SPRINT NEXTEL CORPORATION

(Exact name of registrant as specified in its charter)

(913) 285-7000

Registrant’s telephone number, including area code:

(800) 829-0965

Securities registered pursuant to Section 12(b) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 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 such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

Large accelerated filer ☑

Accelerated filer ☐

Non-accelerated filer (Do not check if smaller reporting company) ☑

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes ☐ No ☑

Aggregate market value of voting and non-voting common stock equity held by non-affiliates at June 30, 2008 was $26,592,564,910

COMMON SHARES OUTSTANDING AT FEBRUARY 20, 2009:

VOTING COMMON STOCK

Series 1 2,790,132,446

Series 2 74,831,333

Documents incorporated by reference

Portions of the 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, 2008, are incorporated by reference in Part III hereof.
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### SPRINT NEXTEL CORPORATION

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See pages 26 and 27 for “Executive Officers of the Registrant.”
Overview

Sprint Nextel Corporation, incorporated in 1938 under the laws of Kansas, is mainly a holding company, with its operations primarily conducted by its subsidiaries. Unless the context otherwise requires, references to “Sprint Nextel,” “we,” “us” and “our” mean Sprint Nextel Corporation and its subsidiaries.

We are a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers and resellers. We have organized our operations to meet the needs of our targeted customer groups through focused communications solutions that incorporate the capabilities of our wireless and wireline services. We are one of the three largest wireless companies in the United States based on the number of wireless subscribers. We own extensive wireless networks and a global long distance, Tier 1 Internet backbone.

We offer digital wireless service to subscribers in all 50 states, Puerto Rico and the U.S. Virgin Islands under the Sprint® brand name utilizing wireless code division multiple access, or CDMA, technology. We also provide CDMA wireless services on a wholesale basis to many of the largest resellers in the nation on the CDMA network. We offer digital wireless services under our Nextel® brand name using integrated Digital Enhanced Network, or iDEN®, technology. We are a reseller of Worldwide Interoperability for Microwave Access, or WiMAX, fourth generation, or 4G, wireless services as provided by Clearwire Corporation.

We offer our direct wireless services on a post-paid payment basis, as well as on a prepaid payment basis under the Boost Mobile® brand. We are one of the largest providers of long distance services and one of the largest carriers of Internet traffic in the nation. Our Series 1 voting common stock trades on the New York Stock Exchange, or NYSE, under the symbol “S.”

Our Business Segments

We have two reportable segments: Wireless and Wireline. For information regarding our business segments, see “Part II, Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations” and also refer to note 13 of the Notes to Consolidated Financial Statements.

Wireless

We offer wireless voice and data services to individuals, businesses and resellers on state-of-the-art networks that utilize CDMA and iDEN technologies. Our key priorities for the Wireless business are to improve the customer experience, rebuild the brand and increase profitability. We plan to achieve these priorities by providing customers with value and simplicity and by helping them to be more productive.

We believe that our value-driven price plans are very attractive. Our family of “Simply Everything™” post-paid price plans bundle together popular data applications with traditional mobile voice calling at price points that can save customers hundreds of dollars annually compared with our largest competitors. Our Boost Mobile® brand prepaid price plans include unique nationwide monthly unlimited, pay as you go, and $1 per day chat plan options.
To simplify the customer experience, we have introduced tools such as One Click that allows customers to access various software applications through a single click on their mobile devices. Our Ready Now program trains our subscribers before they leave the store in how to use their mobile devices to ensure subscribers are well informed and comfortable with the features and functions of their new devices.

We provide certain wireless services on the nation’s most dependable third generation, or 3G, network and, in Baltimore, subscribers may access Clearwire’s high speed 4G network. In addition, we support the open development of applications and content on our network platforms. We offer multi-functional devices such as the Samsung Instinct™ and the iDEN Blackberry® Curve™. Through wholesale relationships, we support traditional wireless services as well as the wireless delivery of books and other data-centric content that substitute for more traditional deliveries of products and services.

**Services and Products**

*Data & Voice Services*

Our wireless data communications services include mobile productivity applications, such as Internet access and messaging and email services; wireless photo and video offerings; location-based capabilities, including asset and fleet management, dispatch services and navigation tools; and mobile entertainment applications, including the ability to view live television, listen to Sirius-XM® satellite radio, download and listen to music from our Sprint Music Store, a music catalog with thousands of songs from virtually every music genre, and play games with full-color graphics and polyphonic sounds all from a wireless handset.

Our wireless mobile voice communications services include basic local and long distance wireless voice services, as well as voicemail, call waiting, three way calling, caller identification, directory assistance, call forwarding, speakerphone and voice-activated dialing features. We offer walkie-talkie services under the Nextel Direct Connect® brand on our iDEN network and now on our CDMA network with the launch of QUALCOMM’s QChat® technology in 2008. For information regarding a dispute involving the intellectual property rights of QUALCOMM, see Item 1A, “Risk Factors—The intellectual property rights utilized by us and our suppliers and service providers may infringe on intellectual property rights owned by others.” We also provide voice and data services to areas in numerous countries outside of the United States through roaming arrangements.

We offer customized design, development, implementation and support services for wireless services provided to large companies and government agencies.

*Products*

Our services are provided using a wide variety of handsets and personal computer wireless data cards manufactured by various suppliers for use with our voice and data services. We generally sell these devices at prices below our cost in response to competition, to attract new subscribers and as retention inducements for existing subscribers. We sell accessories, such as carrying cases, hands-free devices, batteries, battery chargers and other items to subscribers, and we sell handsets and accessories to agents and other third-party distributors for resale.

*Wireless Network Technologies*

We provide our Sprint-branded post-paid, some of our Boost Mobile-branded prepaid and wholesale wireless services over our CDMA network, an all-digital wireless network with spectrum licenses that allow us to provide service in all 50 states, Puerto Rico and the U.S. Virgin Islands. The CDMA network uses a single frequency band and a digital spread-spectrum wireless technology that allows a large number of users to access the band by assigning a code to all voice and data bits, sending a scrambled transmission of the encoded bits over
the air and reassembling the voice and data into its original format. We provide nationwide service through a combination of operating our own digital network in both major and smaller U.S. metropolitan areas and rural connecting routes using CDMA technology; affiliations under commercial arrangements with third-party affiliates, or PCS Affiliates; and roaming on other providers’ networks.

We provide our Nextel-branded post-paid and most of our Boost Mobile-branded prepaid wireless services over our iDEN network. Our iDEN network is an all-digital packet data network based on iDEN wireless technology provided by Motorola, Inc. We are the only national wireless service provider in the United States that utilizes iDEN technology and, generally, the iDEN handsets that we currently offer are not enabled to roam on wireless networks that do not utilize iDEN technology. iDEN is a proprietary technology that relies principally on our and Motorola’s efforts for further research, product development and innovation. For additional information, see Item 1A, “Risk Factors—If Motorola is unable or unwilling to provide us with equipment and handsets in support of our iDEN-based services, as well as anticipated handset and infrastructure improvements for those services, our operations will be adversely affected.”

Beginning in 2009, our subscribers in certain markets will also have access to Clearwire’s WiMAX network through a mobile virtual network operator, or MVNO, arrangement that enables us to resell Clearwire’s 4G wireless services under the Sprint brand name. The services supported by WiMAX give subscribers with compatible devices high-speed access to the Internet. This relationship with Clearwire was developed through a transaction that closed on November 28, 2008, at which time we and Clearwire Corporation and its subsidiary Clearwire Communications LLC, which we refer to in this Form 10-K on a consolidated basis as Clearwire, joined together to combine our next-generation wireless broadband businesses. At closing, we contributed $3.3 billion of net assets, including our 2.5 gigahertz, or GHz, spectrum and WiMAX related assets. In exchange, we received 370 million Class B common shares and common interests in Clearwire Corporation and Clearwire Communications LLC, respectively, which as of February 26, 2009 after settlement of the post closing 90-day ownership adjustment, represents approximately 51% of the voting power of Clearwire Corporation and approximately 51% of the economic interests in Clearwire Communications. Although we have a 51% interest in Clearwire, we do not control the company.

Sales, Marketing and Customer Care

We focus the marketing and sales of wireless services on targeted groups of subscribers: individual consumers, businesses and government subscribers. We offer a variety of pricing options and plans, including value-driven plans designed specifically for business subscribers, individuals and families, including the “Simply Everything” plans and Boost Mobile prepaid plans.

We use a variety of sales channels to attract new subscribers of wireless services, including:

- direct sales representatives whose efforts are focused on marketing and selling CDMA- and iDEN-based wireless services primarily to mid-sized to large businesses and government agencies that value our industry and technical expertise and extensive product and service portfolio, as well as our ability to develop custom communications capabilities that meet the specific needs of these larger subscribers;
- retail outlets that focus on sales to the consumer market, including Sprint Nextel retail stores owned and operated by us, as well as third-party retailers;
- indirect sales agents that primarily consist of local and national non-affiliated dealers and independent contractors that market and sell services to small businesses and the consumer market, and are generally paid through commissions; and
- customer-convenient channels, including web sales and telesales.

We market our post-paid services under the Sprint and Nextel brands. We offer these services on a contract basis typically for one or two year periods, with services billed on a monthly basis according to the applicable pricing plan. We market our prepaid services under the Boost Mobile brand, as a means to provide value-driven prepaid service plans to particular markets.
Although we market our services using traditional print and television advertising, we also provide exposure to our brand names and wireless services through various sponsorships, including the National Association for Stock Car Auto Racing, or NASCAR, and the National Football League. The goal of these marketing initiatives is to increase brand awareness and sales.

Our customer management organization works to improve our customer’s experience, with the goal of retaining subscribers of our wireless services. Customer service call centers, some of which are operated by us and some of which are operated by independent contractors, receive and respond to inquiries from subscribers. We have implemented initiatives that are designed to improve call center processes and procedures, and we measure our performance by various metrics, including customer satisfaction ratings with respect to customer care and first call resolution. During 2008, we completed the migration of our post-paid and prepaid subscribers to a single billing platform, which we believe has increased functionality for our customer care representatives and has the potential to enhance the customer experience.

Unlike the offerings under our Sprint, Nextel and Boost brands, we do not market our wholesale services to our end user customers. Our wholesale customers are resellers of our wireless services and market their products using their brands.

Competition

We believe that the market for wireless services has been and will continue to be characterized by intense competition on the basis of price, the types of services and devices offered and quality of service. We compete with a number of wireless carriers, including three other national wireless companies: AT&T, Verizon Wireless and T-Mobile. Our primary competitors offer voice, high-speed data, entertainment and location-based services and walkie-talkie-type features that are designed to compete with our products and services. Other competitors offer or have announced plans to introduce similar services. AT&T and Verizon also offer competitive wireless services packaged with local and long distance voice, high-speed Internet services and video. Our Boost Mobile-branded prepaid services compete with a number of regional carriers, including Metro PCS Communications, Inc. and Leap Wireless International, Inc., which offer competitively-priced calling plans that include unlimited local calling. Competition will increase to the extent that new firms enter the market as additional radio spectrum is made available for commercial wireless services. We also expect competition to increase as a result of other technologies and services that are developed and introduced in the future, including potentially those using unlicensed spectrum, including wireless fidelity, or WiFi, and long term evolution, or LTE. Wholesale services and products also contribute to increased competition. In some instances, wholesalers that use our network and offer like services compete against our offerings.

