s failure to continue to provide Executive with benefits substantially similar in the aggregate to those he enjoyed under any of the Company’s benefit plans in which Executive was participating at the time of the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the time of the Change in Control; or the failure by the Company to provide Executive with the number of paid vacation days to which Executive is entitled on the basis of years of service with the Company in accordance with the Company’s normal vacation policy in effect at the time of the Change in Control; unless, in any of the foregoing events, an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such benefits;

(viii) the Company’s failure to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7 hereof; or
the Company’s attempt to terminate Executive’s employment without complying with the procedures set forth in Section 1.04; any such attempt shall not be effective.

6.10. **CIC Protected Period**

“CIC Protected Period” means a period commencing on the date of a Change in Control and ending on the earlier to occur of (A) the two year anniversary of the date of the Change in Control or (B) the day before the End Date.

6.11. **CIC Severance Period**

“CIC Severance Period” shall have the meaning as defined in Section 4.02(i) of this Agreement.

6.12. **CIC Termination Period Incentive Payout**

“CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) Executive’s Targeted Compensation for the Termination Performance Period. The weights in the weighted average will be, for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.13. **Committee**

“Committee” means the Compensation Committee of the Board or any successor committee primarily responsible for executive compensation.

6.14. **Competitive Employment**

“Competitive Employment” means the performance of duties or responsibilities, or the supervision of individuals performing such duties or responsibilities, for a Competitor

(i) (A) that are of a similar nature or employ similar professional or technical skills (for example, executive, managerial, marketing, engineering, legal, etc.) to those employed by Executive in his performance of services for the Company at any time during the two years before the Termination Date, and

(B) that relate to products or services that are competitive with any of the Company’s products or services with respect to which Executive performed services for the Company at any time during the two years before the Termination Date,
(ii) in the performance of which, Proprietary Information to which Executive had access at any time during the two-year period before the Termination Date could be of substantial economic value to the Competitor.

6.15. Competitor

Because of the highly competitive, evolving nature of the Company’s industry, the identities of companies in competition with the Company are likely to change over time. The following tests, while not exclusive indications of what employment may be competitive, are designed to assist the parties and any court in evaluating whether particular employment is prohibited under this Agreement.

“Competitor” means any one or more of the following:
(i) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenues from providing communications services of any type (for example, voice, data, including Internet, and video), employing any transmission medium (for example, wireline, wireless, or any other technology), over any distance (for example, local, long-distance, and distance insensitive services), using any protocol (for example, circuit-switched, or packet-based, such as Internet Protocol), or services or capabilities ancillary to such communications services (for example, network security services);
(ii) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company receives at least 3% of its gross operating revenues;
(iii) any person doing business in the United States, or any of its Divisions employing Executive, operating for less than 5 years a line of business from which the Company derives at least 3% of its gross operating revenues, notwithstanding such person’s or Division’s lack of substantial revenues in such line of business; or
(iv) any person doing business in the United States, or any of its Divisions employing Executive, if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company has operated for less than 5 years, notwithstanding the Company’s lack of substantial revenues in such line of business.
For purposes of the foregoing, gross operating revenues of the Company and such other person shall be those of the Company or such person, together with their Consolidated Affiliates, but those of any Division employing or proposing to employ Executive shall be on a stand-alone basis, all measured by the most recent available financial information of both the Company and such other person or Division at the time Executive accepts, or proposes to accept, employment with or to otherwise perform services for such person. If financial information is not publicly available or is inadequate for purposes of applying this definition, the burden shall be on Executive to demonstrate that such person is not a Competitor.

6.16. Consolidated Affiliate
“Consolidated Affiliate” means, with respect to any person, all Affiliates and Subsidiaries of such person, if any, with whom the financial statements of such person are required, under generally accepted accounting principles, to be reported on a consolidated basis.

6.17. Division
“Division” means any distinct group or unit organized as a segment or portion of a person that is devoted to the production, provision, or management of a common product or service or group of related products or services, regardless of whether the group is organized as a legally distinct entity.

6.18. Employment Term
“Employment Term” shall have the meaning as defined in Section 1.03 of this Agreement.

6.19. End Date
“End Date” shall have the meaning as defined in Section 1.03 of this Agreement.

6.20. Final Targeted Compensation
“Final Targeted Compensation” means the Targeted Compensation of Executive for the Termination Performance Period.

6.21. FON Common Stock
“FON Common Stock” means Sprint’s FON Common Stock, Series 1, $2.00 par value per share.

6.22. Incentive Plan
“Incentive Plan” means the Company’s Management Incentive Plan, together with other incentive compensation plans specifically approved for this purpose by the Committee.

6.23. Non-CIC Benefits
“Non-CIC Benefits” shall have the meaning as defined in Section 4.01 of this Agreement.
6.24. **Non-CIC Good Reason**

“Non-CIC Good Reason” means the occurrence of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(d) of this Agreement:

(i) unless the Company first offers to Executive a position having an equal or greater grade rating, reassignment of Executive from his then current position with the Company to a position having a lower grade rating, in each case under the Company’s methodology of rating employment positions for its employees generally;

(ii) a reduction within any 24-month period (other than an across-the-board reduction similarly affecting all Senior Officers) of Executive’s Targeted Total Compensation to an amount that is less than 90% of Executive’s highest Targeted Total Compensation during the 24-month period; or

(iii) the Company’s requiring that Executive be based anywhere other than the Kansas City metropolitan area.

6.25. **Non-CIC Severance Period**

“Non-CIC Severance Period” shall have the meaning as defined in Section 4.01(i) of this Agreement.

6.26. **Non-CIC Termination Period Incentive Payout**

“Non-CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) the Capped Incentive Payout for the Termination Performance Period. The weights in the weighted average will be for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the Non-CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.27. **Non-Compete Period**

“Non-Compete Period” means the 18-month period beginning on the Termination Date. If Executive breaches or violates any of the covenants or provisions of this Agreement, the running of the Non-Compete Period shall be extended for an additional period equal to the period the breach or violation continues.
6.28. **PCS Common Stock**

“PCS Common Stock” means Sprint’s PCS Common Stock, Series 1, $1.00 par value per share.

6.29. **Performance Measure**

“Performance Measure” means, with respect to any Performance Period, a measure, expressed as a percentage, of the extent to which the performance goals were achieved, as determined by the Committee, during the Performance Period.

6.30. **Performance Period**

“Performance Period” means a period of time under the Incentive Plan for which the Committee establishes performance goals for the Company’s business units and authorizes payment of incentive compensation based on a measure of the extent to which those goals were achieved during the period.

6.31. **Prior Awards**

“Prior Awards” shall have the meaning as defined in the fifth Recital to this Agreement.

6.32. **Post I Termination Performance Period**

“Post I Termination Performance Period” means the Performance Period immediately following the Termination Performance Period.

6.33. **Post II Termination Performance Period**

“Post II Termination Performance Period” means the Performance Period immediately following the Post I Termination Performance Period.

6.34. **Proceeding**

“Proceeding” shall have the meaning as defined in Section 3.08 of this Agreement.

6.35. **Proprietary Information**

“Proprietary Information” means trade secrets (such as customer information, technical and non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, or process) and other confidential and proprietary information concerning the products, processes, or services of the Company or the Company’s affiliates, including but not limited to: computer programs, unpatented or unpatentable inventions, discoveries or improvements; marketing, manufacturing, organizational, or research and development results and plans; business and strategic plans; sales forecasts and plans; personnel information, including the identity of other employees of the Company, their responsibilities, competence, abilities, and compensation; pricing and financial information; current and prospective customer lists and information on customers or their employees; information concerning purchases of major equipment or property; and information about potential mergers, acquisitions or other transactions which
information: (i) has not been made known generally to the public, and (ii) is useful or of value to the current or anticipated business, or research or development activities of the Company or of any customer or supplier of the Company, or (iii) has been identified to Executive as confidential by the Company, either orally or in writing.

6.36. **Restrictive Covenants**
“Restrictive Covenants” means those covenants applicable to Executive set forth in Section 3.02 through 3.07 of this Agreement.

6.37. **Senior Officer**
“Senior Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (or any successor statute or statutes thereto), and the rules and regulations promulgated thereunder.

6.38. **Severance Agreement**
“Severance Agreement” shall have the meaning as defined in the fourth recital to this Agreement.

6.39. **Subsidiary**
“Subsidiary” means, with respect to any person (the “**Controlling Person**”), all other persons (the “**Controlled Persons**”) in whom the Controlling Person, alone or in combination with one or more of its Subsidiaries, owns or controls more than 50% of the management or voting rights, together with all Subsidiaries of such Controlled Persons.

6.40. **Targeted Compensation**
“Targeted Compensation” means the amount established by the Committee that would be the payout under the Incentive Plan, if the Performance Measure for the Performance Period were 100%.

6.41. **Targeted Total Compensation**
“Targeted Total Compensation” means, as of any time, the sum of Executive’s (1) Base Salary, (2) Targeted Compensation, and (3) targeted value of his annual stock option award, annual restricted stock or restricted stock unit award (ignoring the value of the options, restricted stock or restricted stock units granted before the Effective Date) as adopted by the Committee.

6.42. **Termination Date**
“Termination Date” means (i) in the case of a termination of Executive’s employment by reason of Executive’s death, Executive’s date of death, (ii) in the case of a termination of Executive’s employment by reason of a Non-CIC Good Reason, the date which is thirty (30) days after the notice of termination is given, and (iii) in all other cases, the date of any notice of termination or the date, if any, on which the notice declares itself to be effective (but in no event later than the 60th day after the date on which such notice is given).
6.43. **Termination Performance Period**  
“Termination Performance Period” means the Performance Period in which Executive’s Termination Date occurs.

6.44. **Total Disability**  
“Total Disability” shall have the same meaning as in Sprint’s Long-Term Disability Plan, as amended from time to time or any successor plan.

7. **Assignability, Binding Nature**  
This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (in the case of Executive), and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that they may be assigned or transferred to any subsidiary of Sprint or pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, but only if the assignee or transferee becomes the successor to all or substantially all of the assets of the Company and assumes the liabilities, obligations, and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale of assets or liquidation as described in the preceding sentence, it will take whatever action it legally can in order to cause the assignee or transferee to expressly assume the liabilities, obligations, and duties of the Company hereunder.

No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his rights to compensation and benefits, which may be transferred only in connection with Executive’s estate planning objectives or by will or operation of law. If Executive should die or become disabled while any amount is owed but unpaid to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid to Executive’s legal guardian or to his devisee, legatee or other designee, as the case may be, or if there is no such designee, to Executive’s estate.

8. **Amendment**  
This Agreement may be amended, modified, or canceled only by mutual agreement of the parties in writing.

9. **Applicable Law**  
The provisions of this Agreement shall be construed in accordance with the internal laws of the State of Kansas, without regard to the conflict of law provisions of any state.
10. **Tax Withholding**

All payments made pursuant to this Agreement shall be subject to applicable federal, state and local income and other withholding taxes, and to other applicable withholdings or deductions elected by Executive or otherwise required by law or judicial process.

11. **Severability**

The parties intend the various provisions of this Agreement to be severable and to constitute independent and distinct binding obligations. If any provision of this Agreement is determined to be invalid, illegal, or incapable of being enforced, in whole or in part, it shall not affect or impair the validity of any other provision or part of this Agreement, and the provision or part shall be deemed modified to the minimum extent required to permit enforcement. Upon such a determination that any term or other provision is invalid, illegal, or incapable of being enforced, the court or arbitrator, as applicable, shall have the authority to so modify the provision or term. If the provision or term is not modified by the court or arbitrator, the parties must negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the provisions of this Agreement are preserved to the greatest extent possible.

12. **Waiver of Breach**

No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by the other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of either party to take any action by reason of such breach will not deprive the party of the right to take action at any time while the breach continues.
13. Notices

Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or prepaid overnight courier to the parties at the addresses set forth below or at such other addresses as shall be specified by the parties by like notice:

If to Executive:
Howard E. Janzen
6200 Sprint Parkway
KSOPHF0410-4A603
Overland Park, Kansas 66251-6117

If to the Company:
Sprint Corporation
Attn: Corporate Secretary
6200 Sprint Parkway
Overland Park, KS 66251

with copy to:
Sprint Corporation
Attn: General Counsel
6200 Sprint Parkway
Overland Park, KS 66251

or to the latest address furnished by Executive to the Company for purposes of general communications.

Each party, by written notice furnished to the other party, may modify the applicable delivery address, but any notice of change of address shall be effective only upon receipt. Such notices, demands, claims and other communications shall be deemed given in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery; or in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail, but in no event will any such communications be deemed to be given later than the date they are actually received.

14. Survivorship

Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties shall survive the expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement. In particular, without limiting the generality of the preceding sentence, any obligation of the Company to make payments or provide services under Section 4 shall continue beyond the end of the Employment Term and the obligations and covenants of Executive set forth in Section 3, and the rights and remedies of the Company with respect thereto, shall continue beyond the Employment Term to the extent contemplated therein.

15. Entire Agreement

Except as otherwise noted herein, this Agreement constitutes the entire agreement between the parties concerning the subject matter specifically addressed herein and, except for the terms and provisions of any other employee benefit or other compensation plans (or any agreements or awards thereunder) referred to herein or contemplated hereby, this Agreement supersedes

(i) all prior and contemporaneous oral agreements, if any, between the parties relating to the subject matter specifically addressed herein; and

(ii) subject to Section 2.05, the Severance Agreement.
16. **Headings**
The headings in this Agreement are for convenience of reference only and will not affect the construction of any of its provisions.

17. **Counterparts**
This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

[The remainder of this page has intentionally been left blank.]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date set forth above.

S PRINT CORPORATION

By: /s/ Claudia S. Toussaint

Claudia S. Toussaint, Vice President Law - Corporate Governance and Corporate Secretary

S PRINT UNITED MANAGEMENT COMPANY

By: /s/ James G. Kissinger

James G. Kissinger, Senior Vice President—Human Resources

/s/ Howard E. Janzen

Howard E. Janzen, “Executive”
Exhibit A
Boards of Directors of For-Profit Businesses

Axiowave Networks, Inc.
Car Wash Acquisition Corp (aka Spot Not) and related entities
Employment Agreement

This Employment Agreement (this “Agreement”) is dated as of December 3, 2003 (the “Effective Date”), by and among Sprint Corporation, a Kansas corporation (“Sprint”), Sprint/United Management Company, a Kansas corporation and subsidiary of Sprint (“SUMC”) (Sprint, SUMC and the subsidiaries of Sprint are collectively referred to herein as the “Company”), and James G. Kissinger (“Executive”).

Recitals

1. Because the Company is mindful of Executive’s substantial contributions to the Company and of his attractiveness in the competitive marketplace, both within and outside of the telecommunications industry, it desires to insure his continued employment with the Company, it desires to encourage him to maintain and increase his ownership of Company stock, and it desires to provide him appropriate compensation arrangements that continue to motivate him to focus on and increase shareholder value.
2. Executive has been, and now is, serving as Senior Vice President—Human Resources.
3. The Company desires to secure the continued long-term employment of Executive.
4. Certain capitalized terms used herein are defined parenthetically throughout this Agreement or defined in Section 7 of this Agreement.

Now, THEREFORE, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which consideration is mutually acknowledged by the parties, the parties hereby agree as follows:

1. Employment and Termination

1.01. Conditions of Employment

Subject to the terms of this Agreement, the Company hereby agrees to employ Executive as Senior Vice President—Human Resources, with such authority, power, responsibilities, and duties customarily exercised by a person holding such position in a company of the size and nature of the Company.

1.02. Performance of Duties

Executive shall, during his employment with the Company, owe an undivided duty of loyalty to the Company and agrees to use his best efforts to promote and develop the business of the Company. Executive agrees that, during his employment with the Company, he must devote his full business time, energies, and talents to serving as a senior executive officer of the Company and that he shall perform his duties faithfully and efficiently subject to the directions of the Board.
Notwithstanding the foregoing, Executive may, subject in all cases to the Company’s Principles of Business Conduct (or any successor code of conduct) (i) serve as a director, trustee, or officer or otherwise participate in not-for-profit educational, welfare, social, religious, and civic organizations; (ii) serve as a director of any for-profit business listed on Exhibit A hereto or, with prior consent as required pursuant to the Principles of Business Conduct (or any successor code of conduct), serve as a director of any for-profit business that is not a Competitor; and (iii) acquire passive investment interests in one or more entities, to the extent that the other activities do not inhibit or interfere with the performance of Executive’s duties under this Agreement, or to the knowledge of Executive conflict in any material way with the business or policies of the Company.

1.03. Term of Employment
The term of Executive’s employment under this Agreement (the “Employment Term”) begins on the Effective Date and ends on Executive’s 65th birthday (the “End Date”). This Agreement sets forth certain terms of Executive’s employment during the Employment Term, the consequences of any termination of employment during the Employment Term, and the terms of certain restrictive covenants by Executive during and after the Employment Term. The Company and Executive agree that the employment relationship is at will, and either party may terminate the employment relationship for any reason in accordance with the procedures and with the consequences set forth in this Agreement.

1.04. Procedures for Termination
(a) General Procedures
   Except as set forth below, any purported termination of this Agreement or of Executive’s employment by the Company or by Executive during the Employment Term, other than by Executive’s death, shall be communicated by a written notice of termination to the other party hereto delivered in accordance with Section 14 below indicating the specific termination provision in this Agreement relied upon and setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. Any such termination will be effective on the Termination Date.

(b) Cause Termination
   The Company may not terminate Executive’s employment for Cause during the Employment Term until it delivers to Executive a written notice stating that Executive is guilty of conduct constituting Cause by reference to one or more clauses of Section 7.06 and specifying the particulars thereof in reasonable detail.

(c) Good Reason Termination
   Executive may terminate his employment for Good Reason at any time during the Employment Term following written notice and an opportunity for the Company to cure. In order to effect a termination for Good Reason, Executive must deliver a written notice to the Company within 60 days following the event or circumstance giving rise to Executive’s claim of Good Reason. The notice must set forth the specific event or
circumstance giving rise to Good Reason by reference to one or more clauses of the definition of Good Reason set forth in Section 7.17 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for Good Reason, Executive shall not be entitled to terminate his employment for Good Reason by reason of such event or circumstance.

(d) **Payment of Compensation Earned Through Termination Date**

Upon a termination of Executive’s employment hereunder for any reason, Executive or, in the event of his death, Executive’s estate, in addition to any other payments or benefits to which Executive may be entitled hereunder, is entitled to

(i) Executive’s Base Salary prorated through the Termination Date,

(ii) any payment under the Incentive Plan for Performance Periods ending before the Termination Date, unless eliminated or reduced, and then only to the extent that such payments are eliminated or reduced, for all Similarly Situated Executives, and

(iii) any vacation pay for vacation accrued by Executive in the calendar year of termination but not taken at the Termination Date.

Except as otherwise provided herein, the Company must pay any other employee benefits to which Executive is entitled by reason of his employment to Executive or his estate at the time or times required by the terms of the applicable Company plan or policy.

(e) **Effect of Termination on Other Positions**

If, on the Termination Date, Executive (i) is a member of the Board or any board of directors of one of Sprint’s subsidiaries, (ii) serves on the board of directors of any other corporation by nomination, appointment, or designation by Sprint or any of its subsidiaries, or (iii) holds any other position with Sprint or any of its subsidiaries, Executive shall, unless otherwise agreed to by the Company, be deemed to have resigned from all such positions as of the Termination Date. Executive agrees to execute such documents and take such other actions as the Company may request to reflect such resignations.

(f) **Condition to Certain Payments**

Payments under Section 5 are conditioned on Executive’s compliance with the requirements of Section 5.02(b).

(g) **Exit Interview**

At the Company’s request, Executive shall participate in an exit interview prior to Executive’s last day worked as an employee of the Company to provide for the orderly transition of his duties, to arrange for the return of the Company’s property, to discuss his intended new employment, and to discuss and complete such other matters as may be necessary to ensure full compliance with this Agreement.
2. **Compensation**

Subject to the terms of this Agreement, during the Employment Term, while Executive is employed by the Company, the Company will compensate him for his services as follows:

2.01. **Base Salary**

Executive shall receive an annual base salary in an amount not less than his annual salary on the Effective Date, payable in monthly or more frequent installments in accordance with the Company’s payroll policies and practices (such annual base salary as adjusted pursuant to this Section 2.01 shall hereinafter be referred to as the “**Base Salary**”). Executive’s Base Salary shall be reviewed, and may be increased but not decreased below the rate in effect on the Effective Date (other than across-the-board reductions similarly affecting all Similarly Situated Executives), by the Board in a manner that is fair and pursuant to its normal performance review policies for Similarly Situated Executives.

2.02. **Incentive Payments**

Executive will continue to participate in the Incentive Plan, subject to its terms and conditions as they may from time to time be established, amended, interpreted, or terminated in accordance with the Company’s plans or policies governing such benefits to Similarly Situated Executives generally. Executive’s Targeted Compensation under the Incentive Plan shall be reviewed, and may be increased but not decreased below his Targeted Compensation in effect in 2003 (other than across-the-board reductions similarly affecting all Similarly Situated Executives), by the Board in a manner that is fair and pursuant to its normal performance review policies for Similarly Situated Executives.

2.03. **Employee Benefits**

The Company will provide Executive with the employee benefits (including, without limitation, life, disability, medical and dental insurance coverage, participation in the Company’s Executive Deferred Compensation Plan, Savings Plan, and the Pension Plan, and other benefits generally provided to Similarly Situated Executives) that are no less favorable in the aggregate to Executive than those provided to him as of the Effective Date, subject to amendment, modification, interpretation by the Company, or termination in accordance with the Company’s plans or policies governing such benefits to Similarly Situated Executives generally.

2.04. **Expense Reimbursement**

The Company will reimburse Executive for reasonable out-of-pocket expenses incurred and accounted for in accordance with the policies and procedures of the Company for Similarly Situated Executives generally, as they may from time to time be established, interpreted, amended, or terminated.
3. **Alternative Stock-Based Awards.**

As partial consideration for Executive’s agreement to the terms hereunder, Executive shall be granted one of the two Stock-Based Awards, at the election of Executive, on the terms set forth in this Section 3. Executive must indicate which one of the two forms of Stock-Based Awards he elects to receive by checking the corresponding box above his signature line at the end of this Agreement. If Executive signs this Agreement but checks neither box or both boxes, Executive shall be deemed to have elected to receive restricted stock.

3.01. **Alternative Award of Restricted Stock.**

*If Executive elects or is deemed to have elected to receive Restricted Stock, this Section 3.01 shall be considered a part of this Agreement; otherwise, this Section 3.01 shall not be considered a part of this Agreement.*

Sprint hereby grants to Executive, under Sprint’s 1990 Restricted Stock Plan, (the “**Restricted Stock Plan**”), an award of (a) twelve thousand (12,000) shares of restricted stock of Sprint’s FON Common Stock, and (b) twelve thousand (12,000) shares of restricted stock of Sprint’s PCS Common Stock, under the Restricted Stock Plan, the terms of which, to the extent not in conflict with this Agreement, are hereby incorporated into this Agreement by reference. Notwithstanding the terms of the Restricted Stock Plan, the definition of Change in Control set forth in this Agreement shall apply for all purposes.

(a) **Lapse of Restrictions.**

Executive may not sell, transfer, assign, pledge, or otherwise encumber or dispose of shares of restricted stock or use those shares in payment of the exercise price of stock options until the restrictions on such shares lapse. Restrictions on the shares covered by this award shall lapse on the third anniversary date of the Effective Date at which time Executive will become 100% vested in such shares.

(b) **Rights as Stockholder and Issuance of Shares.**

Except as set forth in the Restricted Stock Plan, Executive shall have all rights of a stockholder with respect to the shares of restricted stock, including the right to vote the shares of stock and the right to dividends on the shares. The shares of restricted stock shall be registered in the name of Executive and held in book entry form with the Company’s transfer agent. Unless otherwise instructed by the Company, the Company’s transfer agent will be prohibited from transferring such stock until such time as all applicable restrictions on the shares lapse. As soon as practicable after the restrictions lapse on the shares of restricted stock, the Company shall either cause the certificate evidencing unrestricted shares of common stock to be issued to Executive or authorize the transfer of the unrestricted shares in electronic form.

3.02. **Alternative Award of Stock Options.**

*If Executive elects to receive Stock Options, this Section 3.02 shall be considered a part of this Agreement; otherwise, this Section 3.02 shall not be considered a part of this Agreement.*

Sprint hereby grants to Executive, under Sprint’s 1990 Stock Option Plan (the “**Option**
Plan”), (a) an option to purchase twenty two thousand (22,000) shares of Sprint’s FON Stock, and (b) an option to purchase twenty two thousand (22,000) shares of Sprint’s PCS Common Stock, both at a strike price equal to the Fair Market Value of one share of the respective stock on the Effective Date. The options shall become exercisable, with respect to 25% of the total shares granted above, on each of the first four anniversaries of the Effective Date. The options shall expire on the 10th anniversary of the Effective Date. The terms of the Option Plan, to the extent not in conflict with the terms of this Agreement, are hereby incorporated into this Agreement by reference. Notwithstanding the terms of the Option Plan, the definition of Change in Control set forth in this Agreement shall apply for all purposes.

3.03. Provisions Applicable to Stock-Based Award.

(a) Acceleration of Stock-Based Awards.

(1) Conditions to Acceleration

The restrictions on all shares of restricted stock granted under this Agreement shall lapse or the stock options granted under this Agreement shall become fully exercisable, as the case may be, if, on or after the first anniversary of the Effective Date, Executive is not in breach of this Agreement and (x) there is a Change in Control or (y) one of the three following events occurs:

(i) The Company terminates Executive’s employment with the Company for any reason other than for Cause or Executive’s Total Disability;

(ii) Executive terminates his employment with the Company for Good Reason; or

(iii) Executive ceases to be employed by the Company because of a sale, merger, divestiture, or other transaction entered into by the Company that does not constitute a Change in Control.

Such lapsing or acceleration shall occur on the earlier of (A) a Change in Control or (B) if Executive ceases to be employed by the Company due to the occurrence of an event described above in Sections 3.03(a)(1)(i), (ii), or (iii), the last day of the Severance Period. Notwithstanding the foregoing, in no event shall this Section 3.03(a) apply to any award other than the Stock-Based Award granted under this Agreement.

(2) No Acceleration on Transfer of Employment to Affiliates

In no event shall the restrictions lapse on restricted stock or the exercisability of the stock options be accelerated as provided for in Section 3.03(a)(1) upon Executive’s ceasing employment with the Company to commence employment with an Affiliate of the Company.
Section 280G Limits On Acceleration

Notwithstanding anything in this agreement to the contrary, if the acceleration of the vesting or the exercisability of a Stock-Based Award pursuant to this Section 3.03(a), together with all other payments and benefits contingent on a change in control within the meaning of Internal Revenue Code Section 280G or any successor provision (“280G”), results in any portion of such payments or benefits to Executive not being deductible by the Company or its successor as a result of the application of 280G, the application of Section 3.03(a)(1)’s acceleration shall be restricted until the entire amount of the payments and benefits is deductible. Such restriction shall be effected by excluding grants of options (or portions thereof) or shares of restricted stock from Section 3.03(a)(1)’s application in the order elected by Executive.

(b) Forfeiture of Stock-Based Award on Transfer to Affiliates and on Termination of Employment in Certain Circumstances.

Executive shall not be entitled to sell or continue to own any unvested shares of restricted stock granted hereunder or exercise or continue to hold any unexercisable portion of the stock options granted hereunder, as the case may be, if before such restricted shares vest or before such stock options become fully exercisable

1. Executive ceases employment with the Company and begins employment with an Affiliate of the Company,
2. The Company terminates Executive’s employment with the Company for Cause or by reason of Executive’s Total Disability, or
3. Executive terminates his employment with the Company for any reason other than Good Reason.

(c) Tax Withholding.

Prior to the payment of any amount or delivery of any shares of stock pursuant to a Stock-Based Award, the Company shall have the power and the right to deduct or withhold, or require Executive to remit to the Company, an amount sufficient to satisfy any federal, state or local tax withholding obligation attributable to such amount payable or shares issuable under this Agreement.

4. Executive Covenants

4.01. Principles of Business Conduct

Executive shall adhere in all respects to the Company’s Principles of Business Conduct (or any successor code of conduct) as they may from time to time be established, interpreted, amended, or terminated.
4.02. Proprietary Information

Executive acknowledges that during the course of his employment he has learned or will learn or develop Proprietary Information. Executive further acknowledges that unauthorized disclosure or use of such Proprietary Information, other than in discharge of Executive’s duties, will cause the Company irreparable harm. Except in the course of his employment with the Company under this Agreement, in the pursuit of the business of the Company, or as otherwise required in employment with the Company, Executive shall not, during the course of his employment or at any time following termination of his employment, directly or indirectly, disclose, publish, communicate, or use on his behalf or another’s behalf, any Proprietary Information. If during or after his employment Executive has any questions about whether particular information is Proprietary Information he shall consult with the Company’s Corporate Secretary or other representative designated by the Company.

Executive also agrees to promptly disclose to the Company any information, ideas, or inventions made or conceived by him that result from or are suggested by services performed by him for the Company under this Agreement, and to assign to the Company all rights pertaining to such information, ideas, or inventions. Knowledge or information of any kind disclosed by Executive to the Company shall be deemed to have been disclosed without obligation on the part of the Company to hold the same in confidence, and the Company shall have the full right to use and disclose such knowledge and information without compensation to Executive beyond that specifically provided in this Agreement.

4.03. Non-Competition

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not engage in Competitive Employment, whether paid or unpaid and whether as a consultant, employee, or otherwise.

If Executive ceases to be employed by the Company because of the sale, spin-off, divestiture, or other disposition by the Company of a subsidiary, division, or other divested unit employing Executive, this provision shall continue to apply during the Non-Compete Period, except that Executive’s continued employment for the subsidiary, division, or other divested unit disposed of by the Company shall not be deemed a violation of this provision.

Executive agrees that because of the worldwide nature of the Company’s business, breach of this Agreement by accepting Competitive Employment would irreparably injure the Company and that, therefore, a limited geographic restriction is neither feasible nor appropriate to protect the Company’s interests.

4.04. Inducement of Employees, Customers and Others

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, or customer of the Company, or vendor or other parties doing business with the Company, to terminate their employment, agency, or other relationship with the Company or to render services for or transfer business to any Competitor, and Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity on behalf of the Competitor.
4.05. No Adverse Actions
During the Non-Compete Period, Executive shall not, without the prior written consent of the Company, in any manner, solicit, request, advise, or assist any other person to (a) undertake any action that would be reasonably likely to, or is intended to, result in a Change in Control, or (b) seek to control in any material manner the Board.

4.06. Return of Property
Executive shall, upon his Termination Date, return to the Company all property of the Company in his possession, including all notes, reports, sketches, plans, published memoranda, or other documents, whether in hard copy or in electronic form, created, developed, generated, received, or held by Executive during his employment, concerning or related to the Company’s business, whether containing or relating to Proprietary Information or not. Executive shall not remove, by e-mail, by removal of computer discs or hard drives, or by other means, any of the above property containing Proprietary Information, or reproductions or copies thereof, or any apparatus from the Company’s premises without the Company’s written consent.

4.07. Mutual Non-disparagement
Executive agrees to refrain from making any statements about the Company or its officers or directors that would disparage, or reflect unfavorably upon the image or reputation of the Company or any such officer or director. The Company agrees to use reasonable efforts to prevent its directors and officers from making any statements about Executive that would disparage, or reflect unfavorably upon the image or reputation of, Executive.

4.08. Assistance with Claims
Executive agrees that, consistent with Executive’s business and personal affairs, during and after his employment by the Company, he will assist the Company in the defense of any claims or potential claims that may be made or threatened to be made against it in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (“Proceeding”) and will assist the Company in the prosecution of any claims that may be made by the Company in any Proceeding, to the extent that such claims may relate to Executive’s services provided under this Agreement.

Executive agrees, unless precluded by law, to promptly inform the Company if Executive is asked to participate (or otherwise become involved) in any Proceeding involving such claims or potential claims.

Executive also agrees, unless precluded by law, to promptly inform the Company if Executive is asked to assist in any investigation (whether governmental or private) of the Company (or its actions), regardless of whether a lawsuit has then been filed against the Company with respect to such investigation. The Company agrees to reimburse Executive for all of Executive’s reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys’ fees and shall pay a reasonable per diem fee (equal to 1/250 th of his Base Salary rate at his Termination Date) for Executive’s services.
4.09. Key Man Life Insurance

The Company may, at its discretion, purchase for its own benefit and at its own expense, key man life insurance on the life of Executive. Neither Executive nor Executive’s spouse or dependents shall have any right, title, or interest in or to such insurance or the proceeds thereof. Executive agrees to cooperate with the life insurance company and the Company in the insurance underwriting process, including submitting to a physical examination and other tests necessary to secure coverage, and signing all appropriate applications and written forms as may be required by the insurance company.

5. Payments On Certain Terminations

5.01. Payments on Certain Terminations

If, during the Employment Term, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability or (b) Executive terminates his employment with the Company for Good Reason, then Executive shall, subject to the applicable provisions of this Section 5, be entitled to the following payments and benefits (the “Severance Benefits”) in lieu of any other payments or benefits available under any and all Company separation plans or policies:

(i) The Company will pay Executive his Base Salary, in equal installments in arrears and on the same schedule as paid before his Termination Date, for a period (the “Severance Period”) commencing on the Termination Date and ending on the earlier to occur of (A) the date 18 months after the Termination Date, or (B) the End Date, at the rate in effect on his Termination Date.

(ii) The Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) the bonus amount under the Incentive Plan for the Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Termination Period Incentive Payout.

(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Capped Incentive Payout for such Performance Period or, alternatively, in the event that the Severance Period ends within such Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Severance Period ends.
In the event that the Severance Period ends in the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Severance Period ends.

For purposes of Sections 5.01(ii) (B) and (C), in determining whether to count the month in which the Severance Period ends, if the end of the Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the Severance Period falls on a date after the 15th of a month, such month shall be counted.

This Section 5.01(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 5.01(ii) shall be made at the time payouts are made for the Performance Period in which the Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 5.01(ii), that would have accrued and been payable to Executive under the Incentive Plan for the Severance Period had the Performance Periods remained 12 months in length.

During the Severance Period, the Company will provide any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Similarly Situated Executives other than country club membership dues and accrual of vacation) that Executive was receiving or was entitled to receive as of the Termination Date, except that long-term disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of such Company’s group health care plans by paying the applicable premium therefor.

During the Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the Severance Period.

The end of the Severance Period will be treated as Executive’s termination date for purposes of the Company’s stock option and restricted stock programs.

In all events, Executive’s right to receive the Severance Benefits shall cease immediately if Executive is re-employed by the Company or an Affiliate of the Company or if Executive breaches any of the Restrictive Covenants. In all cases, the Company’s rights under Section 6 shall continue.
5.02. Other Provisions Regarding Payments and Benefits

(a) No Mitigation; No Offset
   In the event of any termination of employment resulting in payments under this Section 5, Executive need not seek other employment and, except as expressly provided herein, there shall be no offset against amounts due to Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.

(b) Settlement and Release
   The payments and benefits provided for hereunder shall be in full settlement and satisfaction of all of Executive’s claims and demands relating to or arising out of Executive’s employment with the Company or the termination thereof; provided, however, such settlement and release does not apply to (i) any rights or benefits as set forth in this Agreement and (ii) any rights to indemnification to which Executive is entitled under the Company’s Certificate of Incorporation, Bylaws, Kansas common or statutory law, or any other applicable indemnification agreements entered into between Executive and the Company. The Company’s obligation to provide such payments and benefits is expressly made subject to and conditioned upon (i) Executive’s execution, within forty-five (45) days after the Termination Date, of a release of such claims and demands in such form as the Company may reasonably determine and (ii) Executive’s non-revocation of such release in accordance with the terms thereof.

(c) Nature of Payments
   Any amounts due under this Section 5 are in the nature of severance payments considered to be reasonable by the parties and are not in the nature of a penalty.

(d) Benefit Plans
   If, for any period during which Executive is entitled to continued benefits under this Section 5, the Company reasonably determines that Executive cannot participate in any benefit plan because he is not actively performing services for the Company, then, in lieu of providing benefits under any such plan, the Company shall provide comparable benefits or the cash equivalent of the cost thereof (after taking into account incremental payroll and income tax consequences thereof to Executive and Executive’s dependents as the case may be) to Executive and, if applicable, Executive’s dependents through other arrangements.

(e) Other Severance Arrangements
   Except as may be specifically provided in an amendment of this Section 5.02(e) adopted in accordance with this Agreement, Executive’s rights under Section 5 shall be in lieu of any benefits that may be otherwise payable to or on behalf of Executive pursuant to the terms of any Company separation plans or policies or any other similar arrangement of the Company providing benefits upon termination of employment.
Time of Payments

If the amount of any payment provided for in Section 5.01 cannot reasonably be calculated on or before the date on which such payment is due, the Company shall pay to Executive on such date an estimate, as calculated in good faith by the Company, of the minimum amount of such payment and shall pay the remainder of such payments when reasonably calculable.

6. Enforcement and Equitable Remedies

Executive consents to jurisdiction and venue in the state and federal courts in and for Johnson County, Kansas, for all disputes arising under this Agreement; provided, however, that the Company may seek injunctive relief in any court of competent jurisdiction to enjoin any violation of Sections 4.02 through 4.07 (the “Restrictive Covenants”). Executive acknowledges that the Company would be irreparably injured by a violation of any of the Restrictive Covenants, and he agrees that the Company, in addition to any other remedies available to it for any breach or threatened breach, shall be entitled to a preliminary or permanent injunction, temporary restraining order, or other equitable relief, restraining Executive from any actual or threatened breach of any of the Restrictive Covenants. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that the bond need not be more than a nominal sum. THE COMPANY AND EXECUTIVE VOLUNTARILY WAIVE ANY RIGHT TO TRIAL BY JURY AND CONSENT TO A BENCH TRIAL OF ALL DISPUTES ARISING UNDER THIS AGREEMENT.

If Executive materially breaches any of the Restrictive Covenants or if any of those provisions are held to be unenforceable against Executive, Executive shall return any compensation or benefits paid pursuant to Section 5. Moreover, if Executive’s breach occurs within the five-year period beginning on the Effective Date, Executive shall return to the Company the stock received with respect to the Stock-Based Award, or, if Executive has disposed of such stock, an amount equal to the fair market value thereof on the date of disposition. This remedy is a return of consideration and shall be in addition to any other remedies. During Executive’s employment with the Company, the Committee shall determine whether Executive has materially breached the Restrictive Covenants, and the Committee’s determination shall be final.

7. Definitions

As used in this Agreement, the following terms shall have the meanings set forth below.

7.01. Actual Incentive Payout

“Actual Incentive Payout” means, with respect to a Performance Period, the product of (1) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.
7.02. Affiliate
“Affiliate” means, with respect to any person, a person, other than a Subsidiary of such person, (i) controlling, controlled by, or under common control with such person and (ii) any other person with whom such person reports consolidated financial information for financial reporting purposes. “Control” for this purpose means direct or indirect possession by one person of voting or management rights of at least 20% with respect to another person.

7.03. Base Salary
“Base Salary” shall have the meaning as defined in Section 2.01 of this Agreement.

7.04. Board
“Board” shall mean the Board of Directors of Sprint.

7.05. Capped Incentive Payout
“Capped Incentive Payout” means with respect to a Performance Period under the Incentive Plan, the product of (1) the lesser of (a) 100% and (b) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.