Most markets in which we operate have high rates of penetration for wireless services, thereby limiting the growth of subscribers of wireless services. As the wireless market matures, it is becoming increasingly important to retain existing subscribers in addition to attracting new subscribers. To do this, we and our competitors continue to offer more service plans that combine voice and data offerings, plans that allow users to add additional mobile devices to their plans at attractive rates, plans with a higher number of bundled minutes included in the fixed monthly charge for the plan, plans that offer the ability to share minutes among a group of related subscribers, or combinations of these features. Consumers respond to these plans by migrating to those they deem most attractive. In addition, wireless carriers also try to appeal to subscribers by offering devices at prices significantly lower than their cost, and we may offer higher cost handsets at greater discounts than our competitors, with the expectation that the loss incurred on the device will be offset by future service revenue. As a result, we and our competitors incur immediate losses that will not be recovered for several quarters.

Our ability to compete is based on our ability to retain and attract new subscribers, which we plan to achieve by providing a good subscriber experience and strengthening our brand. We also strive to offer relevant, high quality, differentiated products, features and services that are simple to use and understand and that allow subscribers to be productive at an attractive price. We believe that if we are successful in delivering a value-driven, simplified and productive customer experience, we will improve our profitability. However, to the extent
that our competitors offer, or are able to provide products, features and applications that are comparable to ours, any competitive advantage from the differentiation of our services from those of our competitors would be reduced. To the extent that the competitive environment requires us to decrease prices or increase service and product offerings, our revenue could decline or our costs could increase. Competition in pricing and service and product offerings also may adversely impact customer retention. See Item 1A, “Risk Factors—If we are not able to attract and retain wireless subscribers, our financial performance will be impaired.”

**Wireline**

We provide a broad suite of wireline voice and data communications services to our Wireless segment, other communications companies and targeted business customers. We are one of the nation’s largest providers of Internet Protocol, or IP, wide-area network and long distance services. We operate an all-digital long distance and 40 gigabyte capacity Tier 1 IP network.

Our strategy for the Wireline segment is to:

- deliver low cost, high quality voice and data services to our Wireless segment to enable it to compete effectively;
- take advantage of the growth in voice services provided by cable multiple system operators, or MSOs;
- leverage available capacity by selling it to other communications service providers; and
- provide communications services to our business customers with a particular focus on IP voice-data and wireline-wireless converged services.

For our business customers, we aim to increase their productivity by helping them upgrade from older, less flexible network technologies to IP and by providing differentiated services that utilize the advantages of combining IP networks with wireless technology. This differentiation enables us to acquire and retain both wireline-only and combined wireline-wireless customers on our networks.

Consumers are increasing their use of cable MSOs as alternatives to local and long distance voice communications providers. We are taking advantage of this development by providing large cable MSOs with local and long distance Voice-over-IP, or VoIP, communications services, which they offer as part of their bundled service offerings.

In all of these strategies, we are utilizing our principal strategic assets: our high-capacity national fiber-optic network, our Tier 1 IP network, our base of business customers, our established national brand and converged wireless-wireline service offerings.

**Services and Products**

Our services and products include domestic and international data communications using various protocols such as multi-protocol-label switching, or MPLS, IP, IP-based frame relay, managed network services, VoIP and traditional voice services. Our IP services can be combined with our wireless services. Such services include our Wireless Integration service which enables a wireless handset to operate as part of a customer’s wireline voice network and our DataLink service, which uses our wireless networks to connect a customer location into their primarily wireline wide-area IP/MPLS data network, making it easy for businesses to adapt their network to changing business requirements. We also provide IP and other services to cable MSOs that resell our local and long distance service and/or use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end user customers.

Although we continue to provide voice services to residential consumers, we no longer actively market those services. Our Wireline segment markets and sells its services primarily through direct sales representatives.
Competition

Our Wireline segment competes with AT&T, Verizon Communications, Qwest Communications, Level 3 Communications, Inc., other major local incumbent operating companies, cable operators and other telecommunications providers in all segments of the 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 utilize excess capacity in their networks. In addition, we face increasing competition from other wireless and IP-based service providers. Many carriers are competing in the residential and small business markets by offering bundled packages of both local and long distance services. Competition in long distance is based on price and pricing plans, the types of services offered, customer service, and communications quality, reliability and availability. Our ability to compete successfully will depend 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 pricing strategies. See Item 1A, “Risk Factors—1. Consolidation and competition in the wholesale market for wireline services, as well as consolidation of our roaming partners and access providers used for wireless services, could adversely affect our revenues and profitability and 2. The blurring of the traditional dividing lines among long distance, local, wireless, video and Internet services contribute to increased competition.”

Legislative and Regulatory Developments

Overview

Communications services are subject to regulation at the federal level by the FCC and in certain states by public utilities commissions, or PUCs. The Communications Act of 1934, or Communications Act, preempts states from regulating the rates or entry of commercial mobile radio service, or CMRS, providers, such as those services provided through our Wireless segment, and imposes various licensing and technical requirements implemented by the FCC, including provisions related to the acquisition, assignment or transfer of radio licenses. CMRS providers are subject to state regulation of other terms and conditions of service. Our Wireline segment also is subject to limited federal and state regulation.

The following is a summary of the regulatory environment in which we operate and does not describe all present and proposed federal, state and local legislation and regulations affecting the communications industry. Some legislation and regulations are the subject of judicial proceedings, legislative hearings and administrative proceedings that could change the manner in which our industry operates. We cannot predict the outcome of any of these matters or their potential impact on our business. See Item 1A, “Risk Factors—Government regulation could adversely affect our prospects and results of operations; the FCC and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects, future growth or results of operations.” Regulation in the communications industry is subject to change, which could adversely affect us in the future. The following discussion describes some of the major communications-related regulations that affect us, but numerous other substantive areas of regulation not discussed here may also influence our business.

Regulation and Wireless Operations

The FCC regulates the licensing, construction, operation, acquisition and sale of our wireless operations and wireless spectrum holdings. FCC requirements impose operating and other restrictions on our wireless operations that increase our costs. The FCC does not currently regulate rates for services offered by CMRS providers, and states are legally preempted from regulating such rates and entry into any market, although states may regulate other terms and conditions. The Communications Act and FCC rules also require the FCC’s prior approval of the assignment or transfer of control of an FCC license, although the FCC’s rules permit spectrum lease arrangements for a range of wireless radio service licenses, including our licenses, with FCC oversight. Approval from the Federal Trade Commission and the Department of Justice, as well as state or local regulatory authorities, also may be required if we sell or acquire spectrum interests. The FCC sets rules, regulations and policies to, among other things:

- grant licenses in the 800 MHz band, 900 MHz band, 1.9 GHz personal communications services, or PCS, band, and license renewals;
We hold several kinds of licenses to deploy our services: 1.9 GHz PCS licenses utilized in our CDMA network, and 800 MHz and 900 MHz licenses utilized in our iDEN network. We also hold and lease 1.9 GHz and other FCC licenses that we currently do not utilize in our networks or operations, but which we intend to use in the future consistent with customer demand and our obligations as a licensee.

1.9 GHz PCS License Conditions

All PCS licenses are granted for ten-year terms. For purposes of issuing PCS licenses, the FCC utilizes major trading areas, or MTAs, and basic trading areas, or BTAs, with several BTAs making up each MTA. Each license is subject to buildout requirements, and the FCC may revoke a license after a hearing if the buildout or other applicable requirements have not been met. We have met these requirements in all of our MTA and BTA markets.

If applicable buildout conditions are met, these 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 the applicant can demonstrate that it has provided “substantial service” during the past license term and has substantially complied with applicable FCC rules and policies and the Communications Act. The licenses for the 10 MHz of spectrum in the 1.9 GHz band that we received as part of the FCC’s Report and Order, described below, have ten-year terms and are not subject to specific buildout conditions, but are subject to renewal requirements that are similar to those for our PCS licenses.

800 MHz and 900 MHz License Conditions

We hold licenses for channels in the 800 MHz and 900 MHz bands that are used to deploy our iDEN services. Because spectrum in these bands originally was licensed in small groups of channels, we hold thousands of these licenses, which together allow us to provide coverage across much of the continental United States. Our 800 MHz and 900 MHz licenses are subject to requirements that we meet population coverage benchmarks tied to the initial license grant dates. To date, we have met all of these construction requirements applicable to these licenses, except in the case of licenses that are not material to our business. Our 800 MHz and 900 MHz licenses have ten-year terms, at the end of which each license is subject to renewal requirements that are similar to those for our 1.9 GHz licenses.

800 MHz Band Spectrum Reconfiguration

In 2004, the FCC adopted a Report and Order that included new rules regarding interference in the 800 MHz band and a comprehensive plan to reconfigure the 800 MHz band. The interference is believed to have been caused as a result of the operations of CMRS providers operating on frequencies adjacent to a number of public safety communication systems in the same geographic area. We assumed the obligations inherent in the Report and Order in August 2005 when we merged with Nextel Communications, Inc.
The Report and Order provides for the exchange of a portion of our 800 MHz FCC spectrum licenses, and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure the 800 MHz spectrum band. In addition, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band; however, we are required to relocate and reimburse the incumbent licensees in this band for their costs of relocation to another band designated by the FCC.

The Report and Order requires us to make a payment to the U.S. Treasury at the conclusion of the band reconfiguration process to the extent that the value of the 1.9 GHz spectrum we received exceeds the total of the value of licenses for spectrum in the 700 MHz and 800 MHz bands that we surrendered under the decision plus the actual costs, or qualifying costs, that we incur to retune incumbents and our own facilities under the Report and Order. The FCC determined under the Report and Order that, for purposes of calculating that payment amount, the value of the 1.9 GHz spectrum is about $4.9 billion and the aggregate value of the 700 MHz spectrum and the 800 MHz spectrum surrendered, net of 800 MHz spectrum received as part of the exchange, is about $2.1 billion, which, because of the potential payment to the U.S. Treasury, results in a minimum cash obligation of about $2.8 billion by us under the Report and Order. We are, however, obligated to pay the full amount of the costs relating to the reconfiguration plan, even if those costs exceed $2.8 billion.

From the inception of the program through December 31, 2008, we have incurred approximately $1.8 billion of costs directly attributable to the spectrum reconfiguration program. When expended, these costs are generally accounted for either as property, plant and equipment or as additions to the FCC licenses intangible asset. We estimate based on our experience to date with the reconfiguration program and on information currently available, that our total direct costs attributable to complete the spectrum reconfigurations will range between $3.2 and $3.6 billion. Neither the actual amounts incurred through December 31, 2008, nor the range of total direct costs estimated to complete the spectrum reconfigurations, includes any of our internal network costs that we have preliminarily allocated to the reconfiguration program for capacity sites and modifications for which we may request credit under the reconfiguration program. This estimate is dependent on significant assumptions including the final licensee costs, and costs associated with relocating licensees in the Canadian border region under the border plan that was adopted by the FCC and the Mexican border region for which there is currently no approved border plan. In addition, we are entitled to receive reimbursement from the mobile-satellite service licensees for their pro rata portion of our costs of clearing a portion of the 1.9 GHz spectrum. Those licensees may be unable or unwilling to reimburse us for their share of the costs, which we estimate to be approximately $200 million. Accordingly, we believe that it is unlikely that we will be required to make a payment to the U.S. Treasury. The FCC has designated the independent Transition Administrator, or TA, to monitor, facilitate and review our expenditures for the 800 MHz band reconfiguration.

As required under the terms of the Report and Order, we delivered a $2.5 billion letter of credit to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. The Report and Order provides for the possibility of periodic reductions in the amount of the letter of credit. During 2008, we determined, based on the information available to us, that the total cost of reconfiguring the incumbent users of the 800 MHz spectrum are likely to be less than $2.5 billion. The TA reviewed our forecasts and recommended to the FCC $529 million in reductions in the letter of credit based on costs incurred through June 30, 2008. The FCC concurred with the TA’s requests and the letter of credit has been reduced to $2.0 billion.

With respect to timing, the Report and Order required the completion of the 800 MHz band reconfiguration within a 36-month period, ending June 26, 2008, with an exception made with respect to markets that border Mexico and Canada. On October 30, 2008, the FCC released an Order granting us relief we had previously requested with respect to the June 26, 2008 completion date whereby a staged, milestone-based reduction will be used for the interleaved spectrum that we would otherwise have been required to surrender by June 26, 2008. In addition to defining progress benchmarks, which will determine the amount of spectrum we relinquish on a region-by-region basis, the FCC adopted a deadline of March 31, 2010, at which time we may be required to relinquish portions of our 800 MHz interleaved spectrum in advance of completion of rebanding and receipt of
remaining replacement spectrum. This Order alleviates the spectrum constraints we may have faced as a result of the original June 26, 2008 completion date. The exception with respect to markets that border Canada was clarified on May 9, 2008, when the FCC issued the Canadian border plans which included a 30-month deadline for completion.

**New Spectrum Opportunities and Spectrum Auctions**

Several FCC proceedings and initiatives are underway that may affect the availability of spectrum used or useful in the provision of commercial wireless services, which may allow new competitors to enter the wireless market. We cannot predict when or whether the FCC will conduct any spectrum auctions or if it will release additional spectrum that might be useful to wireless carriers, including us, in the future.

**911 Services**

Pursuant to FCC rules, CMRS providers, including us, are required to provide enhanced 911, or E911, services in a two-tiered manner. Specifically, wireless carriers are required to transmit to a requesting public safety answering point, or PSAP, both the 911 caller’s telephone number and (a) the location of the cell site from which the call is being made, or (b) the location of the customer’s handset using latitude and longitude, depending upon the capability of the PSAP. Implementation of E911 service must be completed within six months of a PSAP request for service in its area, or longer, based on the agreement between the individual PSAP and carrier. As a part of the FCC's approval of the Clearwire transaction, we committed to measure the accuracy of our 911 systems at the county level with certain exceptions. We believe we will be able to comply with this accuracy standard using existing technology.

**Homeland Security**

Homeland security issues are likely to continue to receive attention at the FCC, state and local levels, and Congress. Given the change in administration, we cannot predict whether any new regulatory requirements will be imposed or the cost of such requirements. The FCC has signaled its intention to re-activate its industry advisory committee on network reliability; also the FCC and the Federal Emergency Management Agency/Department of Homeland Security are likely to continue to focus on disaster preparedness and communications among first responders. We have voluntarily agreed to provide wireless emergency alerts over our CDMA network and are looking to do so over our iDEN network. Under the time line developed by the FCC, the provision of such alerts should begin in late 2010 or early 2011.

**Tower Siting**

Wireless systems must comply with various federal, state and local regulations that govern the siting, lighting and construction of transmitter towers and antennas, including requirements imposed by the FCC and the Federal Aviation Administration. FCC rules subject certain cell site locations to extensive zoning, environmental and historic preservation requirements and mandate consultation with various parties, including Native Americans. The FCC adopted significant changes to its rules governing historic preservation review of projects, which makes it more difficult and expensive to deploy antenna facilities. The FCC is also considering changes to its rules regarding environmental protection as related to tower construction, which, if adopted, could make it more difficult to deploy facilities. To the extent governmental agencies impose additional requirements on the tower siting process, the time and cost to construct cell towers could be negatively impacted.

**State and Local Regulation**

While the Communications Act generally preempts state and local governments from regulating entry of, or the rates charged by, wireless carriers, certain state PUCs and local governments regulate customer billing, termination of service arrangements, advertising, certification of operation, use of handsets when driving, service quality, sales practices, management of customer call records and protected information and many other areas.
Also, some state attorneys general have become more active in bringing lawsuits related to the sales practices and services of wireless carriers. Varying practices among the states may make it more difficult for us to implement national sales and marketing programs. States also may impose their own universal service support requirements on wireless and other communications carriers, similar to the contribution requirements that have been established by the FCC, and some states are requiring wireless carriers to help fund the provision of intrastate relay services for consumers who are hearing impaired. We anticipate that these trends will continue to require us to devote legal and other resources to work with the states to respond to their concerns while attempting to minimize any new regulation and enforcement actions that could increase our costs of doing business.

**Regulation and Wireline Operations**

**Competitive Local Service**

The Telecommunications Act of 1996, or Telecom Act, the first comprehensive update of the Communications Act, was designed to promote competition, and it eliminated legal and regulatory barriers for entry into local and long distance communications markets. It also required incumbent local exchange carriers, or ILECs, to allow resale of specified local services at wholesale rates, negotiate interconnection agreements, provide nondiscriminatory access to certain unbundled network elements and allow co-location of interconnection equipment by competitors. The rules implementing the Telecom Act remain subject to legal challenges. Thus, the scope of future local competition remains uncertain. These local competition rules impact us because we provide wholesale services to cable television companies that wish to compete in the local voice telephony market.

We provide cable companies with communications and back-office services to enable the cable companies to provide competitive local and long distance telephone services primarily in a voice over IP, or VoIP, format to their end-user customers. We are now providing these services to cable companies in a number of states while working to gain regulatory approvals and obtain interconnection agreements to enter additional markets. Certain rural ILECs continue to take steps to impede our ability to provide services to the cable companies in an efficient manner. However, regulatory decisions in several states may speed our market entry in those states.

**Voice over Internet Protocol**

We offer a growing number of VoIP-based services to business subscribers and transport VoIP-originated traffic for various cable companies. The FCC has not yet resolved the regulatory classification of VoIP services, but continues to consider the regulatory status of various forms of VoIP. In 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 and conventional telephone numbers are not used, is an unregulated “information service,” rather than a telecommunications service, and preempted state regulation of this service. The FCC also ruled that long distance offerings in which calls begin and end on the ordinary public switched telephone network, but are transmitted in part through the use of IP, are “telecommunications services,” thereby rendering the services subject to all the regulatory obligations imposed on ordinary long distance services, including payment of access charges and contributions to the universal service funds, or USF. In addition, the FCC preempted states from exercising entry and related economic regulation of interconnected VoIP services that require the use of broadband connections and specialized customer premises equipment and permit users to terminate calls to and receive calls from the public switched telephone network. However, the FCC’s ruling did not address specifically whether this form of VoIP is an “information service” or a “telecommunications service,” or what regulatory obligations, such as intercarrier compensation, should apply. Nevertheless, the FCC requires interconnected VoIP providers to contribute to the federal USF, offer E911 emergency calling capabilities to their subscribers, and comply with the electronic surveillance obligations set forth in the Communications Assistance for Law Enforcement Act, or CALEA. Because we provide VoIP services and transport VoIP-originated traffic, an FCC ruling on the regulatory classification of VoIP services and the applicability of specific intercarrier compensation
rates is likely to affect the cost to provide these services; our pricing of these services; access to numbering resources needed to provide these services; and long-term E911, CALEA and USF obligations.

High-speed Internet Access Services

Following a June 2005 U.S. Supreme Court decision affirming the FCC’s classification of cable modem Internet access service as an “information service” and declining to impose mandatory common carrier regulation on cable providers, the FCC issued an order in September 2005 declaring that the wireline high-speed Internet access services, which are provided by ILECs, are “information services” rather than “telecommunications services.” As a result, over time ILECs have been relieved of certain obligations regarding the provision of the underlying broadband transmission services. In 2007, the FCC followed this decision with a similar deregulation of wireless high-speed Internet access services. Such deregulation should result in less regulation of some of our evolution data optimized, or EV-DO, products and services. Deregulation of broadband services, however, has sparked a debate over “net neutrality” and “open access.” Proponents of “net neutrality” assert that operators of broadband transmission facilities should not be permitted to make distinctions among content providers for priority access to the underlying facilities and that networks should be “open” to use by any device the customer chooses to bring to the network.

While we have announced our intention to open the wireless operating platform of our handsets through our participation with Google in the Open Handset Alliance, an open access or net neutrality mandate that is not narrowly crafted could adversely affect the operation of our broadband networks by constraining our ability to control the network and protect our users from harm caused by other users and devices. Additionally, the FCC has a pending proceeding to consider whether all high-speed Internet access services, regardless of the technology used, are subject to various FCC consumer protection regulations. The imposition of any such obligations could result in significant costs to us.

Other Regulations

Truth in Billing and Consumer Protection

The FCC’s Truth in Billing rules generally require both wireline and wireless telecommunications carriers, such as us, to provide full and fair disclosure of all charges on their bills, including brief, clear, and non-misleading plain language descriptions of the services provided. In response to a petition from the National Association of State Utility Consumer Advocates, the FCC found that state regulation of CMRS rates, including line items on consumer bills, is preempted by federal statute. This decision was overturned by the 11th Circuit Court of Appeals and the Supreme Court denied further appeal. As a consequence, there may be an increase in state activities to impose various regulations on the billing practices of wireless carriers. The FCC is continuing to look at issues of consumer protection, including the use of early termination fees, and the appropriate state and federal roles. If states gain such authority, or there are other changes in the Truth in Billing rules, our billing and customer service costs could increase.

Access Charge Reform

ILEC and competitive local exchange carriers, or CLECs, impose access charges for the origination and termination of long distance calls upon wireless and long distance carriers, including our Wireless and Wireline segments. Also, interconnected local carriers, including our Wireless segment, pay to each other reciprocal compensation fees for terminating interconnected local calls. In addition, ILECs and CLECs impose special access charges for their provision of dedicated facilities to other carriers, including both our Wireless and Wireline segments. These fees and charges are a significant cost for our Wireless and Wireline segments. There are ongoing proceedings at the FCC related to access charges and special access rates, which could impact our costs for these services, but these proceedings have been pending for some time and FCC action is not anticipated in the near future.
In the past year, several ILECs have sought and received forbearance from FCC regulation of certain enterprise broadband services. Specifically, the FCC granted forbearance to AT&T, ACS Anchorage, Embarq, Frontier and Citizens from price regulation of their non-time division multiplexing, or TDM-based high-capacity special access services. Furthermore, in 2007, the U.S. Court of Appeals for the District of Columbia found that Verizon was “deemed granted” forbearance from the same rules when the FCC deadlocked on its similar forbearance petition, and that the “deemed grant” was unreviewable by the Court. Our request for en banc review was denied. We have appealed the FCC’s rulings with respect to AT&T, Citizens, Frontier and Embarq. These deregulatory actions by the FCC could enable the ILECs to raise their special access prices.

The FCC currently is considering measures to address “traffic pumping” by local exchange carriers, or LECs, predominantly in rural exchanges, that have very high access charges. Under traffic pumping arrangements, the LEC’s partner with other entities to offer “free” or almost free services (such as conference calling and chat lines) to end users; these services (and payments to the LECs’ partners) are financed through the assessment of high access charges on the end user’s long distance or wireless carrier. Because of the peculiarities of the FCC’s access rate rules for small rural carriers, these LECs are allowed to base their rates on low historic demand levels rather than the vastly higher “pumped” demand levels, which enables the LEC to earn windfall profits. The FCC is considering the legality of traffic pumping arrangements as well as rule changes to ensure that rates charged by LECs experiencing substantial increases in demand volumes are just and reasonable. As a major wireless and wireline carrier, we have been assessed millions of dollars in access charges for “pumped” traffic. Adoption by the FCC of appropriate measures to limit the windfall profits associated with traffic pumping will have a direct beneficial impact on us. Also, we and other carriers have traffic pumping cases against several LECs and their traffic pumping partners pending in various U.S. district courts and the Iowa Utilities Board.