7.06. Cause
Termination by the Company of Executive’s employment for “Cause” means termination upon
(i) the willful and continued failure by Executive to substantially perform his duties with the Company (other than any such failure resulting from Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the Company, which demand specifically identifies the manner in which the Company believes that Executive has not substantially performed his duties, or
(ii) the willful engaging by Executive in conduct that is a violation of the Company’s Principles of Business Conduct (or any successor code of conduct), or
(iii) the willful act, or failure to act, by Executive that is injurious to the Company, or
(iv) the willful violation by Executive of any of the Restrictive Covenants.

For purposes of this definition, no act, or failure to act, on Executive’s part shall be deemed “willful” (x) unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive’s action or omission was in the best interest of the Company, or (y) unless done, or omitted to be done, by Executive with reckless disregard for Executive’s duties. Failure to meet performance expectations, unless willful, continuing, and substantial, shall not be considered “Cause.”
7.07. Change in Control

“Change in Control” means the occurrence of any of the following events:

(i) the acquisition, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder, including, without limitation, Rule 13d-5(b)) of “beneficial ownership” (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (“voting securities”) of Sprint that represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint or by any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint, or

(B) an acquisition of voting securities by Sprint or a corporation owned, directly or indirectly, by the stockholders of Sprint in substantially the same proportions as their ownership of the stock of Sprint, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

(ii) a change in the composition of the Board that causes less than a majority of the directors of Sprint to be directors that meet one or more of the following descriptions:

(A) a director who has been a director of Sprint for a continuous period of at least 24 months, or

(B) a director whose election or nomination as director was approved by a vote of at least two-thirds of the then directors described in clauses (ii)(A), (B), or (C) by prior nomination or election, but excluding, for the purpose of this subclause (B), any director whose initial assumption of office occurred as a result of an actual or threatened (y) election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or group other than the Board or (z) tender offer, merger, sale of substantially all of Sprint’s assets, consolidation, reorganization, or business combination that would be a Change in Control under clause (iii) on consummation thereof, or

(C) who were serving on the Board as a result of the consummation of a transaction described in clause (iii) that would not be a Change in Control under clause (iii);
(iii) the consummation by Sprint (whether directly involving Sprint or indirectly involving Sprint through one or more intermediaries) of
(x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of Sprint’s assets or (z) the acquisition of assets or stock of another entity, in each case, other than in a transaction

(A) that results in Sprint’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Sprint or the person that, as a result of the transaction, controls, directly or indirectly, Sprint or owns, directly or indirectly, all or substantially all of Sprint’s assets or otherwise succeeds to the business of Sprint (Sprint or such person, the “Successor Entity”)) directly or indirectly, at least 50% of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(B) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Board at the time of the Board’s approval of the agreement providing for the transaction or other action of the Board approving the transaction (or whose election or nomination was approved by a vote of at least two-thirds of the members who were members of the Board at that time), and

(C) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, no person or group shall be treated for purposes of this clause (C) as beneficially owning 30% or more of combined voting power of the Successor Entity solely as a result of the voting power held in Sprint prior to the consummation of the transaction; or

(iv) a liquidation or dissolution of Sprint.

For purposes of clarification, (x) a change in the voting power of Sprint voting securities based on the relative trading values of Sprint’s then outstanding securities as determined pursuant to Sprint’s Articles of Incorporation, or (y) an acquisition of Sprint securities by Sprint that, in either case, by itself (or in combination only with the other event listed in this sentence) causes the Sprint voting securities beneficially owned by a person or group to represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, is not to be treated as an “acquisition” by any person or group for purposes of clause (i) above. For purposes of clause (i) above, Sprint makes the calculation of voting power as if the date of the acquisition were a record date for a vote of Sprint’s shareholders, and for purposes of clause (iii) above, Sprint makes the calculation of voting power as if the date of the consummation of the transaction were a record date for a vote of Sprint’s shareholders.
7.08. Committee
“Committee” means the Compensation Committee of the Board or any successor committee primarily responsible for executive compensation.

7.09. Competitive Employment
“Competitive Employment” means the performance of duties or responsibilities, or the supervision of individuals performing such duties or responsibilities, for a Competitor

(i) (A) that are of a similar nature or employ similar professional or technical skills (for example, executive, managerial, marketing, engineering, legal, etc.) to those employed by Executive in his performance of services for the Company at any time during the two years before the Termination Date, and

(B) that relate to products or services that are competitive with any of the Company’s products or services with respect to which Executive performed services for the Company at any time during the two years before the Termination Date,

or

(ii) in the performance of which, Proprietary Information to which Executive had access at any time during the two-year period before the Termination Date could be of substantial economic value to the Competitor.

7.10. Competitor
Because of the highly competitive, evolving nature of the Company’s industry, the identities of companies in competition with the Company are likely to change over time. The following tests, while not exclusive indications of what employment may be competitive, are designed to assist the parties and any court in evaluating whether particular employment is prohibited under this Agreement.

“Competitor” means any one or more of the following

(i) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenues from providing communications services of any type (for example, voice, data, including Internet, and video), employing any transmission medium (for example, wireline, wireless, or any other technology), over any distance (for example, local, long-distance, and distance insensitive services), using any protocol (for example, circuit-switched, or packet-based, such as Internet Protocol), or services or capabilities ancillary to such communications services (for example, network security services);
(ii) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company receives at least 3% of its gross operating revenues;

(iii) any person doing business in the United States, or any of its Divisions employing Executive, operating for less than 5 years a line of business from which the Company derives at least 3% of its gross operating revenues, notwithstanding such person’s or Division’s lack of substantial revenues in such line of business; or

(iv) any person doing business in the United States, or any of its Divisions employing Executive, if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company has operated for less than 5 years, notwithstanding the Company’s lack of substantial revenues in such line of business.

For purposes of the foregoing, gross operating revenues of the Company and such other person shall be those of the Company or such person, together with their Consolidated Affiliates, but those of any Division employing or proposing to employ Executive shall be on a stand-alone basis, all measured by the most recent available financial information of both the Company and such other person or Division at the time Executive accepts, or proposes to accept, employment with or to otherwise perform services for such person. If financial information is not publicly available or is inadequate for purposes of applying this definition, the burden shall be on Executive to demonstrate that such person is not a Competitor.

7.11. Consolidated Affiliate
“Consolidated Affiliate” means, with respect to any person, all Affiliates and Subsidiaries of such person, if any, with whom the financial statements of such person are required, under generally accepted accounting principles, to be reported on a consolidated basis.

7.12. Division
“Division” means any distinct group or unit organized as a segment or portion of a person that is devoted to the production, provision, or management of a common product or service or group of related products or services, regardless of whether the group is organized as a legally distinct entity.

7.13. Employment Term
“Employment Term” shall have the meaning as defined in Section 1.03 of this Agreement.

7.14. End Date
“End Date” shall have the meaning as defined in Section 1.03 of this Agreement.
7.15. Final Targeted Compensation
“Final Targeted Compensation” means the Targeted Compensation of Executive for the Termination Performance Period.

7.16. FON Common Stock
“FON Common Stock” means Sprint’s FON Common Stock, Series 1, $2.00 par value per share.

7.17. Good Reason
“Good Reason” means the occurrence of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(c) of this Agreement:

(i) unless the Company first offers to Executive a position having an equal or greater grade rating, reassignment of Executive from his then current position with the Company to a position having a lower grade rating, in each case under the Company’s methodology of rating employment positions for its employees generally;

(ii) a reduction within any 24-month period (other than an across-the-board reduction similarly affecting all Similarly Situated Executives) of Executive’s Targeted Total Compensation to an amount that is less than 90% of Executive’s highest Targeted Total Compensation during the 24-month period; or

(iii) the Company’s requiring that Executive be based anywhere other than the Kansas City metropolitan area.

7.18. Incentive Plan
“Incentive Plan” means the Company’s Management Incentive Plan, together with other incentive compensation plans specifically approved for this purpose by the Committee.

7.19. Non-Compete Period
“Non-Compete Period” means the 18-month period beginning on the Termination Date. If Executive breaches or violates any of the covenants or provisions of this Agreement, the running of the Non-Compete Period shall be extended for an additional period equal to the period the breach or violation continues.

7.20. Option Plan
“Option Plan” means Sprint’s 1990 Stock Option Plan.
7.21. **PCS Common Stock**

“PCS Common Stock” means Sprint’s PCS Common Stock, Series 1, $1.00 par value per share.

7.22. **Performance Measure**

“Performance Measure” means, with respect to any Performance Period, a measure, expressed as a percentage, of the extent to which the performance goals were achieved, as determined by the Committee, during the Performance Period.

7.23. **Performance Period**

“Performance Period” means a period of time under the Incentive Plan for which the Committee establishes performance goals for the Company’s business units and authorizes payment of incentive compensation based on a measure of the extent to which those goals were achieved during the period.

7.24. **Post I Termination Performance Period**

“Post I Termination Performance Period” means the Performance Period immediately following the Termination Performance Period.

7.25. **Post II Termination Performance Period**

“Post II Termination Performance Period” means the Performance Period immediately following the Post I Termination Performance Period.

7.26. **Proceeding**

“Proceeding” shall have the meaning as defined in Section 4.08 of this Agreement.

7.27. **Proprietary Information**

“Proprietary Information” means trade secrets (such as customer information, technical and non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, or process) and other confidential and proprietary information concerning the products, processes, or services of the Company or the Company’s Affiliates, including but not limited to: computer programs, unpatented or unpatentable inventions, discoveries or improvements; marketing, manufacturing, organizational, or research and development results and plans; business and strategic plans; sales forecasts and plans; personnel information, including the identity of other employees of the Company, their responsibilities, competence, abilities, and compensation; pricing and financial information; current and prospective customer lists and information on customers or their employees; information concerning purchases of major equipment or property; and information about potential mergers, acquisitions or other transactions which information: (i) has not been made known generally to the public, and (ii) is useful or of value to the current or anticipated business, or research or development activities of the Company or of any customer or supplier of the Company, or (iii) has been identified to Executive as confidential by the Company, either orally or in writing.
7.28. **Restricted Stock Plan**
“Restricted Stock Plan” means the Sprint 1990 Restricted Stock Plan, as amended.

7.29. **Restrictive Covenants**
“Restrictive Covenants” means those covenants applicable to Executive set forth in Section 4.02 through 4.07 of this Agreement.

7.30. **Severance Benefits**
“Severance Benefits” shall have the meaning as defined in Section 5.01 of this Agreement.

7.31. **Severance Period**
“Severance Period” shall have the meaning as defined in Section 5.01(i) of this Agreement.

7.32. **Similarly Situated Executives**
“Similarly Situated Executives” means those executives of the Company that hold employment positions similar in status or level to that of Executive.

7.33. **Stock-Based Award**
“Stock-Based Award” means an award granted under Section 3.

7.34. **Subsidiary**
“Subsidiary” means, with respect to any person (the “Controlling Person”), all other persons (the “Controlled Persons”) in whom the Controlling Person, alone or in combination with one or more of its Subsidiaries, owns or controls more than 50% of the management or voting rights, together with all Subsidiaries of such Controlled Persons.

7.35. **Targeted Compensation**
“Targeted Compensation” means the amount established by the Committee that would be the payout under the Incentive Plan, if the Performance Measure for the Performance Period were 100%.

7.36. **Targeted Total Compensation**
“Targeted Total Compensation” means, as of any time, the sum of Executive’s (1) Base Salary, (2) Targeted Compensation, and (3) targeted value of his annual stock option award, annual restricted stock or restricted stock unit award (ignoring the value of the options, restricted stock or restricted stock units granted before the Effective Date) as adopted by the Committee.
7.37. **Termination Date**

“Termination Date” means (i) in the case of a termination of Executive’s employment by reason of Executive’s death, Executive’s date of death, (ii) in the case of a termination of Executive’s employment for Good Reason, the date which is thirty (30) days after the notice of termination is given, and (iii) in all other cases, the date of any notice of termination or the date, if any, on which the notice declares itself to be effective (but in no event later than the 60th day after the date on which such notice is given).

7.38. **Termination Performance Period**

“Termination Performance Period” means the Performance Period in which Executive’s Termination Date occurs.

7.39. **Termination Period Incentive Payout**

“Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) the Capped Incentive Payout for the Termination Performance Period. The weights in the weighted average will be for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

7.40. **Total Disability**

“Total Disability” shall have the same meaning as in Sprint’s Long-Term Disability Plan, as amended from time to time or any successor plan.

8. **Assignability, Binding Nature**

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (in the case of Executive), and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that they may be assigned or transferred to any subsidiary of Sprint or pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, but only if the assignee or transferee becomes the successor to all or substantially all of the assets of the Company and assumes the liabilities, obligations, and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale of assets or liquidation as described in the preceding sentence, it will take whatever action it legally can in order to cause the assignee or transferee to expressly assume the liabilities, obligations, and duties of the Company hereunder.
No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his rights to compensation and benefits, which may be transferred only in connection with Executive’s estate planning objectives or by will or operation of law. If Executive should die or become disabled while any amount is owed but unpaid to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid to Executive’s legal guardian or to his devisee, legatee or other designee, as the case may be, or if there is no such designee, to Executive’s estate.

9. Amendment
This Agreement may be amended, modified, or canceled only by mutual agreement of the parties in writing.

10. Applicable Law
The provisions of this Agreement shall be construed in accordance with the internal laws of the State of Kansas, without regard to the conflict of law provisions of any state.

11. Tax Withholding
All payments made pursuant to this Agreement shall be subject to applicable federal, state and local income and other withholding taxes, and to other applicable withholdings or deductions elected by Executive or otherwise required by law or judicial process.

12. Severability
The parties intend the various provisions of this Agreement to be severable and to constitute independent and distinct binding obligations. If any provision of this Agreement is determined to be invalid, illegal, or incapable of being enforced, in whole or in part, it shall not affect or impair the validity of any other provision or part of this Agreement, and the provision or part shall be deemed modified to the minimum extent required to permit enforcement. Upon such a determination that any term or other provision is invalid, illegal, or incapable of being enforced, the court or arbitrator, as applicable, shall have the authority to so modify the provision or term. If the provision or term is not modified by the court or arbitrator, the parties must negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the provisions of this Agreement are preserved to the greatest extent possible.

13. Waiver of Breach
No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by the other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of either party to take any action by reason of such breach will not deprive the party of the right to take action at any time while the breach continues.
14. Notices

Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or prepaid overnight courier to the parties at the addresses set forth below or at such other addresses as shall be specified by the parties by like notice:

If to Executive:
James G. Kissinger

If to Company:
Sprint Corporation
Attn: Corporate Secretary
6200 Sprint Parkway
Overland Park, KS 66251

with copy to:
Sprint Corporation
Attn: General Counsel
6200 Sprint Parkway
Overland Park, KS 66251

or to the latest address furnished by Executive to Company for purposes of general communications.

Each party, by written notice furnished to the other party, may modify the applicable delivery address, but any notice of change of address shall be effective only upon receipt. Such notices, demands, claims and other communications shall be deemed given in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery; or in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail, but in no event will any such communications be deemed to be given later than the date they are actually received.

15. Survivorship

Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties shall survive the expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement. In particular, without limiting the generality of the preceding sentence, any obligation of the Company to make payments or provide services under Section 5 shall continue beyond the end of the Employment Term and the obligations and covenants of Executive set forth in Section 4, and the rights and remedies of the Company with respect thereto, shall continue beyond the Employment Term to the extent contemplated therein.

16. Entire Agreement

Except as otherwise noted herein, this Agreement constitutes the entire agreement between the parties concerning the subject matter specifically addressed herein and, except for the terms and provisions of any other employee benefit or other compensation plans (or any agreements or
awards thereunder) referred to herein or contemplated hereby, this Agreement supersedes all prior and contemporaneous oral agreements, if any, between the parties relating to the subject matter specifically addressed herein.

17. **Headings**
The headings in this Agreement are for convenience of reference only and will not affect the construction of any of its provisions.

18. **Counterparts**
This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

[The remainder of this page has intentionally been left blank.]
I N W ITNESS W HEREOF, the parties hereto have caused this Agreement to be duly executed as of the date set forth above.

S PRINT CORPORATION

By: /s/ Claudia S. Toussaint

Claudia S. Toussaint, Vice President Law - Corporate Governance and Corporate Secretary

S PRINT /UNITED MANAGEMENT COMPANY

By: /s/ Claudia S. Toussaint

Claudia S. Toussaint, Vice President Law - Corporate Governance and Corporate Secretary

/s/ James G. Kissinger

James G. Kissinger, “Executive”

I hereby elect to receive the following Stock-Based Award pursuant to Section 3 of this Agreement:

[ ] Restricted Stock
[ ] Stock Options

26
Exhibit A
Boards of Directors of For-Profit Businesses

None

27
Employment Agreement
(With Enhanced Change-in-Control Benefits)

This Employment Agreement (this “Agreement”) is dated as of December 3, 2003 (the “Effective Date”), by and among Sprint Corporation, a Kansas corporation (“Sprint”), Sprint/United Management Company, a Kansas corporation and subsidiary of Sprint (“SUMC”) (Sprint, SUMC and the subsidiaries of Sprint are collectively referred to herein as the “Company”), and Michael W. Stout (“Executive”).

Recitals

1. Because the Company is mindful of Executive’s substantial contributions to the Company and of his attractiveness in the competitive marketplace, both within and outside of the telecommunications industry, it desires to insure his continued employment with the Company, it desires to encourage him to maintain and increase his ownership of Company stock, and it desires to provide him appropriate compensation arrangements that continue to motivate him to focus on and increase shareholder value.

2. Executive has been, and now is, serving as Executive Vice President and Chief Information Officer.

3. The Company desires to secure the continued long-term employment of Executive.

4. Executive and the Company entered into a Special Compensation and Non-Compete Agreement, dated May 13, 2003 (the “Severance Agreement”).

5. The Company granted Executive certain “Stock-Based Awards” in, and as such term is defined under, the Severance Agreement (the “Prior Awards”), and the Company and Executive desire to continue the vesting, acceleration, and other terms of the Prior Awards as set forth in the Severance Agreement but to supersede all other aspects of the Severance Agreement by this Agreement.

6. Certain capitalized terms used herein are defined parenthetically throughout this Agreement or defined in Section 6 of this Agreement.

Now, therefore, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which consideration is mutually acknowledged by the parties, the parties hereby agree as follows:

1. Employment and Termination

1.01. Conditions of Employment

Subject to the terms of this Agreement, the Company hereby agrees to employ Executive as Executive Vice President and Chief Information Officer, with such authority, power, responsibilities, and duties customarily exercised by a person holding such positions in a company of the size and nature of the Company.
1.02. Performance of Duties
Executive shall, during his employment with the Company, owe an undivided duty of loyalty to the Company and agrees to use his best efforts to promote and develop the business of the Company. Executive agrees that, during his employment with the Company, he must devote his full business time, energies, and talents to serving as a senior executive officer of the Company and that he shall perform his duties faithfully and efficiently subject to the directions of the Board. Notwithstanding the foregoing, Executive may, subject in all cases to the Company’s Principles of Business Conduct (or any successor code of conduct) (i) serve as a director, trustee, or officer or otherwise participate in not-for-profit educational, welfare, social, religious, and civic organizations; (ii) serve as a director of any for-profit business listed on Exhibit A hereto or, with the prior consent of the Board, serve as a director of any for-profit business that is not a Competitor; and (iii) acquire passive investment interests in one or more entities, to the extent that the other activities do not inhibit or interfere with the performance of Executive’s duties under this Agreement, or to the knowledge of Executive conflict in any material way with the business or policies of the Company.