Universal Service Reform

Communications carriers contribute into and receive support from the USF, established by the FCC and many states. The federal USF program funds services provided in high-cost areas, reduced-rate services to low-income consumers, and discounted communications and Internet services for schools, libraries and rural health care facilities. The USF is funded from assessments on communications providers, including our Wireless and Wireline segments, based on FCC-prescribed contribution factors applicable to our interstate and international end-user revenues from telecommunications services and interconnected VoIP services. Similarly, many states have established their own universal service funds into which we contribute. The FCC is considering changing the interstate revenue-based assessment with an assessment based on telephone numbers or connections to the public network, which could impact the amount of our assessments, but it is not clear that the FCC is prepared to take action in the near future. As permitted, we assess subscribers for these USF charges.

The FCC also is considering changing the way it distributes federal USF support to competitive carriers like us. Currently, we receive support in 25 jurisdictions as an Eligible Telecommunications Carrier, or ETC. In 2008, the FCC capped the total amount of high cost USF support competitive carriers could receive and has continued to impose conditions on parties seeking merger or acquisition approval to reduce their USF receipts. As part of the Clearwire transaction, we agreed to reduce our USF receipts to zero in five equal steps over a four year-period. The annual amount we currently receive from USF is immaterial. In addition, various state commissions have imposed or are considering new billing, Lifeline service and network deployment requirements which add significantly to the cost and burden of providing service as an ETC. A loss of our ETC designation in a given state, whether voluntary or mandatory, would require us to forego our USF support in that state.

Electronic Surveillance Obligations

The CALEA requires telecommunications carriers, including us, to modify equipment, facilities and services to allow for authorized electronic surveillance based on either industry or FCC standards. Our CALEA obligations have been extended to data and VoIP networks, and we are in compliance with these requirements. Certain laws and regulations require that we assist various government agencies with electronic surveillance of communications and records concerning those communications. We are a defendant in four purported class
action lawsuits that allege that we participated in a program of intelligence gathering activities for the federal government following the terrorist attacks of September 11, 2001 that violated federal and state law. Relief sought in these cases includes injunctive relief, statutory and punitive damages, and attorneys’ fees. We believe these suits have no merit. We do not disclose customer information to the government or assist government agencies in electronic surveillance unless we have been provided a lawful request for such information.

Privacy-Related Regulations

We comply with FCC customer proprietary network information, or CPNI, rules, which require carriers to comply with a range of marketing and safeguard obligations. These obligations focus on carriers’ access, use, storage and disclosure of CPNI. In 2007, the FCC adopted a new CPNI Order that imposed additional CPNI obligations on carriers. The new CPNI rules took effect in December 2007. We are utilizing a variety of compliance vehicles, such as technical and systematic solutions and updated policies and procedures, to conform our operations to the new CPNI obligations. The technical and systematic solutions offer significant data security benefits, but they also require significant development and testing. We petitioned the FCC for a limited waiver of some new CPNI rules so that we could complete development, testing and deployment of our CPNI compliance solutions. No opposition comments were filed in response to our petition. We also continue to monitor our CPNI compliance program and make enhancements and improvements when necessary.

Environmental Compliance

Our environmental compliance and remediation obligations relate primarily to the operation of standby power generators, batteries and fuel storage for our telecommunications equipment. These obligations require compliance with storage and related standards, obtaining of permits and occasional remediation. Although we cannot assess with certainty the impact of any future compliance and remediation obligations, we do not believe that any such expenditures will have a material adverse effect on our financial condition or results of operations.

We have identified seven former manufactured gas plant sites in Nebraska, not currently owned or operated by us, that may have been owned or operated by entities acquired by Centel Corporation, formerly a subsidiary of ours and now a subsidiary of Embarq. We and Embarq have agreed to share the environmental liabilities arising from these former manufactured gas plant sites. Three of the sites are part of ongoing settlement negotiations and administrative consent orders with the Environmental Protection Agency, or EPA. Two of the sites have had initial site assessments conducted by the Nebraska Department of Environmental Quality, or NDEQ, but no regulatory actions have followed. The two remaining sites have had no regulatory action by the EPA or the NDEQ. Centel has entered into agreements with other potentially responsible parties to share costs in connection with five of the seven sites. We are working to assess the scope and nature of these sites and our potential responsibility, which is not expected to be material.

Patents, Trademarks and Licenses

We own numerous patents, patent applications, service marks, trademarks and other intellectual property in the United States and other countries, including “Sprint,” “Nextel,” “Direct Connect,” and “Boost Mobile.” Our services often use the intellectual property of others, such as licensed software, and we often license copyrights, patents and trademarks of others. In total, these licenses and our copyrights, patents, trademarks and service marks are of material importance to the business. Generally, our trademarks and service marks endure and are enforceable so long as they continue to be used. Our patents and licensed patents have remaining terms generally ranging from one to 19 years.

We occasionally license our intellectual property to others, including licenses to others to use the trademarks “Sprint” and “Nextel.”
We have received claims in the past, and may in the future receive claims, that we, or third parties from whom we license or purchase goods or services, have infringed on the intellectual property of others. These claims can be time-consuming and costly to defend, and divert management resources. If these claims are successful, we could be forced to pay significant damages or stop selling certain products or services or stop using certain trademarks. We, or third parties from whom we license or purchase goods or services, also could enter into licenses with unfavorable terms, including royalty payments, which could adversely affect our business.

Employee Relations

As of December 31, 2008, we had about 56,000 employees.

In January 2009, we announced a cost reduction program designed to further align our cost structure with the reduced revenues expected from fewer subscribers. Our cost reduction program is designed to reduce our labor and other costs through a workforce reduction of about 8,000 positions.

Management

For information concerning our executive officers, see “Executive Officers of the Registrant” starting on page 26 of this document.

Access to Public Filings and Board Committee Charters

We routinely post important information on our website at www.sprint.com. Information contained on our website is not part of this annual report. We provide public access to our annual reports 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, or SEC, under the Securities Exchange Act of 1934. These documents may be accessed free of charge on our website at the following address: www.sprint.com/sprint/ir. These documents are available promptly after filing with the SEC. These documents also may be found at the SEC’s website at www.sec.gov.

We also provide public access to our Code of Ethics, entitled the Sprint Nextel Code of Conduct, our Corporate Governance Guidelines and the charters of the following committees of our board of directors: the Audit Committee, the Compensation Committee, the Executive Committee, the Finance Committee, and the Nominating and Corporate Governance Committee. The Code of Conduct, corporate governance guidelines and committee charters may be accessed free of charge on our website at the following address: www.sprint.com/governance. You may obtain copies of any of these documents free of charge by writing to: Sprint Nextel Shareholder Relations, 6200 Sprint Parkway, Mailstop KSOPHF0302-3B424, Overland Park, Kansas 66251 or by email at shareholder.relations@sprint.com. If a provision of the Code of Conduct required under the NYSE corporate governance standards is materially modified, or if a waiver of the Code of Conduct is granted to a director or executive officer, we will post a notice of such action on our website at the following address: www.sprint.com/governance. Only the Audit Committee may consider a waiver of the Code of Conduct for an executive officer or director.

Certifications

The certifications of our Chief Executive Officer and Chief Financial Officer pursuant to Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 are attached as Exhibits 31.1, 31.2, 32.1 and 32.2 to this annual report. We also filed with the NYSE in 2008 the required certificate of our Chief Executive Officer certifying that he was not aware of any violation by Sprint Nextel of the NYSE corporate governance listing standards.
In addition to the other information contained in this Form 10-K, the following risk factors should be considered carefully in evaluating us. Our business, financial condition, liquidity or results of operations could be materially adversely affected by any of these risks.

If we are not able to attract and retain wireless subscribers, our financial performance will be impaired.

We are in the business of selling communications services to subscribers, and our economic success is based on our ability to attract new subscribers and retain current subscribers. If we are unable to find enough people willing to subscribe for or purchase our wireless communications services, or unwilling to continue to purchase our services, at the prices at which we are willing to sell them, our financial performance will be impaired, and we could fail to meet our financial obligations, which could result in several outcomes, including controlling investments by third parties, takeover bids, liquidation of assets or insolvency. Since January 1, 2008, we have experienced a 5.1 million decrease in our total direct subscriber base, including approximately 4.1 million post-paid subscribers. In addition, over the past year, we have experienced an average post-paid churn rate of 2.18%, while our two largest competitors had churn rates that were substantially lower.

Our ability to compete successfully for new subscribers and to retain our existing subscribers and reduce our rate of churn depends on:

- our successful execution of marketing and sales strategies, including the acceptance of our value proposition; service delivery and customer care activities, including new account set up and billing; and our credit and collection policies;
- our ability to enter into arrangements with MVNOs and alternative resellers;
- our ability to anticipate and develop new or enhanced products and services that are attractive to existing or potential subscribers;
- our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced by our competitors, changes in consumer preferences, demographic trends, economic conditions, and discount pricing and other strategies that may be implemented by our competitors;
- actual or perceived quality and coverage of our network; and
- public perception about our brand.

Our recent efforts to attract new subscribers and reduce churn have not been as successful as those of our competitors. Our subscriber losses and high rate of churn have impaired our ability to maintain the level of revenues generated in prior periods and caused deterioration in the operating margins of our wireless operations and our operations as a whole, the effects of which will continue if we do not attract new subscribers and reduce our rate of churn. Our ability to retain subscribers may also be negatively affected by industry trends related to subscriber contracts. For example, we and our competitors no longer require subscribers to renew their contracts when making changes to their pricing plans. These types of changes could negatively affect our ability to retain subscribers and could lead to an increase in our churn rates if we are not successful in providing an attractive product and service mix.

We expect to incur expenses to attract new subscribers, improve subscriber retention and reduce churn, but there can be no assurance that our efforts will result in new subscribers or a lower rate of subscriber churn. Subscriber losses and a high rate of churn adversely affect our business, financial condition and results of operations because they result in lost revenues and cash flow. Although attracting new subscribers and retention of existing subscribers are important to the financial viability of our business, there is an added focus on retention.
because the cost of adding a new subscriber is higher than the cost associated with retention of an existing subscriber, and new subscribers are generally entering into contracts with lower average revenue per subscriber than the subscribers leaving our network.

**As the wireless market matures, we must increasingly seek to attract subscribers from competitors and face increased credit risk from first-time wireless subscribers.**

We and our competitors increasingly must seek to attract a greater proportion of new subscribers from each other’s existing subscriber bases rather than from first-time purchasers of wireless services. Recently, we have not been able to attract subscribers at the same rate as our competitors and have had a net loss of subscribers during 2007 and 2008. In addition, the higher market penetration also means that subscribers purchasing wireless services for the first time, on average, have a lower credit rating than existing wireless users, and the number of these subscribers we are willing to accept is dependent on our credit policies, which change from time-to-time. To the extent we cannot compete effectively for new subscribers, our revenues and results of operations will be adversely affected.

**Competition and technological changes in the market for wireless services could negatively affect our average revenue per subscriber, subscriber churn, operating costs and our ability to attract new subscribers, resulting in adverse effects on our revenues, future cash flows, growth and profitability.**

We compete with a number of other wireless service providers in each of the markets in which we provide wireless services, and we expect competition to increase as additional spectrum is made available for commercial wireless services and as new technologies are developed and launched. As competition among wireless communications providers has increased, we have created pricing plans that have resulted in declining average revenue per subscriber, for voice and data services, a trend that we expect will continue. Competition in pricing and service and product offerings may also adversely impact subscriber retention and our ability to attract new subscribers, with adverse effects on our results of operations. A decline in the average revenue per subscriber coupled with our declining number of subscribers will negatively impact our revenues, future cash flows, growth and overall profitability, which, in turn, could impact our ability to meet our financial obligations.

The wireless communications industry is experiencing significant technological change, including improvements in the capacity and quality of digital technology and the deployment of unlicensed spectrum devices. This change causes uncertainty about future subscriber demand for our wireless services and the prices that we will be able to charge for these services. In addition, due, in part, to current economic conditions, we are carefully monitoring our spending, and we are targeting how and where we spend our capital on network and service enhancements. Spending by our competitors on new wireless services and network improvements could enable our competitors to obtain a competitive advantage with new technologies or enhancements that we do not offer. Rapid change in technology may lead to the development of wireless communications technologies or alternative services that are superior to our technologies or services or that consumers prefer over ours. If we are unable to meet future advances in competing technologies on a timely basis, or at an acceptable cost, we may not be able to compete effectively and could lose subscribers to our competitors.

Mergers or other business combinations involving our competitors and new entrants, including new wholesale relationships, beginning to offer wireless services may also continue to increase competition. These wireless operators may be able to offer subscribers network features or products and services not offered by us, coverage in areas not served by either of our wireless networks or pricing plans that are lower than those offered by us, all of which would negatively affect our average revenue per subscriber, subscriber churn, ability to attract new subscribers, and operating costs. For example, AT&T, Verizon and T-Mobile now offer competitive wireless services packaged with local and long distance voice and high-speed Internet services, and flat rate voice and data plans. Our Boost Mobile-branded services compete with several regional carriers, including Metro PCS and Leap Wireless, which offer competitively-priced calling plans that include unlimited local calling. In addition, we may lose subscribers of our higher priced plans to our Boost Mobile offerings.
One of the primary differentiating features of our Nextel-branded service is the two-way walkie-talkie service available on our iDEN network. Several wireless equipment vendors, including Motorola, which supplies equipment for our Nextel-branded service, have begun to offer wireless equipment that is capable of providing walkie-talkie services that are designed to compete with our walkie-talkie services. Several of our competitors have introduced handsets that are capable of providing walkie-talkie services. If these competitors’ services are perceived to be or become comparable, or if any services introduced in the future are comparable to our Nextel-branded walkie-talkie services, a key competitive advantage of our Nextel service would be reduced, which in turn could adversely affect our business.

Failure to improve wireless subscriber service and failure to continue to enhance the quality and features of our wireless networks and meet capacity requirements of our subscriber base could impair our financial performance and adversely affect our results of operations.

Although we must continually make investments and incur costs in order to improve our wireless subscriber service and remain competitive, due to, among other things, the current economic conditions, we are carefully targeting how and where we spend our capital on network and service enhancements. Over the past few years, we worked to enhance the quality of our wireless networks and related services by:

- maintaining and expanding the capacity and coverage of our networks;
- securing sufficient transmitter and receiver sites and obtaining zoning and construction approvals or permits at appropriate locations;
- obtaining adequate quantities of system infrastructure equipment and handsets, and related accessories to meet subscriber demand; and
- obtaining additional spectrum in some or all of our markets, if and when necessary.

Our current budget and focus on careful spending will require us to make decisions on the necessity and timing of certain network enhancements. We may not continue to update our network at the same rate as in previous years. With our recent improvements and given our reduced number of subscribers, we do not believe this reduced spending will adversely affect the quality of our networks. If our competitors spend on their network and service enhancements while we are curtailing our nonessential spending, their networks could perform at levels superior to ours, which could negatively affect our ability to attract new subscribers or retain existing subscribers.

Any network and service enhancements we decide to make may not occur as scheduled or at the cost that we have estimated. Delays or failure to add network capacity, failure to maintain roaming agreements or increased costs of adding capacity could limit our ability to satisfy our wireless subscribers, resulting in decreased revenues. Even if we continuously upgrade our wireless networks, there can be no assurance that existing subscribers will not prefer features of our competitors and switch wireless providers.

Current economic conditions, our recent financial performance and our debt ratings could negatively impact our access to the capital markets resulting in less growth than planned or failure to satisfy financial covenants under our existing debt agreements.

Although we do not believe we will require additional capital to make the capital and operating expenditures necessary to implement our business plans or to satisfy our debt service requirements for the next few years, we may need to incur additional debt in the future for a variety of reasons, including future acquisitions. Our ability to arrange additional financing will depend on, among other factors, our financial performance, debt ratings, general economic conditions and prevailing market conditions. Some of these factors are beyond our control. Due to current economic conditions, our financial performance and our debt ratings, we may not be able to arrange additional financing on terms acceptable to us, or at all. Failure to obtain suitable financing when needed...
could, among other things, result in our inability to continue to expand our businesses and meet competitive challenges. Our debt ratings could be downgraded if we incur significant additional indebtedness, or if we do not generate sufficient cash from our operations, which would likely increase our future borrowing costs and could affect our ability to access capital.

Our credit facilities require that we maintain a ratio of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and other non-cash gains or losses, such as goodwill impairment charges, of no more than 4.25 to 1.0, which as of December 31, 2008, was 3.0 to 1.0. If we do not continue to satisfy this ratio, we will be in default under our credit facilities, which could trigger defaults under our other debt obligations, which in turn could result in the maturities of certain debt obligations being accelerated.

The trading price of our common stock has been and may continue to be volatile, notwithstanding our actual operations and performance.

The stock market in general, and the market for communications and technology companies in particular, have experienced price and volume fluctuations over the past year. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our actual operations and performance. The trading price of our common stock has fallen by 75% since January 1, 2008. Stock price volatility and continued and sustained decreases in our share price could subject our shareholders to losses and us to takeover bids or lead to action by the NYSE. The trading price of our common stock has been and may continue to be subject to fluctuations in price in response to various factors, some of which are beyond our control, including, but not limited to:

- quarterly announcements and variations in our results of operations or those of our competitors, either alone or in comparison to analysts expectations, including announcements on our subscriber activity and rate of churn;
- the availability or perceived availability of additional capital and market perceptions relating to our access to this capital;
- seasonality or other variations in our subscriber base, including our rate of churn;
- announcements by us or our competitors of acquisitions, new products, significant contracts, commercial relationships or capital commitments;
- the performance of Clearwire and Clearwire's Class A common stock or speculation about the possibility of future actions we or other significant shareholders may take in connection with Clearwire holdings;
- disruption to our operations or those of other companies critical to our network operations;
- announcements by us regarding the entering into, or termination of, material transactions;
- our ability to develop and market new and enhanced products and services on a timely basis;
- recommendations by securities analysts or changes in earnings estimates concerning us;
- the incurrence of additional debt, dilutive issuances of our stock, short sales, hedging and other derivative transactions of our common stock;
- any major change in our board of directors or management;
- litigation;
- changes in governmental regulations or approvals; and
- perceptions of general market conditions in the technology and communications industries, the U.S. economy and global market conditions.
Consolidation and competition in the wholesale market for wireline services, as well as consolidation of our roaming partners and access providers used for wireless services, could adversely affect our revenues and profitability.

Our Wireline segment competes with AT&T, Verizon, Qwest Communications, Level 3 Communications Inc., other major local incumbent operating companies, and cable operators, as well as a host of smaller competitors, in the provision of wireline services. Some of these companies have high-capacity, IP-based fiber-optic networks capable of supporting large amounts of voice and data traffic. Some of these companies claim certain cost structure advantages that, among other factors, may allow them to offer services at a price below that which we can offer profitably. In addition, consolidation by these companies could lead to fewer companies controlling access to more cell sites, enabling them to control usage and rates, which could negatively affect our revenues and profitability.

Increased competition and the significant increase in capacity resulting from new technologies and networks may drive already low prices down further. AT&T and Verizon, as a result of their acquisitions, continue to be our two largest competitors in the domestic long distance communications market. We and other long distance carriers depend heavily on local access facilities obtained from ILECs to serve our long distance subscribers, and payments to ILECs for these facilities are a significant cost of service for our Wireline segment. The long distance operations of AT&T and Verizon have cost and operational advantages with respect to these access facilities because those carriers serve significant geographic areas, including many large urban areas, as the incumbent local carrier.

In addition, our Wireless segment could be adversely affected by changes in rates and access fees that result from consolidation of our roaming partners and access providers, which could negatively affect our revenues and profitability.

Failure to complete development, testing and deployment of new technology that supports new services could affect our ability to compete in the industry. The deployment of new technology and new service offerings could result in network degradation or the loss of subscribers. In addition, the technology we use may place us at a competitive disadvantage.

We develop, test and deploy various new technologies and support systems intended to enhance our competitiveness by both supporting new services and features and reducing the costs associated with providing those services. Successful development and implementation of technology upgrades depend, in part, on the willingness of third parties to develop new applications in a timely manner. We may not successfully complete the development and rollout of new technology and related features or services in a timely manner, and they may not be widely accepted by our subscribers or may not be profitable, in which case we could not recover our investment in the technology. Deployment of technology supporting new service offerings may also adversely affect the performance or reliability of our networks with respect to both the new and existing services and may require us to take action like curtailing new subscribers in certain markets. Any resulting subscriber dissatisfaction could affect our ability to retain subscribers and have an adverse effect on our results of operations and growth prospects.

Our wireless networks provide services utilizing CDMA and iDEN technologies. Wireless subscribers served by these two technologies represent a smaller portion of global wireless subscribers than the subscribers served by wireless networks that utilize GSM technology. As a result, our costs with respect to both CDMA and iDEN network equipment and handsets may continue to be higher than the comparable costs incurred by our competitors who use GSM technology, which places us at a competitive disadvantage.

We recently entered into agreements with Clearwire to integrate our WiMAX wireless broadband business with theirs. See “Risks Related to our Investment in Clearwire” below for risks related to the deployment of WiMAX.
The blurring of the traditional dividing lines among long distance, local, wireless, video and Internet services contribute to increased competition.

The traditional dividing lines among long distance, local, wireless, video and Internet services are increasingly becoming blurred. Through mergers, joint ventures and various service expansion strategies, major providers are striving to provide integrated services in many of the markets we serve. This trend is also reflected in changes in the regulatory environment that have encouraged competition and the offering of integrated services.

We expect competition to intensify across all of our business segments as a result of the entrance of new competitors or the expansion of services offered by existing 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 we will be required to make in order to develop and provide these technologies, products or services. To the extent we do not keep pace with technological advances or fail to timely respond to changes in the competitive environment affecting our industry, we could lose market share or experience a decline in revenue, cash flows and net income. As a result of the financial strength and benefits of scale enjoyed by some of our competitors, they may be able to offer services at lower prices than we can, thereby adversely affecting our revenues, growth and profitability.

If we are unable to improve our results of operations, we face the possibility of additional charges for impairments of long-lived or indefinite lived assets. In addition, if the fair market value of our investment in Clearwire continues to trade below its book value, it could result in an impairment charge. Also, our future operating results will be impacted by our share of Clearwire’s net loss or net income, which during this period of their network build-out will likely negatively affect our results of operations.

We review our wireless and wireline long-lived assets for impairment when changes in circumstances indicate that the book amount may not be recoverable. If we are unable to improve our results of operations and cash flows, a review could lead to a material impairment charge in our consolidated financial statements.

We account for our investment in Clearwire using the equity method of accounting and, as a result, we record our share of Clearwire’s net income or net loss which could adversely affect our consolidated results of operations. In addition, the trading price of Clearwire’s Class A common stock has been and may continue to be volatile, and the fair market value of our investment may continue to be below the book value of the investment, which could result in a material impairment charge in our consolidated financial statements.

If Motorola is unable or unwilling to provide us with equipment and handsets in support of our iDEN-based services, as well as anticipated handset and infrastructure improvements for those services, our operations will be adversely affected.