1.03. Term of Employment
The term of Executive’s employment under this Agreement (the “Employment Term”) begins on the Effective Date and ends on Executive’s 65th birthday (the “End Date”). This Agreement sets forth certain terms of Executive’s employment during the Employment Term, the consequences of any termination of employment during the Employment Term, and the terms of certain restrictive covenants by Executive during and after the Employment Term. The Company and Executive agree that the employment relationship is at will, and either party may terminate the employment relationship for any reason in accordance with the procedures and with the consequences set forth in this Agreement.

1.04. Procedures for Termination
(a) General Procedures
Except as set forth below, any purported termination of this Agreement or of Executive’s employment by the Company or by Executive during the Employment Term, other than by Executive’s death, shall be communicated by a written notice of termination to the other party hereto delivered in accordance with Section 13 below indicating the specific termination provision in this Agreement relied upon and setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. Any such termination will be effective on the Termination Date.

(b) Cause Termination
The Company may not terminate Executive’s employment for Cause during the Employment Term until it delivers to Executive a written notice stating that Executive is guilty of conduct constituting Cause by reference to one or more clauses of Section 6.06 and specifying the particulars thereof in reasonable detail.
CIC Good Reason Termination

Executive may terminate his employment for CIC Good Reason during the Employment Term only within the CIC Protected Period following written notice and an opportunity for the Company to cure; provided, however, that Executive may not give notice of termination for CIC Good Reason during any Period in which Executive is unable to substantially perform his duties with the Company due to physical or mental illness. In order to effect a termination for CIC Good Reason, Executive must, within 60 days following the event or circumstance giving rise to Executive’s claim, deliver a written notice to the Company that sets forth the specific event or circumstance giving rise to CIC Good Reason by reference to one or more clauses of the definition of CIC Good Reason set forth in Section 6.09 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for CIC Good Reason, Executive shall not be entitled to terminate his employment for CIC Good Reason by reason of such event or circumstance.

Non-CIC Good Reason Termination

Executive may terminate his employment for Non-CIC Good Reason any time during the Employment Term following written notice and an opportunity for the Company to cure. In order to effect a termination for Non-CIC Good Reason, Executive must deliver a written notice to the Company within 60 days following the event or circumstance giving rise to Executive’s claim of Non-CIC Good Reason. The notice must set forth the specific event or circumstance giving rise to Non-CIC Good Reason by reference to one or more clauses of the definition of Non-CIC Good Reason set forth in Section 6.24 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for Non-CIC Good Reason, Executive shall not be entitled to terminate his employment for Non-CIC Good Reason by reason of such event or circumstance.

Payment of Compensation Earned Through Termination Date

Upon a termination of Executive’s employment hereunder for any reason, Executive or, in the event of his death, Executive’s estate, in addition to any other payments or benefits to which Executive may be entitled hereunder, is entitled to

(i) Executive’s Base Salary prorated through the Termination Date,
(ii) any payment under the Incentive Plan for Performance Periods ending before the Termination Date, unless eliminated or reduced, and then only to the extent that such payments are eliminated or reduced, for all Senior Officers continuing employment with the Company, and
any vacation pay for vacation accrued by Executive in the calendar year of termination but not taken at the Termination Date.

Except as otherwise provided herein, the Company must pay any other employee benefits to which Executive is entitled by reason of his employment to Executive or his estate at the time or times required by the terms of the applicable Company plan or policy.

(f) **Effect of Termination on Other Positions**

If, on the Termination Date, Executive (i) is a member of the Board or any board of directors of one of Sprint’s subsidiaries, (ii) serves on the board of directors of any other corporation by nomination, appointment, or designation by Sprint or any of its subsidiaries, or (iii) holds any other position with Sprint or any of its subsidiaries, Executive shall, unless otherwise agreed to by the Company, be deemed to have resigned from all such positions as of the Termination Date. Executive agrees to execute such documents and take such other actions as the Company may request to reflect such resignations.

(g) **Condition to Certain Payments**

Payments under Section 4 are conditioned on Executive’s compliance with the requirements of Section 4.03(b).

(h) **Exit Interview**

At the Company’s request, Executive shall participate in an exit interview prior to Executive’s last day worked as an employee of the Company to provide for the orderly transition of his duties, to arrange for the return of the Company’s property, to discuss his intended new employment, and to discuss and complete such other matters as may be necessary to ensure full compliance with this Agreement.

2. **Compensation**

Subject to the terms of this Agreement, during the Employment Term, while Executive is employed by the Company, the Company will compensate him for his services as follows:

2.01. **Base Salary**

Executive shall receive an annual base salary in an amount not less than his annual salary on the Effective Date, payable in monthly or more frequent installments in accordance with the Company’s payroll policies and practices (such annual base salary as adjusted pursuant to this Section 2.01 shall hereinafter be referred to as the “Base Salary”). Executive’s Base Salary shall be reviewed, and may be increased but not decreased below the rate in effect on the Effective Date (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.
2.02. Incentive Payments
Executive will continue to participate in the Incentive Plan, subject to its terms and conditions as they may from time to time be established, amended, interpreted, or terminated in accordance with the Company’s plans or policies governing such benefits to the Company’s Senior Officers generally. Executive’s Targeted Compensation under the Incentive Plan shall be reviewed, and may be increased but not decreased below his Targeted Compensation in effect in 2003 (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.

2.03. Employee Benefits
The Company will provide Executive with the employee benefits (including, without limitation, life, disability, medical and dental insurance coverage, participation in the Company’s Executive Deferred Compensation Plan, Savings Plan, and the Pension Plan, and other benefits generally provided to Senior Officers) that are no less favorable in the aggregate to Executive than those provided to him as of the Effective Date, subject to amendment, modification, interpretation by the Company, or termination in accordance with the Company’s plans or policies governing such benefits to Senior Officers generally.

2.04. Expense Reimbursement
The Company will reimburse Executive for reasonable out-of-pocket expenses incurred and accounted for in accordance with the policies and procedures of the Company for Senior Officers generally, as they may from time to time be established, interpreted, amended, or terminated.

2.05. Prior Awards Remain Outstanding
The Prior Awards shall remain outstanding, and the terms and conditions of the Prior Awards shall continue to be governed by the provisions of the Severance Agreement pertaining to the vesting and acceleration of the Prior Awards, and the Prior Awards shall be considered continuing partial consideration for the execution of this Agreement.

3. Executive Covenants

3.01. Principles of Business Conduct
Executive shall adhere in all respects to the Company’s Principles of Business Conduct (or any successor code of conduct) as they may from time to time be established, interpreted, amended, or terminated.

3.02. Proprietary Information
Executive acknowledges that during the course of his employment he has learned or will learn or develop Proprietary Information. Executive further acknowledges that unauthorized disclosure or use of such Proprietary Information, other than in discharge of Executive’s duties, will cause the Company irreparable harm. Except in the course of his employment with the Company under this Agreement, in the pursuit of the business of the Company, or as otherwise required in
employment with the Company, Executive shall not, during the course of his employment or at any time following termination of his employment, directly or indirectly, disclose, publish, communicate, or use on his behalf or another’s behalf, any Proprietary Information. If during or after his employment Executive has any questions about whether particular information is Proprietary Information he shall consult with the Company’s Corporate Secretary or other representative designated by the Company.

Executive also agrees to promptly disclose to the Company any information, ideas, or inventions made or conceived by him that result from or are suggested by services performed by him for the Company under this Agreement, and to assign to the Company all rights pertaining to such information, ideas, or inventions. Knowledge or information of any kind disclosed by Executive to the Company shall be deemed to have been disclosed without obligation on the part of the Company to hold the same in confidence, and the Company shall have the full right to use and disclose such knowledge and information without compensation to Executive beyond that specifically provided in this Agreement.

3.03. Non-Competition

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not engage in Competitive Employment, whether paid or unpaid and whether as a consultant, employee, or otherwise. This provision shall not apply if, within one year following a Change in Control:

(i) the Company terminates Executive’s employment with the Company for any reason other than for Cause or Total Disability; or

(ii) Executive terminates his employment with the Company for CIC-Good Reason.

If Executive ceases to be employed by the Company because of the sale, spin-off, divestiture, or other disposition by the Company of a subsidiary, division, or other divested unit employing Executive, this provision shall continue to apply during the Non-Compete Period, except that Executive’s continued employment for the subsidiary, division, or other divested unit disposed of by the Company shall not be deemed a violation of this provision.

Executive agrees that because of the worldwide nature of the Company’s business, breach of this Agreement by accepting Competitive Employment would irreparably injure the Company and that, therefore, a limited geographic restriction is neither feasible nor appropriate to protect the Company’s interests.

3.04. Inducement of Employees, Customers and Others

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, or customer of the Company, or vendor or other parties doing business with the Company, to terminate their employment, agency, or other relationship with the Company or to render services for or transfer business to any Competitor, and Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity on behalf of the Competitor.
3.05. No Adverse Actions
During the Non-Compete Period, Executive shall not, without the prior written consent of the Company, in any manner, solicit, request, advise, or assist any other person to (a) undertake any action that would be reasonably likely to, or is intended to, result in a Change in Control, or (b) seek to control in any material manner the Board.

3.06. Return of Property
Executive shall, upon his Termination Date, return to the Company all property of the Company in his possession, including all notes, reports, sketches, plans, published memoranda, or other documents, whether in hard copy or in electronic form, created, developed, generated, received, or held by Executive during his employment, concerning or related to the Company’s business, whether containing or relating to Proprietary Information or not. Executive shall not remove, by e-mail, by removal of computer discs or hard drives, or by other means, any of the above property containing Proprietary Information, or reproductions or copies thereof, or any apparatus from the Company’s premises without the Company’s written consent.

3.07. Mutual Non-disparagement
Executive agrees to refrain from making any statements about the Company or its officers or directors that would disparage, or reflect unfavorably upon the image or reputation of the Company or any such officer or director. The Company agrees to use reasonable efforts to prevent its directors and officers from making any statements about Executive that would disparage, or reflect unfavorably upon the image or reputation of, Executive.

3.08. Assistance with Claims
Executive agrees that, consistent with Executive’s business and personal affairs, during and after his employment by the Company, he will assist the Company in the defense of any claims or potential claims that may be made or threatened to be made against it in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (“Proceeding”) and will assist the Company in the prosecution of any claims that may be made by the Company in any Proceeding, to the extent that such claims may relate to Executive’s services provided under this Agreement.

Executive agrees, unless precluded by law, to promptly inform the Company if Executive is asked to participate (or otherwise become involved) in any Proceeding involving such claims or potential claims.

Executive also agrees, unless precluded by law, to promptly inform the Company if Executive is asked to assist in any investigation (whether governmental or private) of the Company (or its actions), regardless of whether a lawsuit has then been filed against the Company with respect to such investigation. The Company agrees to reimburse Executive for all of Executive’s reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys’ fees and shall pay a reasonable per diem fee (equal to 1/250 th of his Base Salary rate at his Termination Date) for Executive’s services.
3.09. Key Man Life Insurance
The Company may, at its discretion, purchase for its own benefit and at its own expense, key man life insurance on the life of Executive. Neither Executive nor Executive’s spouse or dependents shall have any right, title, or interest in or to such insurance or the proceeds thereof. Executive agrees to cooperate with the life insurance company and the Company in the insurance underwriting process, including submitting to a physical examination and other tests necessary to secure coverage, and signing all appropriate applications and written forms as may be required by the insurance company.

4. Payments On Certain Terminations

4.01. Payments on Certain Terminations Not in Connection with Change in Control
If, during the Employment Term but not within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability or (b) Executive terminates his employment with the Company for Non-CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “Non-CIC Benefits”) in lieu of any other payments or benefits available under Section 4.02 below or under any and all Company separation plans or policies:

(i) The Company will pay Executive his Base Salary, in equal installments in arrears and on the same schedule as paid before his Termination Date, for a period (the “Non-CIC Severance Period”) commencing on the Termination Date and ending on the earlier to occur of (A) the date 18 months after the Termination Date, or (B) the End Date, at the rate in effect on his Termination Date.

(ii) The Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) the bonus amount under the Incentive Plan for the Non-CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Non-CIC Termination Period Incentive Payout.

(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Capped Incentive Payout for such Performance Period or, alternatively, in the event that the Non-CIC
Severance Period ends within such Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.

(C) In the event that the Non-CIC Severance Period ends in the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.

For purposes of Sections 4.01(ii) (B) and (C), in determining whether to count the month in which the Non-CIC Severance Period ends, if the end of the Non-CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the Non-CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

This Section 4.01(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 4.01(ii) shall be made at the time payouts are made for the Performance Period in which the Non-CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 4.01(ii), that would have accrued and been payable to Executive under the Incentive Plan for the Non-CIC Severance Period had the Performance Periods remained 12 months in length.

(iii) During the Non-CIC Severance Period, the Company will provide any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country club membership dues and accrual of vacation) that Executive was receiving or was entitled to receive as of the Termination Date, except that long term-disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the Non-CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of such Company’s group health care plans by paying the applicable premium therefor.

(iv) During the Non-CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the Non-CIC Severance Period.
In all events, Executive’s right to receive the Non-CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.02. Payments on Certain Terminations in Connection with a Change in Control

If, during the Employment Term and within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability, or (b) Executive terminates his employment with the Company for CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “CIC Benefits”) in lieu of any other payments or benefits available under Section 4.01 above or under any and all Company separation plans or policies:

(i) In lieu of any further salary payments to Executive for periods after the Termination Date, the Company will pay Executive an aggregate amount equal to two times Executive’s Base Salary (without regard to any deferred amounts); provided, however, to the extent that Executive terminates his employment because of CIC Good Reason and a reduction in Executive’s Base Salary has occurred which constitutes CIC Good Reason under Section 6.09(ii) of this Agreement, Executive’s Base Salary for the purpose of this Section 4.02(i) shall be Executive’s Base Salary immediately prior to such Base Salary reduction. The payment made pursuant to this Section 4.02(i) shall be paid to Executive in equal installments in arrears and on the same schedule as Executive’s Base Salary was being paid to Executive before the Termination Date for a period (the “CIC Severance Period”) beginning on the Termination Date and ending on the earlier to occur of (A) the date 24 months after the Termination Date or (B) the End Date.

(ii) In lieu of any payments under, and notwithstanding any provisions of the Incentive Plan, the Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) a bonus amount equal to the amount Executive could have received under the Incentive Plan for the CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the CIC Termination Period Incentive Payout.
(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to Executive’s Final Targeted Compensation or, alternatively, in the event that the CIC Severance Period ends within such Performance Period, Executive’s Final Targeted Compensation prorated through the month in which the CIC Severance Period ends.

(C) In the event that the CIC Severance Period ends during the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, Executive’s Final Targeted Compensation prorated through the month in which the CIC Severance Period ends.

For purposes of Sections 4.02(ii) (B) and (C), in determining whether to count the month in which the CIC Severance Period ends, if the end of the CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

Notwithstanding the above and for the purpose of determining the payout amounts under Sections 4.02(ii)(B) and (C), to the extent that Executive terminates his employment because of CIC Good Reason and a reduction in Executive’s Targeted Compensation has occurred which constitutes CIC Good Reason under Section 6.09(vi) of this Agreement, Executive’s Final Targeted Compensation for purposes of Sections 4.02(ii)(B) and (C) shall be Executive’s Targeted Compensation immediately prior to such Targeted Compensation reduction.

This Section 4.02(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 4.02(ii) shall be made at the time payouts are made for the Performance Period in which the CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 4.02(ii), that would have accrued and been payable to Executive under the Incentive Plan for the CIC Severance Period had the Performance Periods remained 12 months in length.

(iii) During the CIC Severance Period, the Company will, in such manner as is selected by the Company in its sole discretion, provide, arrange to provide, or reimburse Executive for any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country club membership dues and accrual of vacation) that Executive was
receiving or was entitled to receive as of the Termination Date, except that long-term disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of the Company’s group health care plans by paying the applicable premium therefor.

(iv) During the CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the CIC Severance Period.

(v) The end of the CIC Severance Period will be treated as Executive’s termination date for purposes of the Company’s stock option and restricted stock programs.

In all events, Executive’s right to receive the CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches any of the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.03. Other Provisions Regarding Payments and Benefits

(a) **No Mitigation; No Offset**

In the event of any termination of employment resulting in payments under this Section 4, Executive need not seek other employment and, except as expressly provided herein, there shall be no offset against amounts due to Executive under this Agreement on account of any remuneration attributable to any subsequent employment that he may obtain.

(b) **Settlement and Release**

The payments and benefits provided for hereunder shall be in full settlement and satisfaction of all of Executive’s claims and demands relating to or arising out of Executive’s employment with the Company or the termination thereof; provided, however, such settlement and release does not apply to (i) any rights or benefits as set forth in this Agreement and (ii) any rights to indemnification to which Executive is entitled under the Company’s Certificate of Incorporation, Bylaws, Kansas common or statutory law, or any other applicable indemnification agreements entered into between Executive and the Company. The Company’s obligation to provide such payments and benefits is expressly made subject to and conditioned upon (i) Executive’s execution, within forty-five (45) days after the Termination Date, of a release of such claims and demands in such form as the Company may reasonably determine and (ii) Executive’s non-revocation of such release in accordance with the terms thereof.

(c) **Nature of Payments**

Any amounts due under this Section 4 are in the nature of severance payments considered to be reasonable by the parties and are not in the nature of a penalty.
(d) **Benefit Plans**

If, for any period during which Executive is entitled to continued benefits under this Section 4, the Company reasonably determines that Executive cannot participate in any benefit plan because he is not actively performing services for the Company, then, in lieu of providing benefits under any such plan, the Company shall provide comparable benefits or the cash equivalent of the cost thereof (after taking into account incremental payroll and income tax consequences thereof to Executive and Executive’s dependents as the case may be) to Executive and, if applicable, Executive’s dependents through other arrangements.

(e) **Other Severance Arrangements**

Subject to Section 2.05 and except as may be otherwise specifically provided in an amendment of this Section 4.03(e) adopted in accordance with this Agreement, Executive’s rights under Section 4 shall be in lieu of any benefits that may be otherwise payable to or on behalf of Executive pursuant to the terms of the Severance Agreement or any other Company separation plans or policies or any other similar arrangement of the Company providing benefits upon termination of employment.

(f) **Time of Payments**

If the amount of any payment provided for in Section 4.01 or 4.02 cannot reasonably be calculated on or before the date on which such payment is due, the Company shall pay to Executive on such date an estimate, as calculated in good faith by the Company, of the minimum amount of such payment and shall pay the remainder of such payments when reasonably calculable.

5. **Enforcement and Equitable Remedies**

Executive consents to jurisdiction and venue in the state and federal courts in and for Johnson County, Kansas, for all disputes arising under this Agreement; provided, however, that the Company may seek injunctive relief in any court of competent jurisdiction to enjoin any violation of Sections 3.02 through 3.07 (the “Restrictive Covenants”). Executive acknowledges that the Company would be irreparably injured by a violation of the Restrictive Covenants, and he agrees that the Company, in addition to any other remedies available to it for any breach or threatened breach, shall be entitled to a preliminary or permanent injunction, temporary restraining order, or other equitable relief, restraining Executive from any actual or threatened breach of the Restrictive Covenants. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that the bond need not be more than a nominal sum. **THE COMPANY AND EXECUTIVE VOLUNTARILY WAIVE ANY RIGHT TO TRIAL BY JURY AND CONSENT TO A BENCH TRIAL OF ALL DISPUTES ARISING UNDER THIS AGREEMENT.**
If Executive materially breaches any of the Restrictive Covenants or if any of those provisions are held to be unenforceable against Executive, Executive shall return any compensation or benefits paid pursuant to Section 4. Moreover, if Executive’s breach occurs within the five-year period beginning on the “Grant Date”, as defined in the Severance Agreement, Executive shall return to the Company the stock received with respect to the Prior Awards, or, if Executive has disposed of such stock, an amount equal to the fair market value thereof on the date of disposition. This remedy is a return of consideration and shall be in addition to any other remedies. During Executive’s employment with the Company, the Committee shall determine whether Executive has materially breached the Restrictive Covenants, and the Committee’s determination shall be final.