Motorola is our sole source for most of the equipment that supports the iDEN network and for all of the handsets we offer under the Nextel brand except for BlackBerry devices. Although our handset supply agreement with Motorola is structured to provide competitively-priced handsets, the cost of iDEN handsets is generally higher than handsets that do not incorporate a similar multi-function capability. This difference may make it more difficult or costly for us to offer handsets at prices that are attractive to potential subscribers. In addition, the higher cost of iDEN handsets requires us to absorb a larger part of the cost of offering handsets to new and existing subscribers. These increased costs and handset subsidy expenses may reduce our growth and profitability. Also, we must rely on Motorola to develop handsets and equipment capable of supporting the features and services we offer to subscribers of services on our iDEN network, including the dual-mode handsets. A decision by Motorola to discontinue, or the inability of Motorola to continue, manufacturing, supporting or enhancing our iDEN-based infrastructure and handsets would have a material adverse effect on us. In addition, because iDEN technology is not as widely adopted and has fewer subscribers than other wireless technologies, it is less likely that manufacturers other than Motorola will be willing to make the significant financial commitment.
We have entered into agreements with third parties related to certain business operations. Any difficulties experienced in these arrangements could result in additional expense, loss of subscribers and revenue, interruption of our services or a delay in the roll-out of new technology.

We have entered into agreements with third parties for the development and maintenance of certain software systems necessary for the operation of our business. We also have agreements with third parties to provide customer service and related support to our wireless subscribers and outsourced aspects of our wireline network and back office functions to third parties. In addition, we have sublease agreements with third parties for space on communications towers. As a result, we must rely on third parties to perform certain of our operations and, in certain circumstances, interface with our subscribers. 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 subscribers.

We are subject to exclusivity provisions and other restrictions under our arrangements with our remaining independent PCS Affiliates. Continued compliance with those restrictions may limit our ability to fully integrate the operations of Nextel and Nextel Partners in the geographic areas served by those PCS Affiliates, may impact our ability to offer certain types of wireless products and services, and we could incur significant costs to resolve issues related to these arrangements.

Our agreements with our remaining independent PCS Affiliates restrict our and their ability to own, operate, build or manage specified wireless communication networks or to sell certain wireless services within specified geographic areas. These agreements could negatively affect our ability to introduce new products and services on a nationwide basis and the growth of our network. In addition, as a result of litigation with one PCS Affiliate, we were ordered to cease owning, operating or managing our Nextel network in parts of Illinois, Indiana, Iowa, Michigan, Missouri, Nebraska and Wisconsin. The Illinois Supreme Court affirmed the trial court decision in November 2008, but provided us with 360 days to sell or otherwise cease the operation or management of our Nextel network in the relevant geographic areas. Compliance with this order could cause disruption to our service, result in subscriber losses and negatively affect our results of operations. The trial court denied our request to set aside this judgment based on new evidence and we plan to appeal that denial. The outcome of the ongoing litigation with that PCS Affiliate, which is uncertain, may impact our ability to offer certain types of wireless products and services on a nationwide basis, and we could incur significant costs to litigate and resolve this issue.

The intellectual property rights utilized by us and our suppliers and service providers may infringe on intellectual property rights owned by others.

Some of our products and services use intellectual property that we own. We also purchase products from suppliers, including handset device suppliers, and outsource services to service providers, including billing and customer care functions, that incorporate or utilize intellectual property. We and some of our suppliers and service providers have received, and may receive in the future, assertions and claims from third parties that the products or software utilized by us or our suppliers and service providers infringe on the patents or other intellectual property rights of these third parties. These claims could require us or an infringing supplier or service provider to cease certain activities or to cease selling the relevant products and services. These claims and assertions also could subject us to costly litigation and significant liabilities for damages or royalty payments, or require us to cease certain activities or to cease selling certain products and services.

Our CDMA handsets use products obtained from QUALCOMM. Some of QUALCOMM’s products have been found to infringe on certain patents owned by Broadcom Corporation. A United States district court enjoined QUALCOMM from further infringement and allowed for a sunset provision that expired on January 31, 2009.
QUALCOMM has supplied us with alternative technologies. Broadcom may continue to challenge the alternatives, and Broadcom has initiated other suits against QUALCOMM. These claims could subject us to costly litigation, a court could determine that the alternative technologies still infringe Broadcom’s patents, and/or a court could require us to cease providing certain QUALCOMM products.

**Government regulation could adversely affect our prospects and results of operations; the FCC and state regulatory commissions may adopt new regulations or take other actions that could adversely affect our business prospects, future growth or results of operations.**

The FCC and other federal, state and local governmental authorities have jurisdiction over our business and could adopt regulations or take other actions that would adversely affect our business prospects or results of 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. In particular, the FCC imposes significant regulation on licensees of wireless spectrum with respect to how radio spectrum is used by licensees, the nature of the services that licensees may offer and how the services may be offered, and resolution of issues of interference between spectrum bands.

The FCC grants wireless licenses for terms of generally ten years that are subject to renewal and revocation. 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 license for that license area.

Depending on their outcome, the FCC’s proceedings regarding regulation of special access rates could affect the rates paid by our Wireless and Wireline segments for special access services in the future. Similarly, depending on their outcome, the FCC’s proceedings on the regulatory classification of VoIP services could affect the intercarrier compensation rates and the level of USF contributions paid by us.

In 2004, the FCC adopted a Report and Order to reconfigure the 800 MHz band that provides for the exchange of a portion of our 800 MHz FCC spectrum licenses and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure. In order to accomplish the reconfiguration, we may need to cease our use of a portion of the 800 MHz spectrum on our iDEN network in a particular market before we are able to begin use of replacement 800 MHz spectrum in that market. To mitigate the temporary loss of the use of this spectrum, we may need to construct additional transmitter and receiver sites or acquire additional spectrum. In markets where we are unable to construct additional sites or acquire additional spectrum as needed, the decrease in capacity may adversely affect the performance of our iDEN network.

Various states are considering regulations over terms and conditions of service, including certain billing practices and consumer-related issues that may not be preempted by federal law. If imposed, these regulations could make it more difficult and expensive to implement national sales and marketing programs and could increase the costs of our wireless operations.

Degradation in network performance caused by compliance with government regulation, loss of spectrum or additional rules associated with the use of spectrum in any market could result in an inability to attract new subscribers or higher subscriber churn in that market, which could adversely affect our revenues and results of operations. In addition, additional costs or fees imposed by governmental regulation could adversely affect our revenues, future growth and results of operations.
The current economic environment may make it difficult for our business partners and subscribers to meet their contractual obligations, which could negatively affect our results of operations.

The current economic environment has made it difficult for businesses and consumers to obtain credit, which could cause our suppliers, distributors and subscribers to have problems meeting their contractual obligations with us. If our suppliers are unable to fulfill our orders or meet their contractual obligations with us, we may not have the services or handsets available to meet the needs of our current and future subscribers, which could cause us to lose current and potential subscribers to other carriers. In addition, if our distributors are unable to stay in business, we could lose distribution points, which could negatively affect our business and results of operations. Finally, if our subscribers are unable to pay their bills or potential subscribers feel they are unable to take on additional financial obligations, they may be forced to forgo our services, which could negatively affect our results of operations.

Our business could be negatively impacted by security threats and other disruptions.

Major equipment failures, natural disasters, including severe weather, terrorist acts, cyber attacks or other breaches of network or information technology security that affect our wireline and wireless networks, including transport facilities, communications switches, routers, microwave links, cell sites or other equipment or third-party owned local and long-distance networks on which we rely, could have a material adverse effect on our operations. These events could disrupt our operations, require significant resources, result in a loss of subscribers or impair our ability to attract new subscribers, which in turn could have a material adverse effect on our business, results of operations and financial condition.

Concerns about health risks associated with wireless equipment may reduce the demand for our services.

Portable communications devices have been alleged to pose health risks, including cancer, due to radio frequency emissions from these devices. Purported class actions and other lawsuits have been filed against numerous wireless carriers, including us, seeking not only damages but also remedies that could increase our cost of doing business. We cannot be sure of the outcome of those cases or that our business and financial condition will not be adversely affected by litigation of this nature or public perception about health risks. The actual or perceived risk of mobile communications devices could adversely affect us through a reduction in subscribers, reduced network usage per subscriber or reduced financing available to the mobile communications industry. Further research and studies are ongoing, and we cannot be sure that additional studies will not demonstrate a link between radio frequency emissions and health concerns.

Risks Related to our Investment in Clearwire

We are a majority shareholder of Clearwire, a term we use to refer to the consolidated entity of Clearwire Corporation and its subsidiary Clearwire Communications LLC. Under this section, we have included certain important risk factors with respect to our investment in Clearwire. For more discussion of Clearwire and the risks affecting Clearwire, you should refer to Clearwire’s annual report on Form 10-K for the year ended December 31, 2008. The contents of Clearwire’s Form 10-K are expressly not incorporated by reference into this report.

Our investment in Clearwire exposes us to risks because we do not control the board, manage operations or control management, including decisions relating to the build-out and operation of a national 4G network, and the value of our investment in Clearwire or our financial performance may be adversely affected by decisions made by Clearwire or other large investors in Clearwire that are adverse to our interests.

Although we have the ability to nominate seven of Clearwire’s 13 directors, at least one of our nominees must be an independent director. Thus, we do not control the board, and we do not manage the operations of Clearwire or control management. Clearwire has a group of investors that have been provided with representation on Clearwire’s board of directors. These investors may have interests that diverge from ours or Clearwire’s.
Differences in views among the large investors could result in delayed decisions by Clearwire’s board of directors or failure to agree on major issues. Any differences in our views or problems with respect to the operation of Clearwire could have a material adverse effect on the value of our investment in Clearwire or our business, financial condition, results of operations or cash flows.

In addition, the corporate opportunity provisions in Clearwire’s restated certificate of incorporation provide that unless a director is an employee of Clearwire, the person does not have a duty to present to Clearwire a corporate opportunity of which the director becomes aware, except where the corporate opportunity is expressly offered to the director in his or her capacity as a director of Clearwire. This could enable certain Clearwire shareholders to benefit from opportunities that may otherwise be available to Clearwire, which could adversely affect Clearwire’s business and our investment in Clearwire.

Clearwire’s restated certificate of incorporation also expressly provides that certain shareholders and their affiliates may, and have no duty not to, engage in any businesses that are similar to or competitive with those of Clearwire, do business with Clearwire’s competitors, subscribers and suppliers, and employ Clearwire’s employees or officers. These shareholders or their affiliates may deploy competing wireless broadband networks or purchase broadband services from other providers. Any such actions could have a material adverse effect on Clearwire’s business, financial condition, results of operations or prospects and the value of our investment in Clearwire.

Moreover, we are dependent on Clearwire to quickly build, launch and operate a viable, national 4G network, using capital including the $3.2 billion they have received from the strategic investors as well as the assets received from us. Our intention is to integrate these 4G services with our products and services in a manner that preserves our time to market advantage. Clearwire’s success could be affected by, among other things, its ability to get financing in the amounts and at terms that enable it to build a national 4G network in a timely manner. Should Clearwire be unable to obtain appropriate financing, it may be unable to build and operate a viable 4G network in a manner that sustains its time to market advantage, or at all. If Clearwire is delayed or unsuccessful in the development or operation of a 4G network, our future revenues, cash flows, growth and overall profitability could be negatively affected.

We may be unable to sell some or all of our investment in Clearwire quickly or at all.

Clearwire is a newly formed entity with limited trading history for its publicly traded Class A common stock. In addition, the daily trading volume of Clearwire’s Class A common stock is lower than the number of shares of Class A common stock we would hold if we exchanged all of our Clearwire Class B common stock and interests. If we should decide to sell some or all of our equity securities of Clearwire, there may not be purchasers available for any or all of our stock, or we may be forced to sell at a price that is below the then current trading price or over a significant period of time. We are also subject to certain restrictions with respect to the sale of our equity securities of Clearwire.