6. Definitions
As used in this Agreement, the following terms shall have the meanings set forth below.

6.01. Actual Incentive Payout
“Actual Incentive Payout” means, with respect to a Performance Period, the product of (1) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.

6.02. Affiliate
“Affiliate” means, with respect to any person, a person, other than a Subsidiary of such person, (i) controlling, controlled by, or under common control with such person and (ii) any other person with whom such person reports consolidated financial information for financial reporting purposes. “Control” for this purpose means direct or indirect possession by one person of voting or management rights of at least 20% with respect to another person.

6.03. Base Salary
“Base Salary” shall have the meaning as defined in Section 2.01 of this Agreement.

6.04. Board
“Board” shall mean the Board of Directors of Sprint.

6.05. Capped Incentive Payout
“Capped Incentive Payout” means, with respect to a Performance Period under the Incentive Plan, the product of (1) the lesser of (a) 100% and (b) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.
6.06. **Cause**

Termination by the Company of Executive’s employment for “Cause” means termination upon

(i) the willful and continued failure by Executive to substantially perform his duties with the Company (other than any such failure resulting from Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the Company, which demand specifically identifies the manner in which the Company believes that Executive has not substantially performed his duties, or

(ii) the willful engaging by Executive in conduct that is a violation of the Company’s Principles of Business Conduct (or any successor code of conduct), or

(iii) the willful act, or failure to act, by Executive that is injurious to the Company, or

(iv) the willful violation by Executive of any of the Restrictive Covenants.

For purposes of this definition, no act, or failure to act, on Executive’s part shall be deemed “willful” (x) unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive’s action or omission was in the best interest of the Company, or (y) unless done, or omitted to be done, by Executive with reckless disregard for Executive’s duties. Failure to meet performance expectations, unless willful, continuing, and substantial, shall not be considered “Cause.”

6.07. **Change in Control**

“Change in Control” means the occurrence of any of the following events:

(i) the acquisition, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder, including, without limitation, Rule 13d-5(b)) of “beneficial ownership” (as determined pursuant to Rule 13d-3 under the Exchange Act) of voting securities of Sprint that represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, other than

(A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint or by any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint, or

(B) an acquisition of voting securities by Sprint or a corporation owned, directly or indirectly, by the stockholders of Sprint in substantially the same proportions as their ownership of the stock of Sprint, or

(C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);
(ii) a change in the composition of the Board that causes less than a majority of the directors of Sprint to be directors that meet one or more of the following descriptions:

(A) a director who has been a director of Sprint for a continuous period of at least 24 months, or

(B) a director whose election or nomination as director was approved by a vote of at least two-thirds of the then directors described in clauses (ii)(A), (B), or (C) by prior nomination or election, but excluding, for the purpose of this subclause (B), any director whose initial assumption of office occurred as a result of an actual or threatened (y) election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or group other than the Board or (z) tender offer, merger, sale of substantially all of Sprint’s assets, consolidation, reorganization, or business combination that would be a Change in Control under clause (iii) on consummation thereof, or

(C) who were serving on the Board as a result of the consummation of a transaction described in clause (iii) that would not be a Change in Control under clause (iii);

(iii) the consummation by Sprint (whether directly involving Sprint or indirectly involving Sprint through one or more intermediaries) of

(x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of Sprint’s assets or (z) the acquisition of assets or stock of another entity, in each case, other than in a transaction

(A) that results in Sprint’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Sprint or the person that, as a result of the transaction, controls, directly or indirectly, Sprint or owns, directly or indirectly, all or substantially all of Sprint’s assets or otherwise succeeds to the business of Sprint (Sprint or such person, the “Successor Entity”) directly or indirectly, at least 50% of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(B) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Board at the time of the Board’s approval of the agreement providing for the transaction or other action of the Board approving the transaction (or whose election or nomination was approved by a vote of at least two-thirds of the members who were members of the Board at that time), and
(C) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, no person or group shall be treated for purposes of this clause (C) as beneficially owning 30% or more of combined voting power of the Successor Entity solely as a result of the voting power held in Sprint prior to the consummation of the transaction; or

(iv) a liquidation or dissolution of Sprint.

For purposes of clarification, (x) a change in the voting power of Sprint voting securities based on the relative trading values of Sprint’s then outstanding securities as determined pursuant to Sprint’s Articles of Incorporation, or (y) an acquisition of Sprint securities by Sprint that, in either case, by itself (or in combination only with the other event listed in this sentence) causes the Sprint voting securities beneficially owned by a person or group to represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, is not to be treated as an “acquisition” by any person or group for purposes of clause (i) above. For purposes of clause (i) above, Sprint makes the calculation of voting power as if the date of the acquisition were a record date for a vote of Sprint’s shareholders, and for purposes of clause (iii) above, Sprint makes the calculation of voting power as if the date of the consummation of the transaction were a record date for a vote of Sprint’s shareholders.

6.08. CIC Benefits

“CIC Benefits” shall have the meaning as defined in Section 4.02 of this Agreement.

6.09. CIC Good Reason

“CIC Good Reason” means the occurrence, within a CIC Protected Period, of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(c) of this Agreement:

(i) a substantial adverse alteration in the nature or status of Executive’s duties from those in effect immediately before the Change in Control, any reduction in job grade or any substantial adverse alteration of Executive’s title from that in effect immediately before the Change in Control;

(ii) a reduction by the Company in Executive’s Base Salary as in effect on the Effective Date or as the same may be increased from time to time, except for across-the-board salary reductions similarly affecting all officers of the Company and all officers of any person in control of the Company;

(iii) the failure by the Company, without Executive’s consent, to pay to Executive any portion of Executive’s current compensation within seven days of the date it is
due, except pursuant to an across-the-board compensation deferral similarly affecting all officers of the Company and all officers of any person in control of the Company;

(iv) (A) the relocation of the Company’s principal executive offices to a location outside the metropolitan area in which such offices are located immediately before the Change in Control; or (B) the Company’s requiring Executive to be based anywhere other than the Company’s principal executive offices except for required travel on the Company’s business to an extent substantially consistent with Executive’s present business travel obligations; or (C) the Company’s requiring Executive to travel to an extent substantially inconsistent with Executive’s business travel obligations as in effect immediately before the Change in Control;

(v) a substantial and involuntary adverse alteration in the physical conditions under or in which Executive is expected to perform Executive’s duties, other than an alteration similarly affecting all officers of the Company and all officers of any person in control of the Company;

(vi) the Company’s failure to continue in effect any compensation plan in which Executive participated immediately before the Change in Control and that is material to Executive’s total compensation, including but not limited to the Incentive Plan or any substitute plans adopted before the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the Company’s failure to continue Executive’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of Executive’s participation relative to other Senior Officers, as existed at the time of the Change in Control;

(vii) the Company’s failure to continue to provide Executive with benefits substantially similar in the aggregate to those he enjoyed under any of the Company’s benefit plans in which Executive was participating at the time of the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the time of the Change in Control; or the failure by the Company to provide Executive with the number of paid vacation days to which Executive is entitled on the basis of years of service with the Company in accordance with the Company’s normal vacation policy in effect at the time of the Change in Control; unless, in any of the foregoing events, an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such benefits;

(viii) the Company’s failure to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7 hereof; or
the Company’s attempt to terminate Executive’s employment without complying with the procedures set forth in Section 1.04; any such attempt shall not be effective.

6.10. **CIC Protected Period**

“CIC Protected Period” means a period commencing on the date of a Change in Control and ending on the earlier to occur of (A) the two year anniversary of the date of the Change in Control or (B) the day before the End Date.

6.11. **CIC Severance Period**

“CIC Severance Period” shall have the meaning as defined in Section 4.02(i) of this Agreement.

6.12. **CIC Termination Period Incentive Payout**

“CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) Executive’s Targeted Compensation for the Termination Performance Period. The weights in the weighted average will be, for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.13. **Committee**

“Committee” means the Compensation Committee of the Board or any successor committee primarily responsible for executive compensation.

6.14. **Competitive Employment**

“Competitive Employment” means the performance of duties or responsibilities, or the supervision of individuals performing such duties or responsibilities, for a Competitor

(i) (A) that are of a similar nature or employ similar professional or technical skills (for example, executive, managerial, marketing, engineering, legal, etc.) to those employed by Executive in his performance of services for the Company at any time during the two years before the Termination Date, and

(B) that relate to products or services that are competitive with any of the Company’s products or services with respect to which Executive performed services for the Company at any time during the two years before the Termination Date,
or

(ii) in the performance of which, Proprietary Information to which Executive had access at any time during the two-year period before the Termination Date could be of substantial economic value to the Competitor.

6.15. Competitor

Because of the highly competitive, evolving nature of the Company’s industry, the identities of companies in competition with the Company are likely to change over time. The following tests, while not exclusive indications of what employment may be competitive, are designed to assist the parties and any court in evaluating whether particular employment is prohibited under this Agreement.

“Competitor” means any one or more of the following

(i) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenues from providing communications services of any type (for example, voice, data, including Internet, and video), employing any transmission medium (for example, wireline, wireless, or any other technology), over any distance (for example, local, long-distance, and distance insensitive services), using any protocol (for example, circuit-switched, or packet-based, such as Internet Protocol), or services or capabilities ancillary to such communications services (for example, network security services);

(ii) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company receives at least 3% of its gross operating revenues;

(iii) any person doing business in the United States, or any of its Divisions employing Executive, operating for less than 5 years a line of business from which the Company derives at least 3% of its gross operating revenues, notwithstanding such person’s or Division’s lack of substantial revenues in such line of business; or

(iv) any person doing business in the United States, or any of its Divisions employing Executive, if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company has operated for less than 5 years, notwithstanding the Company’s lack of substantial revenues in such line of business.
For purposes of the foregoing, gross operating revenues of the Company and such other person shall be those of the Company or such person, together with their Consolidated Affiliates, but those of any Division employing or proposing to employ Executive shall be on a stand-alone basis, all measured by the most recent available financial information of both the Company and such other person or Division at the time Executive accepts, or proposes to accept, employment with or to otherwise perform services for such person. If financial information is not publicly available or is inadequate for purposes of applying this definition, the burden shall be on Executive to demonstrate that such person is not a Competitor.

6.16. **Consolidated Affiliate**
“Consolidated Affiliate” means, with respect to any person, all Affiliates and Subsidiaries of such person, if any, with whom the financial statements of such person are required, under generally accepted accounting principles, to be reported on a consolidated basis.

6.17. **Division**
“Division” means any distinct group or unit organized as a segment or portion of a person that is devoted to the production, provision, or management of a common product or service or group of related products or services, regardless of whether the group is organized as a legally distinct entity.

6.18. **Employment Term**
“Employment Term” shall have the meaning as defined in Section 1.03 of this Agreement.

6.19. **End Date**
“End Date” shall have the meaning as defined in Section 1.03 of this Agreement.

6.20. **Final Targeted Compensation**
“Final Targeted Compensation” means the Targeted Compensation of Executive for the Termination Performance Period.

6.21. **FON Common Stock**
“FON Common Stock” means Sprint’s FON Common Stock, Series 1, $2.00 par value per share.

6.22. **Incentive Plan**
“Incentive Plan” means the Company’s Management Incentive Plan, together with other incentive compensation plans specifically approved for this purpose by the Committee.

6.23. **Non-CIC Benefits**
“Non-CIC Benefits” shall have the meaning as defined in Section 4.01 of this Agreement.
6.24. Non-CIC Good Reason

“Non-CIC Good Reason” means the occurrence of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(d) of this Agreement:

(i) unless the Company first offers to Executive a position having an equal or greater grade rating, reassignment of Executive from his then current position with the Company to a position having a lower grade rating, in each case under the Company’s methodology of rating employment positions for its employees generally;

(ii) a reduction within any 24-month period (other than an across-the-board reduction similarly affecting all Senior Officers) of Executive’s Targeted Total Compensation to an amount that is less than 90% of Executive’s highest Targeted Total Compensation during the 24-month period; or

(iii) the Company’s requiring that Executive be based anywhere other than the Kansas City metropolitan area.

6.25. Non-CIC Severance Period

“Non-CIC Severance Period” shall have the meaning as defined in Section 4.01(i) of this Agreement.

6.26. Non-CIC Termination Period Incentive Payout

“Non-CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) the Capped Incentive Payout for the Termination Performance Period. The weights in the weighted average will be for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the Non-CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.27. Non-Compete Period

“Non-Compete Period” means the 18-month period beginning on the Termination Date. If Executive breaches or violates any of the covenants or provisions of this Agreement, the running of the Non-Compete Period shall be extended for an additional period equal to the period the breach or violation continues.
6.28. **PCS Common Stock**

“PCS Common Stock” means Sprint’s PCS Common Stock, Series 1, $1.00 par value per share.

6.29. **Performance Measure**

“Performance Measure” means, with respect to any Performance Period, a measure, expressed as a percentage, of the extent to which the performance goals were achieved, as determined by the Committee, during the Performance Period.

6.30. **Performance Period**

“Performance Period” means a period of time under the Incentive Plan for which the Committee establishes performance goals for the Company’s business units and authorizes payment of incentive compensation based on a measure of the extent to which those goals were achieved during the period.

6.31. **Prior Awards**

“Prior Awards” shall have the meaning as defined in the fifth Recital to this Agreement.

6.32. **Post I Termination Performance Period**

“Post I Termination Performance Period” means the Performance Period immediately following the Termination Performance Period.

6.33. **Post II Termination Performance Period**

“Post II Termination Performance Period” means the Performance Period immediately following the Post I Termination Performance Period.

6.34. **Proceeding**

“Proceeding” shall have the meaning as defined in Section 3.08 of this Agreement.

6.35. **Proprietary Information**

“Proprietary Information” means trade secrets (such as customer information, technical and non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, or process) and other confidential and proprietary information concerning the products, processes, or services of the Company or the Company’s affiliates, including but not limited to: computer programs, unpatented or unpatentable inventions, discoveries or improvements; marketing, manufacturing, organizational, or research and development results and plans; business and strategic plans; sales forecasts and plans; personnel information, including the identity of other employees of the Company, their responsibilities, competence, abilities, and compensation; pricing and financial information; current and prospective customer lists and information on customers or their employees; information concerning purchases of major equipment or property; and information about potential mergers, acquisitions or other transactions which
6.36. **Restrictive Covenants**

“Restrictive Covenants” means those covenants applicable to Executive set forth in Section 3.02 through 3.07 of this Agreement.

6.37. **Senior Officer**

“Senior Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (or any successor statute or statutes thereto), and the rules and regulations promulgated thereunder.

6.38. **Severance Agreement**

“Severance Agreement” shall have the meaning as defined in the fourth recital to this Agreement.

6.39. **Subsidiary**

“Subsidiary” means, with respect to any person (the “**Controlling Person**”), all other persons (the “**Controlled Persons**”) in whom the Controlling Person, alone or in combination with one or more of its Subsidiaries, owns or controls more than 50% of the management or voting rights, together with all Subsidiaries of such Controlled Persons.

6.40. **Targeted Compensation**

“Targeted Compensation” means the amount established by the Committee that would be the payout under the Incentive Plan, if the Performance Measure for the Performance Period were 100%.

6.41. **Targeted Total Compensation**

“Targeted Total Compensation” means, as of any time, the sum of Executive’s (1) Base Salary, (2) Targeted Compensation, and (3) targeted value of his annual stock option award, annual restricted stock or restricted stock unit award (ignoring the value of the options, restricted stock or restricted stock units granted before the Effective Date) as adopted by the Committee.

6.42. **Termination Date**

“Termination Date” means (i) in the case of a termination of Executive’s employment by reason of Executive’s death, Executive’s date of death, (ii) in the case of a termination of Executive’s employment by reason of a Non-CIC Good Reason, the date which is thirty (30) days after the notice of termination is given, and (iii) in all other cases, the date of any notice of termination or the date, if any, on which the notice declares itself to be effective (but in no event later than the 60th day after the date on which such notice is given).
6.43. Termination Performance Period
“Termination Performance Period” means the Performance Period in which Executive’s Termination Date occurs.

6.44. Total Disability
“Total Disability” shall have the same meaning as in Sprint’s Long-Term Disability Plan, as amended from time to time or any successor plan.

7. Assignability, Binding Nature
This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (in the case of Executive), and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that they may be assigned or transferred to any subsidiary of Sprint or pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, but only if the assignee or transferee becomes the successor to all or substantially all of the assets of the Company and assumes the liabilities, obligations, and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale of assets or liquidation as described in the preceding sentence, it will take whatever action it legally can in order to cause the assignee or transferee to expressly assume the liabilities, obligations, and duties of the Company hereunder.

No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than his rights to compensation and benefits, which may be transferred only in connection with Executive’s estate planning objectives or by will or operation of law. If Executive should die or become disabled while any amount is owed but unpaid to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid to Executive’s legal guardian or to his devisee, legatee or other designee, as the case may be, or if there is no such designee, to Executive’s estate.

8. Amendment
This Agreement may be amended, modified, or canceled only by mutual agreement of the parties in writing.

9. Applicable Law
The provisions of this Agreement shall be construed in accordance with the internal laws of the State of Kansas, without regard to the conflict of law provisions of any state.
10. Tax Withholding
All payments made pursuant to this Agreement shall be subject to applicable federal, state and local income and other withholding taxes, and to other applicable withholdings or deductions elected by Executive or otherwise required by law or judicial process.

11. Severability
The parties intend the various provisions of this Agreement to be severable and to constitute independent and distinct binding obligations. If any provision of this Agreement is determined to be invalid, illegal, or incapable of being enforced, in whole or in part, it shall not affect or impair the validity of any other provision or part of this Agreement, and the provision or part shall be deemed modified to the minimum extent required to permit enforcement. Upon such a determination that any term or other provision is invalid, illegal, or incapable of being enforced, the court or arbitrator, as applicable, shall have the authority to so modify the provision or term. If the provision or term is not modified by the court or arbitrator, the parties must negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the provisions of this Agreement are preserved to the greatest extent possible.

12. Waiver of Breach
No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by the other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of either party to take any action by reason of such breach will not deprive the party of the right to take action at any time while the breach continues.

13. Notices
Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or prepaid overnight courier to the parties at the addresses set forth below or at such other addresses as shall be specified by the parties by like notice:

If to Executive:
Michael W. Stout
Sprint Corporation
Attn: Corporate Secretary
6200 Sprint Parkway
Overland Park, KS 66251

If to the Company:
Sprint Corporation
Attn: General Counsel
6200 Sprint Parkway
Overland Park, KS 66251

with copy to:
Sprint Corporation
Attn: Corporate Secretary
6200 Sprint Parkway
Overland Park, KS 66251
or to the latest address furnished by Executive to the Company for purposes of general communications.

Each party, by written notice furnished to the other party, may modify the applicable delivery address, but any notice of change of address shall be effective only upon receipt. Such notices, demands, claims and other communications shall be deemed given in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery; or in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail, but in no event will any such communications be deemed to be given later than the date they are actually received.

14. **Survivorship**

Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties shall survive the expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement. In particular, without limiting the generality of the preceding sentence, any obligation of the Company to make payments or provide services under Section 4 shall continue beyond the end of the Employment Term and the obligations and covenants of Executive set forth in Section 3, and the rights and remedies of the Company with respect thereto, shall continue beyond the Employment Term to the extent contemplated therein.

15. **Entire Agreement**

Except as otherwise noted herein, this Agreement constitutes the entire agreement between the parties concerning the subject matter specifically addressed herein and, except for the terms and provisions of any other employee benefit or other compensation plans (or any agreements or awards thereunder) referred to herein or contemplated hereby, this Agreement supersedes

(i) all prior and contemporaneous oral agreements, if any, between the parties relating to the subject matter specifically addressed herein; and

(ii) subject to Section 2.05, the Severance Agreement.

16. **Headings**

The headings in this Agreement are for convenience of reference only and will not affect the construction of any of its provisions.

17. **Counterparts**

This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.
I N W I TNESS W H E R E O F, the parties hereto have caused this Agreement to be duly executed as of the date set forth above.

S P R I N T C O R P O R A T I O N

By: /s/ Claudia S. Toussaint

Claudia S. Toussaint, Vice President Law -
Corporate Governance and Corporate Secretary

S P R I N T / U N I T E D M A N A G E M E N T C O M P A N Y

By: /s/ James G. Kissinger

James G. Kissinger, Senior Vice
President—Human Resources

/s/ Michael W. Stout

Michael W. Stout, “Executive”
Exhibit A
Boards of Directors of For-Profit Businesses

NONE

29
Employment Agreement
(With Enhanced Change-in-Control Benefits)

This Employment Agreement (this “Agreement”) is dated as of December 3, 2003 (the “Effective Date”), by and among Sprint Corporation, a Kansas corporation (“Sprint”), Sprint/United Management Company, a Kansas corporation and subsidiary of Sprint (“SUMC”) (Sprint, SUMC and the subsidiaries of Sprint are collectively referred to herein as the “Company”), and Kathryn A. Walker (“Executive”).

Recitals

1. Because the Company is mindful of Executive’s substantial contributions to the Company and of her attractiveness in the competitive marketplace, both within and outside of the telecommunications industry, it desires to insure her continued employment with the Company, it desires to encourage her to maintain and increase her ownership of Company stock, and it desires to provide her appropriate compensation arrangements that continue to motivate her to focus on and increase shareholder value.

2. Executive has been, and now is, serving as Executive Vice President—Network Services.

3. The Company desires to secure the continued long-term employment of Executive.

4. Executive and the Company entered into a Special Compensation and Non-Compete Agreement, dated February 8, 1999 (the “Severance Agreement”).

5. The Company granted Executive certain “Stock-Based Awards” in, and as such term is defined under, the Severance Agreement (the “Prior Awards”), and the Company and Executive desire to continue the vesting, acceleration, and other terms of the Prior Awards as set forth in the Severance Agreement but to supersede all other aspects of the Severance Agreement by this Agreement.

6. Certain capitalized terms used herein are defined parenthetically throughout this Agreement or defined in Section 6 of this Agreement.

Now, therefore, in consideration of the promises and mutual covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which consideration is mutually acknowledged by the parties, the parties hereby agree as follows:

1. Employment and Termination

1.01. Conditions of Employment

Subject to the terms of this Agreement, the Company hereby agrees to employ Executive as Executive Vice President—Network Services, with such authority, power, responsibilities, and duties customarily exercised by a person holding such position in a company of the size and nature of the Company.
1.02. Performance of Duties
Executive shall, during her employment with the Company, owe an undivided duty of loyalty to the Company and agrees to use her best efforts to promote and develop the business of the Company. Executive agrees that, during her employment with the Company, she must devote her full business time, energies, and talents to serving as a senior executive officer of the Company and that she shall perform her duties faithfully and efficiently subject to the directions of the Board. Notwithstanding the foregoing, Executive may, subject in all cases to the Company’s Principles of Business Conduct (or any successor code of conduct) (i) serve as a director, trustee, or officer or otherwise participate in not-for-profit educational, welfare, social, religious, and civic organizations; (ii) serve as a director of any for-profit business listed on Exhibit A hereto or, with the prior consent of the Board, serve as a director of any for-profit business that is not a Competitor; and (iii) acquire passive investment interests in one or more entities, to the extent that the other activities do not inhibit or interfere with the performance of Executive’s duties under this Agreement, or to the knowledge of Executive conflict in any material way with the business or policies of the Company.

1.03. Term of Employment
The term of Executive’s employment under this Agreement (the “Employment Term”) begins on the Effective Date and ends on Executive’s 65th birthday (the “End Date”). This Agreement sets forth certain terms of Executive’s employment during the Employment Term, the consequences of any termination of employment during the Employment Term, and the terms of certain restrictive covenants by Executive during and after the Employment Term. The Company and Executive agree that the employment relationship is at will, and either party may terminate the employment relationship for any reason in accordance with the procedures and with the consequences set forth in this Agreement.

1.04. Procedures for Termination
(a) General Procedures
Except as set forth below, any purported termination of this Agreement or of Executive’s employment by the Company or by Executive during the Employment Term, other than by Executive’s death, shall be communicated by a written notice of termination to the other party hereto delivered in accordance with Section 13 below indicating the specific termination provision in this Agreement relied upon and setting forth in reasonable detail the facts and circumstances claimed to provide a basis for termination under the provision so indicated. Any such termination will be effective on the Termination Date.

(b) Cause Termination
The Company may not terminate Executive’s employment for Cause during the Employment Term until it delivers to Executive a written notice stating that Executive is guilty of conduct constituting Cause by reference to one or more clauses of Section 6.06 and specifying the particulars thereof in reasonable detail.
(c) **CIC Good Reason Termination**

Executive may terminate her employment for CIC Good Reason during the Employment Term only within the CIC Protected Period following written notice and an opportunity for the Company to cure; provided, however, that Executive may not give notice of termination for CIC Good Reason during any Period in which Executive is unable to substantially perform her duties with the Company due to physical or mental illness. In order to effect a termination for CIC Good Reason, Executive must, within 60 days following the event or circumstance giving rise to Executive’s claim, deliver a written notice to the Company that sets forth the specific event or circumstance giving rise to CIC Good Reason by reference to one or more clauses of the definition of CIC Good Reason set forth in Section 6.09 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for CIC Good Reason, Executive shall not be entitled to terminate her employment for CIC Good Reason by reason of such event or circumstance.

(d) **Non-CIC Good Reason Termination**

Executive may terminate her employment for Non-CIC Good Reason any time during the Employment Term following written notice and an opportunity for the Company to cure. In order to effect a termination for Non-CIC Good Reason, Executive must deliver a written notice to the Company within 60 days following the event or circumstance giving rise to Executive’s claim of Non-CIC Good Reason. The notice must set forth the specific event or circumstance giving rise to Non-CIC Good Reason by reference to one or more clauses of the definition of Non-CIC Good Reason set forth in Section 6.24 of this Agreement. If, within 30 days following notice from Executive, the Company corrects, in all material respects, the events or circumstances giving rise to Executive’s claim for Non-CIC Good Reason, Executive shall not be entitled to terminate her employment for Non-CIC Good Reason by reason of such event or circumstance.

(e) **Payment of Compensation Earned Through Termination Date**

Upon a termination of Executive’s employment hereunder for any reason, Executive or, in the event of her death, Executive’s estate, in addition to any other payments or benefits to which Executive may be entitled hereunder, is entitled to

(i) Executive’s Base Salary prorated through the Termination Date,

(ii) any payment under the Incentive Plan for Performance Periods ending before the Termination Date, unless eliminated or reduced, and then only to the extent that such payments are eliminated or reduced, for all Senior Officers continuing employment with the Company, and
(iii) any vacation pay for vacation accrued by Executive in the calendar year of termination but not taken at the Termination Date.

Except as otherwise provided herein, the Company must pay any other employee benefits to which Executive is entitled by reason of her employment to Executive or her estate at the time or times required by the terms of the applicable Company plan or policy.

(f) Effect of Termination on Other Positions

If, on the Termination Date, Executive (i) is a member of the Board or any board of directors of one of Sprint’s subsidiaries, (ii) serves on the board of directors of any other corporation by nomination, appointment, or designation by Sprint or any of its subsidiaries, or (iii) holds any other position with Sprint or any of its subsidiaries, Executive shall, unless otherwise agreed to by the Company, be deemed to have resigned from all such positions as of the Termination Date. Executive agrees to execute such documents and take such other actions as the Company may request to reflect such resignations.

(g) Condition to Certain Payments

Payments under Section 4 are conditioned on Executive’s compliance with the requirements of Section 4.03(b).

(h) Exit Interview

At the Company’s request, Executive shall participate in an exit interview prior to Executive’s last day worked as an employee of the Company to provide for the orderly transition of her duties, to arrange for the return of the Company’s property, to discuss her intended new employment, and to discuss and complete such other matters as may be necessary to ensure full compliance with this Agreement.

2. Compensation

Subject to the terms of this Agreement, during the Employment Term, while Executive is employed by the Company, the Company will compensate her for her services as follows:

2.01. Base Salary

Executive shall receive an annual base salary in an amount not less than her annual salary on the Effective Date, payable in monthly or more frequent installments in accordance with the Company’s payroll policies and practices (such annual base salary as adjusted pursuant to this Section 2.01 shall hereinafter be referred to as the “Base Salary”). Executive’s Base Salary shall be reviewed, and may be increased but not decreased below the rate in effect on the Effective Date (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.
2.02. Incentive Payments
Executive will continue to participate in the Incentive Plan, subject to its terms and conditions as they may from time to time be established, amended, interpreted, or terminated in accordance with the Company’s plans or policies governing such benefits to the Company’s Senior Officers generally. Executive’s Targeted Compensation under the Incentive Plan shall be reviewed, and may be increased but not decreased below her Targeted Compensation in effect in 2003 (other than across-the-board reductions similarly affecting all Senior Officers), by the Board in a manner that is fair and pursuant to its normal performance review policies for Senior Officers.

2.03. Employee Benefits
The Company will provide Executive with the employee benefits (including, without limitation, life, disability, medical and dental insurance coverage, participation in the Company’s Executive Deferred Compensation Plan, Savings Plan, and the Pension Plan, and other benefits generally provided to Senior Officers) that are no less favorable in the aggregate to Executive than those provided to her as of the Effective Date, subject to amendment, modification, interpretation by the Company, or termination in accordance with the Company’s plans or policies governing such benefits to Senior Officers generally.

2.04. Expense Reimbursement
The Company will reimburse Executive for reasonable out-of-pocket expenses incurred and accounted for in accordance with the policies and procedures of the Company for Senior Officers generally, as they may from time to time be established, interpreted, amended, or terminated.

2.05. Prior Awards Remain Outstanding
The Prior Awards shall remain outstanding, and the terms and conditions of the Prior Awards shall continue to be governed by the provisions of the Severance Agreement pertaining to the vesting and acceleration of the Prior Awards, and the Prior Awards shall be considered continuing partial consideration for the execution of this Agreement.

3. Executive Covenants
3.01. Principles of Business Conduct
Executive shall adhere in all respects to the Company’s Principles of Business Conduct (or any successor code of conduct) as they may from time to time be established, interpreted, amended, or terminated.

3.02. Proprietary Information
Executive acknowledges that during the course of her employment she has learned or will learn or develop Proprietary Information. Executive further acknowledges that unauthorized disclosure or use of such Proprietary Information, other than in discharge of Executive’s duties, will cause the Company irreparable harm. Except in the course of her employment with the Company under this Agreement, in the pursuit of the business of the Company, or as otherwise
required in employment with the Company, Executive shall not, during the course of her employment or at any time following termination of her employment, directly or indirectly, disclose, publish, communicate, or use on her behalf or another’s behalf, any Proprietary Information. If during or after her employment Executive has any questions about whether particular information is Proprietary Information she shall consult with the Company’s Corporate Secretary or other representative designated by the Company.

Executive also agrees to promptly disclose to the Company any information, ideas, or inventions made or conceived by her that result from or are suggested by services performed by her for the Company under this Agreement, and to assign to the Company all rights pertaining to such information, ideas, or inventions. Knowledge or information of any kind disclosed by Executive to the Company shall be deemed to have been disclosed without obligation on the part of the Company to hold the same in confidence, and the Company shall have the full right to use and disclose such knowledge and information without compensation to Executive beyond that specifically provided in this Agreement.

3.03. Non-Competition

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not engage in Competitive Employment, whether paid or unpaid and whether as a consultant, employee, or otherwise. This provision shall not apply if, within one year following a Change in Control:

(i) the Company terminates Executive’s employment with the Company for any reason other than for Cause or Total Disability; or
(ii) Executive terminates her employment with the Company for CIC-Good Reason.

If Executive ceases to be employed by the Company because of the sale, spin-off, divestiture, or other disposition by the Company of a subsidiary, division, or other divested unit employing Executive, this provision shall continue to apply during the Non-Compete Period, except that Executive’s continued employment for the subsidiary, division, or other divested unit disposed of by the Company shall not be deemed a violation of this provision.

Executive agrees that because of the worldwide nature of the Company’s business, breach of this Agreement by accepting Competitive Employment would irreparably injure the Company and that, therefore, a limited geographic restriction is neither feasible nor appropriate to protect the Company’s interests.

3.04. Inducement of Employees, Customers and Others

During Executive’s employment with the Company and during the Non-Compete Period, Executive shall not directly or indirectly solicit, induce, or encourage any employee, consultant, agent, or customer of the Company, or vendor or other parties doing business with the Company, to terminate their employment, agency, or other relationship with the Company or to render services for or transfer business to any Competitor, and Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity on behalf of the Competitor.
3.05. No Adverse Actions

During the Non-Compete Period, Executive shall not, without the prior written consent of the Company, in any manner, solicit, request, advise, or assist any other person to (a) undertake any action that would be reasonably likely to, or is intended to, result in a Change in Control, or (b) seek to control in any material manner the Board.

3.06. Return of Property

Executive shall, upon her Termination Date, return to the Company all property of the Company in her possession, including all notes, reports, sketches, plans, published memoranda, or other documents, whether in hard copy or in electronic form, created, developed, generated, received, or held by Executive during her employment, concerning or related to the Company’s business, whether containing or relating to Proprietary Information or not. Executive shall not remove, by e-mail, by removal of computer disks or hard drives, or by other means, any of the above property containing Proprietary Information, or reproductions or copies thereof, or any apparatus from the Company’s premises without the Company’s written consent.

3.07. Mutual Non-disparagement

Executive agrees to refrain from making any statements about the Company or its officers or directors that would disparage, or reflect unfavorably upon the image or reputation of the Company or any such officer or director. The Company agrees to use reasonable efforts to prevent its directors and officers from making any statements about Executive that would disparage, or reflect unfavorably upon the image or reputation of, Executive.

3.08. Assistance with Claims

Executive agrees that, consistent with Executive’s business and personal affairs, during and after her employment by the Company, she will assist the Company in the defense of any claims or potential claims that may be made or threatened to be made against it in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative (“Proceeding”) and will assist the Company in the prosecution of any claims that may be made by the Company in any Proceeding, to the extent that such claims may relate to Executive’s services provided under this Agreement.

Executive agrees, unless precluded by law, to promptly inform the Company if Executive is asked to participate (or otherwise become involved) in any Proceeding involving such claims or potential claims.

Executive also agrees, unless precluded by law, to promptly inform the Company if Executive is asked to assist in any investigation (whether governmental or private) of the Company (or its actions), regardless of whether a lawsuit has then been filed against the Company with respect to such investigation. The Company agrees to reimburse Executive for all of Executive’s reasonable out-of-pocket expenses associated with such assistance, including travel expenses and any attorneys’ fees and shall pay a reasonable per diem fee (equal to 1/250 th of her Base Salary rate at her Termination Date) for Executive’s services.
3.09. **Key Man Life Insurance**

The Company may, at its discretion, purchase for its own benefit and at its own expense, key man life insurance on the life of Executive. Neither Executive nor Executive’s spouse or dependents shall have any right, title, or interest in or to such insurance or the proceeds thereof. Executive agrees to cooperate with the life insurance company and the Company in the insurance underwriting process, including submitting to a physical examination and other tests necessary to secure coverage, and signing all appropriate applications and written forms as may be required by the insurance company.

4. **Payments On Certain Terminations**

4.01. **Payments on Certain Terminations Not in Connection with Change in Control**

If, during the Employment Term but not within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability or (b) Executive terminates her employment with the Company for Non-CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “Non-CIC Benefits”) in lieu of any other payments or benefits available under Section 4.02 below or under any and all Company separation plans or policies:

(i) The Company will pay Executive her Base Salary, in equal installments in arrears and on the same schedule as paid before her Termination Date, for a period (the “Non-CIC Severance Period”) commencing on the Termination Date and ending on the earlier to occur of (A) the date 18 months after the Termination Date, or (B) the End Date, at the rate in effect on her Termination Date.

(ii) The Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) the bonus amount under the Incentive Plan for the Non-CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Non-CIC Termination Period Incentive Payout.

(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the Capped Incentive Payout for such Performance Period or, alternatively, in the event that the Non-CIC
Severance Period ends within such Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.

(C) In the event that the Non-CIC Severance Period ends in the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, the Capped Incentive Payout for such Performance Period prorated through the month in which the Non-CIC Severance Period ends.

For purposes of Sections 4.01(ii) (B) and (C), in determining whether to count the month in which the Non-CIC Severance Period ends, if the end of the Non-CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the Non-CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

This Section 4.01(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 4.01(ii) shall be made at the time payouts are made for the Performance Period in which the Non-CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 4.01(ii), that would have accrued and been payable to Executive under the Incentive Plan for the Non-CIC Severance Period had the Performance Periods remained 12 months in length.

(iii) During the Non-CIC Severance Period, the Company will provide any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country club membership dues and accrual of vacation) that Executive was receiving or was entitled to receive as of the Termination Date, except that long term-disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the Non-CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of such Company’s group health care plans by paying the applicable premium therefor.

(iv) During the Non-CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the Non-CIC Severance Period.
(v) The end of the Non-CIC Severance Period will be treated as Executive’s termination date for purposes of the Company’s stock option and restricted stock programs.

In all events, Executive’s right to receive the Non-CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.02. Payments on Certain Terminations in Connection with a Change in Control

If, during the Employment Term and within a CIC Protected Period, (a) the Company terminates Executive’s employment with the Company for any reason other than (x) Cause or (y) Executive’s Total Disability, or (b) Executive terminates her employment with the Company for CIC Good Reason, then Executive shall, subject to Section 2.05 and the other applicable provisions of this Section 4, be entitled to the following payments and benefits (the “CIC Benefits”) in lieu of any other payments or benefits available under Section 4.01 above or under any and all Company separation plans or policies:

(i) In lieu of any further salary payments to Executive for periods after the Termination Date, the Company will pay Executive an aggregate amount equal to two times Executive’s Base Salary (without regard to any deferred amounts); provided, however, to the extent that Executive terminates her employment because of CIC Good Reason and a reduction in Executive’s Base Salary has occurred which constitutes CIC Good Reason under Section 6.09(ii) of this Agreement, Executive’s Base Salary for the purpose of this Section 4.02(i) shall be Executive’s Base Salary immediately prior to such Base Salary reduction. The payment made pursuant to this Section 4.02(i) shall be paid to Executive in equal installments in arrears and on the same schedule as Executive’s Base Salary was being paid to Executive before the Termination Date for a period (the “CIC Severance Period”) beginning on the Termination Date and ending on the earlier to occur of (A) the date 24 months after the Termination Date or (B) the End Date.

(ii) In lieu of any payments under, and notwithstanding any provisions of the Incentive Plan, the Company will pay Executive, at the time and in the amounts set forth immediately below, Executive’s (x) bonus amount earned under the Incentive Plan for that portion of the Termination Performance Period ending on Executive’s Termination Date and (y) a bonus amount equal to the amount Executive could have received under the Incentive Plan for the CIC Severance Period. Such amounts shall be calculated and paid as follows:

(A) For the Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to the CIC Termination Period Incentive Payout.
(B) For the Post I Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, an amount equal to Executive’s Final Targeted Compensation or, alternatively, in the event that the CIC Severance Period ends within such Performance Period, Executive’s Final Targeted Compensation prorated through the month in which the CIC Severance Period ends.