Item 1B. Unresolved Staff Comments

On May 1, 2008, we received a comment letter from the Staff of the Division of Corporation Finance of the SEC with respect to its review of our Form 10-K for the year ended December 31, 2007, and received subsequent comments regarding our subsequent filings on Forms 10-Q during 2008. The Staff has requested that we provide more robust discussion with respect to our subscribers and cash flow, including our future expectations with respect to these items. In response to this request, we have added additional disclosure to the Management’s Discussion and Analysis of Financial Condition and Results of Operations section in this Form 10-K.
Our corporate headquarters is located in Overland Park, Kansas and consists of about 3,853,000 square feet.

Our gross property, plant and equipment at December 31, 2008 totaled $48.5 billion, distributed among the business segments as follows:

<table>
<thead>
<tr>
<th>Segment</th>
<th>2008 (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireless</td>
<td>$41.8</td>
</tr>
<tr>
<td>Wireline</td>
<td>4.3</td>
</tr>
<tr>
<td>Corporate and other</td>
<td>2.4</td>
</tr>
<tr>
<td>Total</td>
<td>$48.5</td>
</tr>
</tbody>
</table>

Properties utilized by our Wireless segment generally consist of base transceiver stations, switching equipment and towers, as well as leased and owned general office facilities and retail stores. We lease space for base station towers and switch sites for our wireless network.

Properties utilized by our Wireline segment generally consist of land, buildings, switching equipment, digital fiber optic network and other transport facilities. We have been granted easements, rights-of-way and rights-of-occupancy by railroads and other private landowners for our fiber optic network.

As of December 31, 2008, about $895 million of outstanding debt, comprised of certain secured notes, financing and capital lease obligations and mortgages, is secured by $907 million of gross property, plant and equipment, and other assets.

Additional information regarding our commitments related to operating leases can be found in note 14 of the Notes to Consolidated Financial Statements.

In September 2004, the U.S. District Court for the District of Kansas denied a motion to dismiss a shareholder lawsuit alleging that our 2001 and 2002 proxy statements were false and misleading in violation of federal securities laws to the extent they described new employment agreements with certain senior executives without disclosing that, according to the allegations, replacement of those executives was inevitable. These allegations, made in an amended complaint in a lawsuit originally filed in 2003, are asserted against us and certain of our current and former officers and directors, and seek to recover any decline in the value of our tracking stocks during the class period. The parties have stipulated that the case can proceed as a class action. All defendants have denied plaintiffs’ allegations and intend to defend this matter vigorously. Allegations in the original complaint, which asserted claims against the same defendants and our former independent auditor, were dismissed by the Court in April 2004. Our motion to dismiss the amended complaint was denied, and the parties are engaged in discovery.

A number of cases that allege Sprint Communications Company L.P. failed to obtain easements from property owners during the installation of its fiber optic network in the 1980’s have been filed in various courts. Several of these cases sought certification of nationwide classes, and in one case, a nationwide class was certified. In 2003, a nationwide settlement of these claims was approved by the U.S. District Court for the Northern District of Illinois, but objectors appealed the preliminary approval order to the Seventh Circuit Court of Appeals, which overturned the settlement and remanded the case to the trial court for further proceedings. The parties proceeded with litigation and/or settlement negotiations on a state by state basis, and settlement negotiations have been coordinated in all cases but those pending in Louisiana and Tennessee. The Louisiana claims have been separately settled for an amount not material to the company, and that settlement was given final approval by the Court, and the time to appeal that approval has expired. We have reached an agreement in principle to settle the claims in all the other states, excluding Tennessee, for an amount not material to us. The Court issued its preliminary approval of the settlement on July 17, 2008, and the Court is in the process of considering objections to the settlement.
In connection with the Sprint-Nextel merger in 2005, we disclosed that several PCS Affiliates had filed lawsuits in various courts, alleging that the Sprint-Nextel merger would result in breaches of exclusivity provisions in their commercial affiliation agreements with our subsidiaries. With the exception of iPCS Wireless, Inc., or iPCS, all such suits have been disposed of. On September 24, 2008, the Illinois Supreme Court denied our petition for appeal in a contract dispute with iPCS. As a result, the Illinois Circuit Court decision from August 2006 holding that Sprint’s merger with Nextel breached Sprint’s agreement with iPCS was upheld. The judge in that case entered an order requiring Sprint to cease owning, operating or managing the iDEN network in parts of certain Midwestern states (Illinois, Iowa, Michigan, Missouri, Nebraska, Wisconsin and a small portion of Indiana) that make up the iPCS territory. On October 15, 2008, we filed a motion asking the Illinois Supreme Court to reconsider its decision not to hear the appeal, on grounds that the Circuit Court decision infringed upon the FCC’s authority to determine the ownership and use of telecommunications licenses, and on grounds that the injunction entered by the Circuit Court violates Illinois public policy. The Illinois Supreme Court declined to hear the appeal but increased the time for compliance with the order to 360 days, which began to run on January 30, 2009. We have also filed a motion asking the Circuit Court to reconsider its decision in light of newly-discovered evidence that was not produced by iPCS in the earlier Circuit Court proceeding. The Circuit Court denied that motion, and we have appealed that denial. We continue to believe the Circuit Court injunction is erroneous and contrary to public policy, and will continue to oppose it vigorously. If we are unsuccessful in our efforts to challenge the injunction, we may have to depreciate our iDEN assets in the iPCS markets on an accelerated basis and/or pursue other strategic alternatives.

Various other suits, proceedings and claims, including purported class actions, typical for a large business enterprise, are pending against us or our subsidiaries. While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with our beliefs, we expect that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on our financial condition or results of operation.

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 2008.

Executive Officers of the Registrant

The following people are serving as our executive officers as of February 27, 2009. These executive officers were elected to serve until their successors have been elected. There is no familial relationship between any of our executive officers and directors.

<table>
<thead>
<tr>
<th>Name</th>
<th>Business Experience</th>
<th>Current Position Held Since</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daniel R. Hesse</td>
<td>Chief Executive Officer and President. He was appointed Chief Executive Officer, President and a member of the Board of Directors on December 17, 2007. He served as Chairman, President and Chief Executive Officer of Embarq Corporation from May 2006 to December 2007. He served as President of our local telecommunications business from June 2005 to May 2006. He served as Chairman, President and Chief Executive Officer of Terabeam Corporation, a Seattle-based communications company, from March 2000 to June 2004. He served as President and Chief Executive Officer of AT&amp;T Wireless Services, a division of AT&amp;T, from 1997 to 2000.</td>
<td>2007</td>
<td>55</td>
</tr>
<tr>
<td>Name</td>
<td>Business Experience</td>
<td>Current Position Held Since</td>
<td>Age</td>
</tr>
<tr>
<td>---------------------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>Robert H. Brust</td>
<td>Chief Financial Officer. He was appointed Chief Financial Officer in May 2008. He served as Executive Vice President and Chief Financial Officer of Eastman Kodak Company from 2000 to 2007. He also served two years as Senior Vice President and Chief Financial Officer of Unisys Corporation. Earlier in his career, he held a series of operations and finance leadership positions at General Electric, concluding his service there as Vice President, Finance for G.E. Plastics.</td>
<td>2008</td>
<td>65</td>
</tr>
<tr>
<td>Keith O. Cowan</td>
<td>President—Strategic Planning and Corporate Initiatives and Acting President, CDMA Business Unit. He was appointed President—Strategic Planning and Corporate Initiatives in July 2007 and Acting President, CDMA Business Unit in November 2008. He served as Executive Vice President of Genuine Parts Company from January 2007 to July 2007. He held several key positions with BellSouth Corporation from 1996 to January 2007, including Chief Planning and Development Officer, Chief Field Operations Officer, President—Marketing and Product Management and President—Interconnection Services. He was previously an associate and partner at the law firm of Alston &amp; Bird LLC.</td>
<td>2007</td>
<td>52</td>
</tr>
<tr>
<td>Robert L. Johnson</td>
<td>Chief Service Officer. He was appointed Chief Service Officer in October 2007. He served as President—Northeast Region from September 2006 to October 2007. He served as Senior Vice President—Consumer Sales, Service and Repair from August 2005 to August 2006. He served as Senior Vice President—National Field Operations of Nextel from February 2002 to July 2005.</td>
<td>2007</td>
<td>50</td>
</tr>
<tr>
<td>Charles R. Wunsch</td>
<td>General Counsel and Corporate Secretary. He was appointed General Counsel and Corporate Secretary in October 2008. He served as our Vice President for corporate transactions and business law and has served in various legal positions at the company since 1990. He was previously an associate and partner at the law firm Watson, Ess, Marshall, and Enggas.</td>
<td>2008</td>
<td>53</td>
</tr>
<tr>
<td>Paget A. Alves</td>
<td>President, Sales and Distribution. He was appointed President, Sales and Distribution in March 2008. He served as Regional President from September 2006 through March 2008. He served as Senior Vice President, Enterprise Markets from January 2006 through September 2006. He served as our President, Strategic Segment from November 2003 through January 2006.</td>
<td>2008</td>
<td>54</td>
</tr>
<tr>
<td>Steven L. Elfman</td>
<td>President, Network Operations and Wholesale. He was appointed President, Network Operations and Wholesale in May 2008. He served as President and Chief Operating Officer of Motricity, a mobile data technology company, from January 2008 to May 2008 and as Executive Vice President of Infospace Mobile (currently Motricity) from July 2003 to December 2007. He was an independent consultant working with Accenture Ltd., a consulting company, from May 2003 to July 2003. He served as Executive Vice President of Operations of Terabeam Corporation, a Seattle-based communications company, from May 2000 to May 2003, and he served as Chief Information Officer of AT&amp;T Wireless from June 1997 to May 2000.</td>
<td>2008</td>
<td>54</td>
</tr>
<tr>
<td>Christopher J. Gregoire</td>
<td>Vice President and Principal Accounting Officer. He was appointed Principal Accounting Officer in October 2008. He served as Vice President and Assistant Controller of Sprint Nextel from August 2006 through October 2, 2008. Prior to joining Sprint Nextel, he served as a Partner at Deloitte from August 2003 through July 2006 and as a Senior Manager at Deloitte from 2000.</td>
<td>2008</td>
<td>40</td>
</tr>
</tbody>
</table>
PART II

Item 5. Market forRegistrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Share Data

The principal trading market for our Series 1 common stock is the NYSE. Our Series 2 common stock is not publicly traded.

<table>
<thead>
<tr>
<th></th>
<th>2008 Market Price</th>
<th></th>
<th>2007 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><strong>Series 1 common stock</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First quarter</td>
<td>$13.16</td>
<td>$ 5.48</td>
<td>$ 6.69</td>
<td>$20.42</td>
</tr>
<tr>
<td>Second quarter</td>
<td>9.94</td>
<td>6.27</td>
<td>9.50</td>
<td>23.42</td>
</tr>
<tr>
<td>Third quarter</td>
<td>9.75</td>
<td>5.75</td>
<td>6.10</td>
<td>22.64</td>
</tr>
<tr>
<td>Fourth quarter</td>
<td>6.72</td>
<td>1.35</td>
<td>1.83</td>
<td>19.70</td>
</tr>
</tbody>
</table>

Number of Shareholders of Record

As of February 20, 2009, we had about 50,000 Series 1 common stock record holders, 11 Series 2 common stock record holders, and no non-voting common stock record holders.

Dividends

We did not declare any dividends on our common shares in 2008.

Issuer Purchases of Equity Securities

None.
Performance Graph

The graph below compares the yearly percentage change in the cumulative total shareholder return for our Series 1 common stock with the S&P 500 Stock Index and the Dow Jones U.S. Telecommunications Index for the five-year period from December 31, 2003 to December 31, 2008. The cumulative total shareholder return for our Series 1 common stock has been adjusted for the periods shown for the recombination of our FON common stock and PCS common stock that was effected on April 23, 2004. The graph assumes an initial investment of $100 in our common stock on December 31, 2003 and reinvestment of all dividends.