(C) In the event that the CIC Severance Period ends during the Post II Termination Performance Period, the Company will pay Executive, at the time when payouts are made for that Performance Period, Executive’s Final Targeted Compensation prorated through the month in which the CIC Severance Period ends.

For purposes of Sections 4.02(ii) (B) and (C), in determining whether to count the month in which the CIC Severance Period ends, if the end of the CIC Severance Period falls on a date on or before the 15th of a month, such month shall not be counted but, if the end of the CIC Severance Period falls on a date after the 15th of a month, such month shall be counted.

Notwithstanding the above and for the purpose of determining the payout amounts under Sections 4.02(ii)(B) and (C), to the extent that Executive terminates her employment because of CIC Good Reason and a reduction in Executive’s Targeted Compensation has occurred which constitutes CIC Good Reason under Section 6.09(vi) of this Agreement, Executive’s Final Targeted Compensation for purposes of Sections 4.02(ii)(B) and (C) shall be Executive’s Targeted Compensation immediately prior to such Targeted Compensation reduction.

This Section 4.02(ii) assumes that Performance Periods under the Incentive Plan are 12 months in length. To the extent that Performance Periods are greater or lesser than 12 months, the above payout schedule shall be appropriately adjusted by the Company, either by increasing or decreasing the number of Performance Periods in which severance payouts shall be made, such that (i) the final payment made to Executive under this Section 4.02(ii) shall be made at the time payouts are made for the Performance Period in which the CIC Severance Period ends, and (ii) Executive shall receive no less than nor no greater than the amount, using concepts and formulas consistent with those provided in this Section 4.02(ii), that would have accrued and been payable to Executive under the Incentive Plan for the CIC Severance Period had the Performance Periods remained 12 months in length.

(iii) During the CIC Severance Period, the Company will, in such manner as is selected by the Company in its sole discretion, provide, arrange to provide, or reimburse Executive for any employee benefit (including, but not limited to, executive medical, dental and life coverage, qualified or nonqualified retirement benefits, and other benefits generally provided to Senior Officers other than country club membership dues and accrual of vacation) that Executive was
receiving or was entitled to receive as of the Termination Date, except that long-term disability and short-term disability benefits shall cease on Executive’s last day worked as an employee of the Company, but if Executive becomes employed full-time during the CIC Severance Period, Executive’s entitlement to continued participation in any medical, dental or other group health plan sponsored by the Company shall immediately cease, except that Executive shall retain any rights to continue coverage under the COBRA continuation provisions of the Company’s group health care plans by paying the applicable premium therefor.

(iv) During the CIC Severance Period, the Company will pay for outplacement counseling by a firm selected by the Company to continue until the earlier of such time as Executive becomes re-employed or the end of the CIC Severance Period.

(v) The end of the CIC Severance Period will be treated as Executive’s termination date for purposes of the Company’s stock option and restricted stock programs.

In all events, Executive’s right to receive the CIC Benefits shall cease immediately if Executive is re-employed by the Company or an affiliate of the Company or if Executive breaches any of the Restrictive Covenants. In all cases, the Company’s rights under Section 5 shall continue.

4.03. Other Provisions Regarding Payments and Benefits

(a) No Mitigation; No Offset

In the event of any termination of employment resulting in payments under this Section 4, Executive need not seek other employment and, except as expressly provided herein, there shall be no offset against amounts due to Executive under this Agreement on account of any remuneration attributable to any subsequent employment that she may obtain.

(b) Settlement and Release

The payments and benefits provided for hereunder shall be in full settlement and satisfaction of all of Executive’s claims and demands relating to or arising out of Executive’s employment with the Company or the termination thereof; provided, however, such settlement and release does not apply to (i) any rights or benefits as set forth in this Agreement and (ii) any rights to indemnification to which Executive is entitled under the Company’s Certificate of Incorporation, Bylaws, Kansas common or statutory law, or any other applicable indemnification agreements entered into between Executive and the Company. The Company’s obligation to provide such payments and benefits is expressly made subject to and conditioned upon (i) Executive’s execution, within forty-five (45) days after the Termination Date, of a release of such claims and demands in such form as the Company may reasonably determine and (ii) Executive’s non-revocation of such release in accordance with the terms thereof.
(c) Nature of Payments

Any amounts due under this Section 4 are in the nature of severance payments considered to be reasonable by the parties and are not in the nature of a penalty.

(d) Benefit Plans

If, for any period during which Executive is entitled to continued benefits under this Section 4, the Company reasonably determines that Executive cannot participate in any benefit plan because she is not actively performing services for the Company, then, in lieu of providing benefits under any such plan, the Company shall provide comparable benefits or the cash equivalent of the cost thereof (after taking into account incremental payroll and income tax consequences thereof to Executive and Executive’s dependents as the case may be) to Executive and, if applicable, Executive’s dependents through other arrangements.

(e) Other Severance Arrangements

Subject to Section 2.05 and except as may be otherwise specifically provided in an amendment of this Section 4.03(e) adopted in accordance with this Agreement, Executive’s rights under Section 4 shall be in lieu of any benefits that may be otherwise payable to or on behalf of Executive pursuant to the terms of the Severance Agreement or any other Company separation plans or policies or any other similar arrangement of the Company providing benefits upon termination of employment.

(f) Time of Payments

If the amount of any payment provided for in Section 4.01 or 4.02 cannot reasonably be calculated on or before the date on which such payment is due, the Company shall pay to Executive on such date an estimate, as calculated in good faith by the Company, of the minimum amount of such payment and shall pay the remainder of such payments when reasonably calculable.

5. Enforcement and Equitable Remedies

Executive consents to jurisdiction and venue in the state and federal courts in and for Johnson County, Kansas, for all disputes arising under this Agreement; provided, however, that the Company may seek injunctive relief in any court of competent jurisdiction to enjoin any violation of Sections 3.02 through 3.07 (the “Restrictive Covenants”). Executive acknowledges that the Company would be irreparably injured by a violation of the Restrictive Covenants, and she agrees that the Company, in addition to any other remedies available to it for any breach or threatened breach, shall be entitled to a preliminary or permanent injunction, temporary restraining order, or other equitable relief, restraining Executive from any actual or threatened breach of the Restrictive Covenants. If a bond is required to be posted in order for the Company to secure an injunction or other equitable remedy, the parties agree that the bond need not be more than a nominal sum. THE COMPANY AND EXECUTIVE VOLUNTARILY WAIVE ANY RIGHT TO TRIAL BY JURY AND CONSENT TO A BENCH TRIAL OF ALL DISPUTES ARISING UNDER THIS AGREEMENT.
If Executive materially breaches any of the Restrictive Covenants or if any of those provisions are held to be unenforceable against Executive, Executive shall return any compensation or benefits paid pursuant to Section 4. Moreover, if Executive’s breach occurs within the five-year period beginning on the “Grant Date”, as defined in the Severance Agreement, Executive shall return to the Company the stock received with respect to the Prior Awards, or, if Executive has disposed of such stock, an amount equal to the fair market value thereof on the date of disposition. This remedy is a return of consideration and shall be in addition to any other remedies. During Executive’s employment with the Company, the Committee shall determine whether Executive has materially breached the Restrictive Covenants, and the Committee’s determination shall be final.

6. Definitions
As used in this Agreement, the following terms shall have the meanings set forth below.

6.01. Actual Incentive Payout
“Actual Incentive Payout” means, with respect to a Performance Period, the product of (1) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.

6.02. Affiliate
“Affiliate” means, with respect to any person, a person, other than a Subsidiary of such person, (i) controlling, controlled by, or under common control with such person and (ii) any other person with whom such person reports consolidated financial information for financial reporting purposes. “Control” for this purpose means direct or indirect possession by one person of voting or management rights of at least 20% with respect to another person.

6.03. Base Salary
“Base Salary” shall have the meaning as defined in Section 2.01 of this Agreement.

6.04. Board
“Board” shall mean the Board of Directors of Sprint.

6.05. Capped Incentive Payout
“Capped Incentive Payout” means, with respect to a Performance Period under the Incentive Plan, the product of (1) the lesser of (a) 100% and (b) the Performance Measure for the Performance Period and (2) Executive’s Targeted Compensation for the Performance Period.

6.06. Cause
Termination by the Company of Executive’s employment for “Cause” means termination upon
(i) the willful and continued failure by Executive to substantially perform her duties with the Company (other than any such failure resulting from Executive’s incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to Executive by the Company, which demand specifically identifies the manner in which the Company believes that Executive has not substantially performed her duties, or

(ii) the willful engaging by Executive in conduct that is a violation of the Company’s Principles of Business Conduct (or any successor code of conduct), or

(iii) the willful act, or failure to act, by Executive that is injurious to the Company, or

(iv) the willful violation by Executive of any of the Restrictive Covenants.

For purposes of this definition, no act, or failure to act, on Executive’s part shall be deemed “willful” (x) unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive’s action or omission was in the best interest of the Company, or (y) unless done, or omitted to be done, by Executive with reckless disregard for Executive’s duties. Failure to meet performance expectations, unless willful, continuing, and substantial, shall not be considered “Cause.”

6.07. Change in Control

“Change in Control” means the occurrence of any of the following events:

(i) the acquisition, directly or indirectly, by any “person” or “group” (as those terms are defined in Sections 3(a)(9), 13(d), and 14(d) of the Securities Exchange Act of 1934 (the “Exchange Act”) and the rules thereunder, including, without limitation, Rule 13d-5(b)) of “beneficial ownership” (as determined pursuant to Rule 13d-3 under the Exchange Act) of securities entitled to vote generally in the election of directors (“voting securities”) of Sprint that represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, other than

   (A) an acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint or by any employee benefit plan (or related trust) sponsored or maintained by Sprint or any person controlled by Sprint, or

   (B) an acquisition of voting securities by Sprint or a corporation owned, directly or indirectly, by the stockholders of Sprint in substantially the same proportions as their ownership of the stock of Sprint, or

   (C) an acquisition of voting securities pursuant to a transaction described in clause (iii) below that would not be a Change in Control under clause (iii);

   (C)
(ii) a change in the composition of the Board that causes less than a majority of the directors of Sprint to be directors that meet one or more of the following descriptions:

(A) a director who has been a director of Sprint for a continuous period of at least 24 months, or

(B) a director whose election or nomination as director was approved by a vote of at least two-thirds of the then directors described in clauses (ii)(A), (B), or (C) by prior nomination or election, but excluding, for the purpose of this subclause (B), any director whose initial assumption of office occurred as a result of an actual or threatened (y) election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person or group other than the Board or (z) tender offer, merger, sale of substantially all of Sprint’s assets, consolidation, reorganization, or business combination that would be a Change in Control under clause (iii) on consummation thereof, or

(C) who were serving on the Board as a result of the consummation of a transaction described in clause (iii) that would not be a Change in Control under clause (iii);

(iii) the consummation by Sprint (whether directly involving Sprint or indirectly involving Sprint through one or more intermediaries) of

(A) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of Sprint’s assets or (z) the acquisition of assets or stock of another entity, in each case, other than in a transaction

(B) that results in Sprint’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of Sprint or the person that, as a result of the transaction, controls, directly or indirectly, Sprint or owns, directly or indirectly, all or substantially all of Sprint’s assets or otherwise succeeds to the business of Sprint (Sprint or such person, the “Successor Entity”)) directly or indirectly, at least 50% of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(B) after which more than 50% of the members of the board of directors of the Successor Entity were members of the Board at the time of the Board’s approval of the agreement providing for the transaction or other action of the Board approving the transaction (or whose election or nomination was approved by a vote of at least two-thirds of the members who were members of the Board at that time), and
(C) after which no person or group beneficially owns voting securities representing 30% or more of the combined voting power of the Successor Entity; provided, however, no person or group shall be treated for purposes of this clause (C) as beneficially owning 30% or more of combined voting power of the Successor Entity solely as a result of the voting power held in Sprint prior to the consummation of the transaction; or

(iv) a liquidation or dissolution of Sprint.

For purposes of clarification, (x) a change in the voting power of Sprint voting securities based on the relative trading values of Sprint’s then outstanding securities as determined pursuant to Sprint’s Articles of Incorporation, or (y) an acquisition of Sprint securities by Sprint that, in either case, by itself (or in combination only with the other event listed in this sentence) causes the Sprint voting securities beneficially owned by a person or group to represent 30% or more of the combined voting power of Sprint’s then outstanding voting securities, is not to be treated as an “acquisition” by any person or group for purposes of clause (i) above. For purposes of clause (i) above, Sprint makes the calculation of voting power as if the date of the acquisition were a record date for a vote of Sprint’s shareholders, and for purposes of clause (iii) above, Sprint makes the calculation of voting power as if the date of the consummation of the transaction were a record date for a vote of Sprint’s shareholders.

6.08. CIC Benefits

“CIC Benefits” shall have the meaning as defined in Section 4.02 of this Agreement.

6.09. CIC Good Reason

“CIC Good Reason” means the occurrence, within a CIC Protected Period, of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(c) of this Agreement:

(i) a substantial adverse alteration in the nature or status of Executive’s duties from those in effect immediately before the Change in Control, any reduction in job grade or any substantial adverse alteration of Executive’s title from that in effect immediately before the Change in Control;

(ii) a reduction by the Company in Executive’s Base Salary as in effect on the Effective Date or as the same may be increased from time to time, except for across-the-board salary reductions similarly affecting all officers of the Company and all officers of any person in control of the Company;

(iii) the failure by the Company, without Executive’s consent, to pay to Executive any portion of Executive’s current compensation within seven days of the date it is
due, except pursuant to an across-the-board compensation deferral similarly affecting all officers of the Company and all officers of any person in control of the Company;

(iv) (A) the relocation of the Company’s principal executive offices to a location outside the metropolitan area in which such offices are located immediately before the Change in Control; or (B) the Company’s requiring Executive to be based anywhere other than the Company’s principal executive offices except for required travel on the Company’s business to an extent substantially consistent with Executive’s present business travel obligations; or (C) the Company’s requiring Executive to travel to an extent substantially inconsistent with Executive’s business travel obligations as in effect immediately before the Change in Control;

(v) a substantial and involuntary adverse alteration in the physical conditions under or in which Executive is expected to perform Executive’s duties, other than an alteration similarly affecting all officers of the Company and all officers of any person in control of the Company;

(vi) the Company’s failure to continue in effect any compensation plan in which Executive participated immediately before the Change in Control and that is material to Executive’s total compensation, including but not limited to the Incentive Plan or any substitute plans adopted before the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to the plan, or the Company’s failure to continue Executive’s participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of Executive’s participation relative to other Senior Officers, as existed at the time of the Change in Control;

(vii) the Company’s failure to continue to provide Executive with benefits substantially similar in the aggregate to those she enjoyed under any of the Company’s benefit plans in which Executive was participating at the time of the Change in Control; the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive Executive of any material fringe benefit enjoyed by Executive at the time of the Change in Control; or the failure by the Company to provide Executive with the number of paid vacation days to which Executive is entitled on the basis of years of service with the Company in accordance with the Company’s normal vacation policy in effect at the time of the Change in Control; unless, in any of the foregoing events, an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such benefits;

(viii) the Company’s failure to obtain a satisfactory agreement from any successor to assume and agree to perform this Agreement, as contemplated in Section 7 hereof; or
(ix) the Company’s attempt to terminate Executive’s employment without complying with the procedures set forth in Section 1.04; any such attempt shall not be effective.

6.10. **CIC Protected Period**

“CIC Protected Period” means a period commencing on the date of a Change in Control and ending on the earlier to occur of (A) the two year anniversary of the date of the Change in Control or (B) the day before the End Date.

6.11. **CIC Severance Period**

“CIC Severance Period” shall have the meaning as defined in Section 4.02(i) of this Agreement.

6.12. **CIC Termination Period Incentive Payout**

“CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) Executive’s Targeted Compensation for the Termination Performance Period. The weights in the weighted average will be, for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.13. **Committee**

“Committee” means the Compensation Committee of the Board or any successor committee primarily responsible for executive compensation.

6.14. **Competitive Employment**

“Competitive Employment” means the performance of duties or responsibilities, or the supervision of individuals performing such duties or responsibilities, for a Competitor

(i) (A) that are of a similar nature or employ similar professional or technical skills (for example, executive, managerial, marketing, engineering, legal, etc.) to those employed by Executive in her performance of services for the Company at any time during the two years before the Termination Date, and

(B) that relate to products or services that are competitive with any of the Company’s products or services with respect to which Executive performed services for the Company at any time during the two years before the Termination Date,
or

(ii) in the performance of which, Proprietary Information to which Executive had access at any time during the two-year period before the Termination Date could be of substantial economic value to the Competitor.

6.15. Competitor

Because of the highly competitive, evolving nature of the Company’s industry, the identities of companies in competition with the Company are likely to change over time. The following tests, while not exclusive indications of what employment may be competitive, are designed to assist the parties and any court in evaluating whether particular employment is prohibited under this Agreement.

“Competitor” means any one or more of the following

   (i) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenues from providing communications services of any type (for example, voice, data, including Internet, and video), employing any transmission medium (for example, wireline, wireless, or any other technology), over any distance (for example, local, long-distance, and distance insensitive services), using any protocol (for example, circuit-switched, or packet-based, such as Internet Protocol), or services or capabilities ancillary to such communications services (for example, network security services);

   (ii) any person doing business in the United States or any of its Divisions employing Executive if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company receives at least 3% of its gross operating revenues;

   (iii) any person doing business in the United States, or any of its Divisions employing Executive, operating for less than 5 years a line of business from which the Company derives at least 3% of its gross operating revenues, notwithstanding such person’s or Division’s lack of substantial revenues in such line of business; or

   (iv) any person doing business in the United States, or any of its Divisions employing Executive, if the person or its Division receives at least 15% of its gross operating revenue from a line of business in which the Company has operated for less than 5 years, notwithstanding the Company’s lack of substantial revenues in such line of business.
For purposes of the foregoing, gross operating revenues of the Company and such other person shall be those of the Company or such person, together with their Consolidated Affiliates, but those of any Division employing or proposing to employ Executive shall be on a stand-alone basis, all measured by the most recent available financial information of both the Company and such other person or Division at the time Executive accepts, or proposes to accept, employment with or to otherwise perform services for such person. If financial information is not publicly available or is inadequate for purposes of applying this definition, the burden shall be on Executive to demonstrate that such person is not a Competitor.

6.16. **Consolidated Affiliate**
“Consolidated Affiliate” means, with respect to any person, all Affiliates and Subsidiaries of such person, if any, with whom the financial statements of such person are required, under generally accepted accounting principles, to be reported on a consolidated basis.

6.17. **Division**
“Division” means any distinct group or unit organized as a segment or portion of a person that is devoted to the production, provision, or management of a common product or service or group of related products or services, regardless of whether the group is organized as a legally distinct entity.

6.18. **Employment Term**
“Employment Term” shall have the meaning as defined in Section 1.03 of this Agreement.

6.19. **End Date**
“End Date” shall have the meaning as defined in Section 1.03 of this Agreement.

6.20. **Final Targeted Compensation**
“Final Targeted Compensation” means the Targeted Compensation of Executive for the Termination Performance Period.

6.21. **FON Common Stock**
“FON Common Stock” means Sprint’s FON Common Stock, Series 1, $2.00 par value per share.

6.22. **Incentive Plan**
“Incentive Plan” means the Company’s Management Incentive Plan, together with other incentive compensation plans specifically approved for this purpose by the Committee.

6.23. **Non-CIC Benefits**
“Non-CIC Benefits” shall have the meaning as defined in Section 4.01 of this Agreement.
6.24. **Non-CIC Good Reason**

“Non-CIC Good Reason” means the occurrence of any one or more of the following events or circumstances without Executive’s prior written consent unless one or more of the events or circumstances are corrected, in all material respects, in accordance with Section 1.04(d) of this Agreement:

(i) unless the Company first offers to Executive a position having an equal or greater grade rating, reassignment of Executive from her then current position with the Company to a position having a lower grade rating, in each case under the Company’s methodology of rating employment positions for its employees generally;

(ii) a reduction within any 24-month period (other than an across-the-board reduction similarly affecting all Senior Officers) of Executive’s Targeted Total Compensation to an amount that is less than 90% of Executive’s highest Targeted Total Compensation during the 24-month period; or

(iii) the Company’s requiring that Executive be based anywhere other than the Kansas City metropolitan area.

6.25. **Non-CIC Severance Period**

“Non-CIC Severance Period” shall have the meaning as defined in Section 4.01(i) of this Agreement.

6.26. **Non-CIC Termination Period Incentive Payout**

“Non-CIC Termination Period Incentive Payout” means an amount equal to the weighted average of (1) the Actual Incentive Payout for the Termination Performance Period and (2) the Capped Incentive Payout for the Termination Performance Period. The weights in the weighted average will be for the amount in clause (1), the number of months in the Performance Period occurring before the Termination Date, and, for clause (2), the number of months in the Performance Period occurring after the Termination Date and before the end of the Non-CIC Severance Period, in each case divided by the number of months in the Performance Period. In determining the number of months, the Termination Date will be rounded to the nearest month, rounding to the beginning of the month if the Termination Date falls on or before the 15th of the month and to the beginning of the following month if the Termination Date falls after the 15th of the month.

6.27. **Non-Compete Period**

“Non-Compete Period” means the 18-month period beginning on the Termination Date. If Executive breaches or violates any of the covenants or provisions of this Agreement, the running of the Non-Compete Period shall be extended for an additional period equal to the period the breach or violation continues.
6.28. **PCS Common Stock**

“PCS Common Stock” means Sprint’s PCS Common Stock, Series 1, $1.00 par value per share.

6.29. **Performance Measure**

“Performance Measure” means, with respect to any Performance Period, a measure, expressed as a percentage, of the extent to which the performance goals were achieved, as determined by the Committee, during the Performance Period.

6.30. **Performance Period**

“Performance Period” means a period of time under the Incentive Plan for which the Committee establishes performance goals for the Company’s business units and authorizes payment of incentive compensation based on a measure of the extent to which those goals were achieved during the period.

6.31. **Prior Awards**

“Prior Awards” shall have the meaning as defined in the fifth Recital to this Agreement.

6.32. **Post I Termination Performance Period**

“Post I Termination Performance Period” means the Performance Period immediately following the Termination Performance Period.

6.33. **Post II Termination Performance Period**

“Post II Termination Performance Period” means the Performance Period immediately following the Post I Termination Performance Period.

6.34. **Proceeding**

“Proceeding” shall have the meaning as defined in Section 3.08 of this Agreement.

6.35. **Proprietary Information**

“Proprietary Information” means trade secrets (such as customer information, technical and non-technical data, a formula, pattern, compilation, program, device, method, technique, drawing, or process) and other confidential and proprietary information concerning the products, processes, or services of the Company or the Company’s affiliates, including but not limited to: computer programs, unpatented or unpatentable inventions, discoveries or improvements; marketing, manufacturing, organizational, or research and development results and plans; business and strategic plans; sales forecasts and plans; personnel information, including the identity of other employees of the Company, their responsibilities, competence, abilities, and compensation; pricing and financial information; current and prospective customer lists and information on customers or their employees; information concerning purchases of major equipment or property; and information about potential mergers, acquisitions or other transactions which
information: (i) has not been made known generally to the public, and (ii) is useful or of value to the current or anticipated business, or research or development activities of the Company or of any customer or supplier of the Company, or (iii) has been identified to Executive as confidential by the Company, either orally or in writing.

6.36. Restrictive Covenants
“Restrictive Covenants” means those covenants applicable to Executive set forth in Section 3.02 through 3.07 of this Agreement.

6.37. Senior Officer
“Senior Officer” means a person who is an officer of the Company within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (or any successor statute or statutes thereto), and the rules and regulations promulgated thereunder.

6.38. Severance Agreement
“Severance Agreement” shall have the meaning as defined in the fourth recital to this Agreement.

6.39. Subsidiary
“Subsidiary” means, with respect to any person (the “Controlling Person”), all other persons (the “Controlled Persons”) in whom the Controlling Person, alone or in combination with one or more of its Subsidiaries, owns or controls more than 50% of the management or voting rights, together with all Subsidiaries of such Controlled Persons.

6.40. Targeted Compensation
“Targeted Compensation” means the amount established by the Committee that would be the payout under the Incentive Plan, if the Performance Measure for the Performance Period were 100%.

6.41. Targeted Total Compensation
“Targeted Total Compensation” means, as of any time, the sum of Executive’s (1) Base Salary, (2) Targeted Compensation, and (3) targeted value of her annual stock option award, annual restricted stock or restricted stock unit award (ignoring the value of the options, restricted stock or restricted stock units granted before the Effective Date) as adopted by the Committee.

6.42. Termination Date
“Termination Date” means (i) in the case of a termination of Executive’s employment by reason of Executive’s death, Executive’s date of death, (ii) in the case of a termination of Executive’s employment by reason of a Non-CIC Good Reason, the date which is thirty (30) days after the notice of termination is given, and (iii) in all other cases, the date of any notice of termination or the date, if any, on which the notice declares itself to be effective (but in no event later than the 60th day after the date on which such notice is given).
6.43. **Termination Performance Period**

“Termination Performance Period” means the Performance Period in which Executive’s Termination Date occurs.

6.44. **Total Disability**

“Total Disability” shall have the same meaning as in Sprint’s Long-Term Disability Plan, as amended from time to time or any successor plan.

7. **Assignability, Binding Nature**

This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, heirs (in the case of Executive), and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that they may be assigned or transferred to any subsidiary of Sprint or pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company, but only if the assignee or transferee becomes the successor to all or substantially all of the assets of the Company and assumes the liabilities, obligations, and duties of the Company, as contained in this Agreement, either contractually or as a matter of law. The Company further agrees that, in the event of a sale of assets or liquidation as described in the preceding sentence, it will take whatever action it legally can in order to cause the assignee or transferee to expressly assume the liabilities, obligations, and duties of the Company hereunder.

No rights or obligations of Executive under this Agreement may be assigned or transferred by Executive other than her rights to compensation and benefits, which may be transferred only in connection with Executive’s estate planning objectives or by will or operation of law. If Executive should die or become disabled while any amount is owed but unpaid to Executive hereunder, all such amounts, unless otherwise provided herein, shall be paid to Executive’s legal guardian or to her devisee, legatee or other designee, as the case may be, or if there is no such designee, to Executive’s estate.

8. **Amendment**

This Agreement may be amended, modified, or canceled only by mutual agreement of the parties in writing.

9. **Applicable Law**

The provisions of this Agreement shall be construed in accordance with the internal laws of the State of Kansas, without regard to the conflict of law provisions of any state.
10. **Tax Withholding**
All payments made pursuant to this Agreement shall be subject to applicable federal, state and local income and other withholding taxes, and to other applicable withholdings or deductions elected by Executive or otherwise required by law or judicial process.

11. **Severability**
The parties intend the various provisions of this Agreement to be severable and to constitute independent and distinct binding obligations. If any provision of this Agreement is determined to be invalid, illegal, or incapable of being enforced, in whole or in part, it shall not affect or impair the validity of any other provision or part of this Agreement, and the provision or part shall be deemed modified to the minimum extent required to permit enforcement. Upon such a determination that any term or other provision is invalid, illegal, or incapable of being enforced, the court or arbitrator, as applicable, shall have the authority to so modify the provision or term. If the provision or term is not modified by the court or arbitrator, the parties must negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the provisions of this Agreement are preserved to the greatest extent possible.

12. **Waiver of Breach**
No waiver by any party hereto of a breach of any provision of this Agreement by any other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by the other party of any similar or dissimilar provisions and conditions at the same or any prior or subsequent time. The failure of either party to take any action by reason of such breach will not deprive the party of the right to take action at any time while the breach continues.
13. Notices
Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid, or prepaid overnight courier to the parties at the addresses set forth below or at such other addresses as shall be specified by the parties by like notice:

If to Executive: If to the Company:
Kathryn A. Walker Sprint Corporation
Attn: Corporate Secretary Attn: General Counsel
6200 Sprint Parkway 6200 Sprint Parkway
Overland Park, KS 66251 Overland Park, KS 66251

with copy to:
Sprint Corporation
Attn: General Counsel
6200 Sprint Parkway
Overland Park, KS 66251

or to the latest address furnished by Executive to the Company for purposes of general communications.

Each party, by written notice furnished to the other party, may modify the applicable delivery address, but any notice of change of address shall be effective only upon receipt. Such notices, demands, claims and other communications shall be deemed given in the case of delivery by overnight service with guaranteed next day delivery, the next day or the day designated for delivery; or in the case of certified or registered U.S. mail, five days after deposit in the U.S. mail, but in no event will any such communications be deemed to be given later than the date they are actually received.

14. Survivorship
Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties shall survive the expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement. In particular, without limiting the generality of the preceding sentence, any obligation of the Company to make payments or provide services under Section 4 shall continue beyond the end of the Employment Term and the obligations and covenants of Executive set forth in Section 3, and the rights and remedies of the Company with respect thereto, shall continue beyond the Employment Term to the extent contemplated therein.

15. Entire Agreement
Except as otherwise noted herein, this Agreement constitutes the entire agreement between the parties concerning the subject matter specifically addressed herein and, except for the terms and provisions of any other employee benefit or other compensation plans (or any agreements or awards thereunder) referred to herein or contemplated hereby, this Agreement supersedes

(i) all prior and contemporaneous oral agreements, if any, between the parties relating to the subject matter specifically addressed herein; and

(ii) subject to Section 2.05, the Severance Agreement.
16. **Headings**
The headings in this Agreement are for convenience of reference only and will not affect the construction of any of its provisions.

17. **Counterparts**
This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

[The remainder of this page has intentionally been left blank.]
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date set forth above.

PRINT CORPORATION

By: /s/ Claudia S. Toussaint

Claudia S. Toussaint, Vice President Law - Corporate Governance and Corporate Secretary

PRINT MANAGEMENT COMPANY

By: /s/ James G. Kissinger

James G. Kissinger, Senior Vice President—Human Resources

/s/ Kathryn A. Walker

Kathryn A. Walker, “Executive”
<table>
<thead>
<tr>
<th>Boards of Directors of For-Profit Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>NONE</td>
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<tr>
<td>30</td>
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### COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Earnings</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income (loss) from continuing operations before income taxes</td>
<td>$(623)</td>
<td>$433</td>
<td>$(2,277)</td>
<td>$(968)</td>
<td>$(1,356)</td>
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<tr>
<td>Capitalized interest</td>
<td>(86)</td>
<td>(118)</td>
<td>(174)</td>
<td>(175)</td>
<td>(151)</td>
</tr>
<tr>
<td>Equity in losses of less than 50% owned entities</td>
<td>79</td>
<td>119</td>
<td>175</td>
<td>256</td>
<td>80</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>(630)</td>
<td>434</td>
<td>(2,276)</td>
<td>(887)</td>
<td>(1,427)</td>
</tr>
<tr>
<td><strong>Fixed charges</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest charges</td>
<td>1,496</td>
<td>1,560</td>
<td>1,383</td>
<td>1,169</td>
<td>1,020</td>
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<tr>
<td>Interest factor of operating rents</td>
<td>377</td>
<td>422</td>
<td>396</td>
<td>347</td>
<td>308</td>
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<tr>
<td><strong>Total fixed charges</strong></td>
<td>1,873</td>
<td>1,982</td>
<td>1,779</td>
<td>1,516</td>
<td>1,328</td>
</tr>
<tr>
<td><strong>Earnings (loss), as adjusted</strong></td>
<td>$1,243</td>
<td>$2,416</td>
<td>$(497)</td>
<td>$629</td>
<td>$(99)</td>
</tr>
<tr>
<td><strong>Ratio of earnings to fixed charges</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

1. Earnings, as adjusted, were inadequate to cover fixed charges by $630 million in 2003.
2. Earnings, as adjusted, were inadequate to cover fixed charges by $2.3 billion in 2001.
3. Earnings, as adjusted, were inadequate to cover fixed charges by $887 million in 2000.
4. Earnings, as adjusted, were inadequate to cover fixed charges by $1.4 billion in 1999.

**Note:** The ratios were computed by dividing fixed charges into the sum of earnings (after certain adjustments) and fixed charges. Earnings include Income (loss) from continuing operations before income taxes, plus equity in the net losses of less-than-50% owned entities, less capitalized interest. Fixed charges include interest on all debt of continuing operations, including amortization of debt issuance costs, and the interest component of operating rents.
March 9, 2004

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Ladies and Gentlemen:

We have read Item 9 in Sprint Corporation’s Annual Report (Form 10-K) for the year ended December 31, 2003, and are in agreement with the statements contained in the second, third and fourth paragraphs of Item 9 presented on page 47 therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

/s/ Ernst & Young LLP
Ernst & Young LLP

Kansas City, Missouri
Sprint Corporation is the parent. The subsidiaries of Sprint Corporation are as follows:

<table>
<thead>
<tr>
<th>Name</th>
<th>Jurisdiction of Incorporation or Organization</th>
<th>Ownership Interest Held By Its Immediate Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Telecasting, Inc.</td>
<td>Delaware</td>
<td>100</td>
</tr>
<tr>
<td>American Telecasting Development, Inc.</td>
<td>Delaware</td>
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<tr>
<td>Fresno MMDS Associates, A General Partnership</td>
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<td>FMA Licensee Subsidiary, Inc.</td>
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<tr>
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<tr>
<td>American Telecasting of Billings, Inc.</td>
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<tr>
<td>American Telecasting of Bismarck, Inc.</td>
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<tr>
<td>American Telecasting of Cincinnati, Inc.</td>
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<tr>
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<td>American Telecasting of Yuba City, Inc.</td>
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<tr>
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<td>Centel-Texas, Inc.</td>
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<td>Central Telephone Company of Texas</td>
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<td>Central Telephone Company</td>
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<tr>
<td>Central Telephone Company of Virginia</td>
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<tr>
<td>Sprint-Florida, Incorporated</td>
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</tr>
</tbody>
</table>

(1) Sprint Corporation owns all of the common stock. The voting preferred stock is held by 11 Sprint subsidiaries.
<table>
<thead>
<tr>
<th>Name</th>
<th>Jurisdiction of Incorporation or Organization</th>
<th>Ownership Interest Held By Its Immediate Parent</th>
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<tr>
<td>People’s Choice TV Corp.</td>
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<td>C FON Corporation</td>
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<td>Alda Tucson, Inc.</td>
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<tr>
<td>Alda Wireless Holdings, Inc.</td>
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<tr>
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<tr>
<td>PCTV Development Co.</td>
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<td>PCTV Gold, Inc.</td>
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### EXHIBIT (21)
### SUBSIDIARIES OF REGISTRANT (continued)

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(2) MinocO, L.P. holds a limited and preferred partnership interest of less than 1%.

(3) American PCS, L.P. holds the general partnership interest of greater than 99%.

(4) American PCS Communications, LLC holds the general partnership interest of greater than 99%.

(5) American Personal Communications Holdings, Inc. holds a limited partnership interest of less than 1%.

(6) Sprint Spectrum L.P. holds the general partnership interest of greater than 99%.

(7) Sprint Spectrum Holding Company, L.P. holds the general partnership interest of greater than 99%.
## Subsidiaries of Registrant (continued)

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(8) Sprint Corporation owns all of the common stock. The voting preferred stock is held by Sprint Communications Company L.P.

(9) Ucom, Inc., US Telecom, Inc., and Utelcom, Inc. each holds less than 1% of the common stock.
### EXHIBIT (21)
### SUBSIDIARIES OF REGISTRANT (continued)

Sprint Corporation

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<td>SC Five Company</td>
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<td>US Telecom, Inc.</td>
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<td>ASC Telecom, Inc.</td>
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<td>Sprint Global Venture, Inc.</td>
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<td>Sprint Iridium, Inc.</td>
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<td>US Telecom of New Hampshire, Inc.</td>
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<td>Utelcom, Inc.</td>
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<td>Sprint International Incorporated</td>
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<td>Consortium Communications International, Inc.</td>
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<td>Marconi-Sprint Servicios de Comunicaciones, Lda.</td>
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<td>Sprint Global Venture, Inc.</td>
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<td>Sprint Hong Kong Limited</td>
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<td>Sprint International Argentina SRL</td>
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(8) Sprint Corporation owns all of the common stock. The voting preferred stock is held by Sprint Communications Company L.P.

(9) Ucom, Inc., US Telecom, Inc., and Utelcom, Inc. each holds less than 1% of the common stock.

(10) Held in trust for Sprint International Holding, Inc.
<table>
<thead>
<tr>
<th>Name</th>
<th>Jurisdiction of Incorporation or Organization</th>
<th>Ownership Interest Held By Its Immediate Parent</th>
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<tbody>
<tr>
<td>Utelcom, Inc. subsidiaries continued</td>
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<td>Sprint International do Brasil Ltda.</td>
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<td>Sprint International Caribe, Inc.</td>
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<td>Sprint International Colombia Ltda.</td>
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<td>Sprint International Network Company LLC</td>
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<td>SprintLink Belgium BVBA</td>
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<td>Sprint Telecommunications Services GmbH</td>
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</table>

| Wireless Cable of Florida, Inc.                                     | Florida                                       | 100                                           |
We consent to the incorporation by reference in the Registration Statements (Form S-3, No. 33-58488; Form S-3, No. 333-65402; Form S-3, No. 333-67104; Form S-8, No. 33-31802; Form S-8, No. 33-59326; Form S-8, No. 33-53695; Form S-8, No. 33-59349; Form S-8, No. 33-65149; Form S-8, No. 33-25449; Form S-8, No. 333-42077; Form S-8, No. 333-46491; Form S-8, No. 333-68737; Form S-8, No. 333-68739; Form S-8, No. 333-56938; Form S-8, No. 333-59124; Form S-8, No. 333-76755; Form S-8, No. 333-76783; Form S-8, No. 333-92809; Form S-8, No. 333-54108; Form S-8, No. 333-61462; Form S-8, No. 333-75664; Form S-8, No. 333-86458; Form S-8, No. 333-103689; Form S-8, No. 333-103691; Form S-8, No. 333-105244; Form S-8, No. 333-106086; and Form S-8, No. 333-111956) of Sprint Corporation and in the related Prospectuses and in the Registration Statements (Form S-3, No. 333-67162 and Form S-3, No. 333-65402-01) of Sprint Capital Corporation and in the related Prospectuses of our report dated February 3, 2004 with respect to the consolidated financial statements and schedule of Sprint Corporation, included in this Annual Report (Form 10-K) for the year ended December 31, 2003.

/s/ ERNST & YOUNG LLP

Ernst & Young LLP

Kansas City, Missouri
March 4, 2004
CERTIFICATIONS

I, Gary D. Forsee, Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Sprint Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financing reporting.

Date: March 8, 2004

/s/    G ARY D. F ORSEE

Gary D. Forsee
Chief Executive Officer
CERTIFICATIONS

I, Robert J. Dellinger, Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of Sprint Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financing reporting.

Date: March 8, 2004

/s/ Robert J. Dellinger
Robert J. Dellinger
Executive Vice President
and Chief Financial Officer
Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the annual report of Sprint Corporation (the “Company”) on Form 10-K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission (the “Report”), I, Gary D. Forsee, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 8, 2004

/s/   GARY D. FORSEE

Gary D. Forsee
Chief Executive Officer
Certification Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the annual report of Sprint Corporation (the “Company”) on Form 10-K for the period ending December 31, 2003, as filed with the Securities and Exchange Commission (the “Report”), I, Robert J. Dellinger, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

March 8, 2004

/s/ Robert J. Dellinger

Robert J. Dellinger
Executive Vice President
and Chief Financial Officer