5-Year Total Return

<table>
<thead>
<tr>
<th>Value of $100 Invested on December 31, 2003</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sprint Nextel</td>
<td>$100.00</td>
<td>$176.11</td>
<td>$167.42</td>
<td>$148.11</td>
<td>$103.41</td>
<td>$14.41</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>$100.00</td>
<td>$110.88</td>
<td>$116.33</td>
<td>$134.70</td>
<td>$142.10</td>
<td>$89.53</td>
</tr>
<tr>
<td>Dow Jones U.S. Telecom Index</td>
<td>$100.00</td>
<td>$120.50</td>
<td>$122.96</td>
<td>$168.25</td>
<td>$185.14</td>
<td>$124.16</td>
</tr>
</tbody>
</table>
The 2008, 2007 and 2006 data presented below is not comparable to that of the prior periods primarily as a result of the August 2005 Sprint-Nextel merger and the subsequent Nextel Partners, Inc. and the PCS Affiliate acquisitions. The acquired companies’ financial results subsequent to their acquisition dates are included in our consolidated financial statements. Embarq Corporation, our former Local segment, which was spun-off in 2006, is shown as discontinued operations for all periods prior to the spin-off. We lost 5.1 million direct wireless subscribers in 2008 and 659,000 direct wireless subscribers in 2007, which caused the majority of the reduction in net operating revenues in those periods.

### Item 6. Selected Financial Data

#### Year Ended December 31,

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</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>$35,635</td>
<td>$40,146</td>
<td>$41,003</td>
<td>$28,771</td>
<td>$21,647</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>963</td>
<td>29,649</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5,953</td>
<td>5,621</td>
<td>5,738</td>
<td>3,864</td>
<td>3,651</td>
</tr>
<tr>
<td>Amortization</td>
<td>2,443</td>
<td>3,312</td>
<td>3,854</td>
<td>1,336</td>
<td>7</td>
</tr>
<tr>
<td>Operating (loss) income</td>
<td>(2,642)</td>
<td>(28,740)</td>
<td>2,484</td>
<td>2,141</td>
<td>(1,999)</td>
</tr>
<tr>
<td>(Loss) income from continuing operations</td>
<td>(2,796)</td>
<td>(29,444)</td>
<td>995</td>
<td>821</td>
<td>(2,006)</td>
</tr>
<tr>
<td>Discontinued operations, net</td>
<td>—</td>
<td>—</td>
<td>334</td>
<td>980</td>
<td>994</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle, net</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(16)</td>
<td>—</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic and diluted (loss) earnings per common share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuing operations</td>
<td>$ (0.98)</td>
<td>$(10.27)</td>
<td>$ 0.34</td>
<td>$ 0.40</td>
<td>$(1.40)</td>
</tr>
<tr>
<td>Discontinued operations</td>
<td>—</td>
<td>—</td>
<td>0.11</td>
<td>0.48</td>
<td>0.69</td>
</tr>
<tr>
<td>Cumulative effect of change in accounting principle</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(0.01)</td>
<td>—</td>
</tr>
<tr>
<td>Dividends per common share</td>
<td>—</td>
<td>0.10</td>
<td>0.10</td>
<td>0.30</td>
<td>See (3) below</td>
</tr>
</tbody>
</table>

#### Financial Position

<table>
<thead>
<tr>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>$ 58,252</td>
<td>$ 64,295</td>
<td>$97,161</td>
<td>$102,760</td>
<td>$41,321</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>22,373</td>
<td>26,636</td>
<td>25,868</td>
<td>23,329</td>
<td>14,662</td>
</tr>
<tr>
<td>Intangible assets, net</td>
<td>22,886</td>
<td>28,139</td>
<td>60,057</td>
<td>49,307</td>
<td>7,809</td>
</tr>
<tr>
<td>Total debt and capital lease obligations (including equity unit notes)</td>
<td>21,610</td>
<td>22,130</td>
<td>22,154</td>
<td>25,014</td>
<td>16,425</td>
</tr>
<tr>
<td>Seventh series redeemable preferred shares</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>247</td>
<td>247</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>19,605</td>
<td>22,135</td>
<td>53,131</td>
<td>51,937</td>
<td>13,521</td>
</tr>
</tbody>
</table>

#### Cash Flow Data

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net cash from continuing operating activities</td>
<td>$ 6,179</td>
<td>$ 9,245</td>
<td>$10,055</td>
<td>$ 8,655</td>
<td>$ 4,478</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>3,882</td>
<td>6,322</td>
<td>7,556</td>
<td>5,057</td>
<td>3,980</td>
</tr>
</tbody>
</table>

(1) In the fourth quarters 2008 and 2007, we performed our annual assessment of goodwill for impairment and recorded non-cash impairment charges of $963 million and $29,649 billion, respectively.

(2) In 2008, we recorded net charges of $947 million ($569 million after tax) primarily related to asset impairments other than goodwill, severance and exit costs, and merger and integration costs. In 2007, we recorded net charges of $956 million ($590 million after tax) primarily related to merger and integration costs, asset impairments other than goodwill, and severance and exit costs. In 2006, we recorded net charges of $620 million ($381 million after tax) primarily related to merger and integration costs, asset impairments other than goodwill, severance and exit costs.
We include certain estimates, projections and other forward-looking statements in our annual, quarterly and current 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, the timing of various events and the economic and regulatory environment.

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

• our ability to attract and retain subscribers;
• the effects of vigorous competition on a highly penetrated market, including the impact of competition on the price we are able to charge subscribers for services and equipment we provide and our ability to attract new subscribers and retain existing subscribers; the overall demand for our service offerings, including the impact of decisions of new subscribers between our post-paid and prepaid service offerings and between our two network platforms; and the impact of new, emerging and competing technologies on our business;
• the effect of limiting capital and operating expenditures on our ability to improve and enhance our networks and service offerings, implement our business strategies and provide competitive new technologies;
• volatility in the trading price of our common stock, current economic conditions and our ability to access capital;
• the impact of third parties not meeting our business requirements, including a significant adverse change in the ability or willingness of such parties to provide handset devices or infrastructure equipment for our CDMA network, or Motorola, Inc.’s ability or willingness to provide related handset devices, infrastructure equipment and software applications, or to develop new technologies or features, for our iDEN network;
• the costs and business risks associated with providing new services and entering new geographic markets;
Overview

We are a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses and government subscribers. The communications industry has been and will continue to be highly competitive on the basis of price, the types of services and devices offered and the quality of service. We have accordingly organized our operations to meet the needs of our targeted customer groups through focused communications solutions that incorporate the capabilities of our wireless and wireline services.

We are one of the three largest wireless companies in the United States based on the number of wireless subscribers. We also are one of the largest providers of wireline long distance services and one of the largest carriers of Internet traffic in the nation. We own extensive wireless networks and a global long distance, Tier 1 Internet backbone. Our business includes two reportable segments: Wireless and Wireline. See the information discussed in Item 1 and in note 13 of the Notes to Consolidated Financial Statements for additional information on our segments. In addition, we also routinely post important information on our website at www.sprint.com. Information contained on our website is not part of this annual report.

We offer wireless services and wireline voice and data transmission services on state-of-the-art networks that utilize CDMA, iDEN and IP technologies. We utilize these networks to offer our wireless and wireline customers differentiated products and services whether through the use of a single network or a combination of these networks. In addition, we have established key priorities for our Wireless business which include improving the customer experience, rebuilding our brand and increasing profitability. We plan to achieve these priorities by providing customers with value and simplicity and by helping them to be more productive.

We believe that our value-driven price plans are very attractive. Our family of “Simply Everything” post-paid price plans bundle together popular data applications with traditional mobile voice calling at price points that can save customers hundreds of dollars annually compared with our largest competitors. Our Boost Mobile brand prepaid price plans include unique nationwide monthly unlimited, pay as you go, and $1 per day chat plan options.
To simplify the customer experience, we have introduced tools such as One Click that allows customers to access various software applications through a single click on their mobile devices. Our Ready Now program trains our subscribers before they leave the store in how to use their mobile devices to ensure subscribers are well informed and comfortable with the features and functions of their new devices.

We provide certain wireless services on the nation’s most dependable 3G network and, in Baltimore, subscribers may access Clearwire’s high-speed 4G network. In addition, we support the open development of applications and content on our network platforms. We offer multi-functional devices such as the Samsung Instinct and the iDEN Blackberry Curve. Through wholesale relationships, we support traditional wireless services as well as the wireless delivery of books and other data-centric content that substitute for more traditional deliveries of products and services.

In addition to our customer oriented goals, we have also taken measures to reduce our cost structure to further align with the reduced revenues expected from fewer subscribers. Our actions include our January 2009 workforce reduction announcement through which we plan to reduce our labor and related costs by approximately $1.2 billion through actions that include a workforce reduction of about 8,000 positions. We believe these actions, as well as our continued efforts to reduce our other operating expenses, will allow us to maintain a strong cash position, although we do not expect that these measures will offset the reduced cash expected from our service revenue declines in the near term. Our cost reduction initiatives may also include de-levering and disposing of assets in the future.

We believe that given the recent deterioration in the U.S. economy coupled with short-term illiquidity, consumer and business spending will be negatively impacted. We will continue to monitor the impact of these market conditions on our ability to collect from our subscribers and on other areas of our business.

We are subject to substantial regulation including from the FCC, which regulates the licensing, operation, acquisition and sale of the licensed radio spectrum that is essential to our business. The FCC and state public utility commissions, or PUCs, also regulate, in whole or part, the provision of communications services. Future changes in regulations or legislation related to spectrum licensing or other matters related to our business could impose significant additional costs either in the form of direct out-of-pocket costs or additional compliance obligations. Refer to Item 1. “Business—Legislative and Regulatory Development—Regulation and Wireless Operations” for additional information.

Wireless Service Revenue

Our Wireless segment generates revenues from the provision of wireless services, the sale of wireless equipment and the provision of wholesale and other services. The ability of our Wireless segment to generate service revenues is primarily a function of:

- the number of subscribers that we serve, which in turn is a function of our ability to acquire new and retain existing subscribers; and
- the revenue generated from each subscriber, which in turn is a function of the types and amount of services utilized by each subscriber and the rates that we charge for those services.

The declines in our subscriber base and revenue generated from each subscriber group discussed below have resulted in a decline in service revenue.

Wireless Subscribers

The wireless industry is subject to intense competition to acquire and retain subscribers of wireless services. Most markets in which we operate have high rates of penetration for wireless services. Wireless carriers accordingly must attract a greater proportion of new subscribers from competitors rather than from first time subscribers. As a result, wireless carriers have focused on retaining valued subscribers through various means including considerable efforts regarding customer care.
We have endeavored to retain and attract subscribers by taking actions to improve our customer care, sales and distribution functions, and brand awareness. In addition, we took other actions in an effort to improve our subscribers’ experience including improving our network performance by adding cell sites to expand the coverage and capacity of our networks, broadening our handset portfolio, and providing subscribers an excellent value proposition with our Simply Everything pricing plans. While certain indicators suggest that we are making progress with respect to these actions, we have continued to lose wireless subscribers.

**Post-Paid Subscribers**

We lost approximately 4.1 million net post-paid subscribers during 2008 as compared to losing 1.2 million net post-paid subscribers in 2007. In 2008, after considering subscribers transferring from our iDEN network to our CDMA network, approximately 3.6 million of our net post-paid subscriber losses came from subscribers on the iDEN network as compared to 435,000 net subscriber losses on the CDMA network. In 2007, approximately 4.4 million of our net post-paid subscriber losses came from subscribers on our iDEN network as compared to 3.1 million net post-paid subscriber additions on the CDMA network.

Our net subscriber losses have principally been caused by our attracting fewer new subscribers on both networks in recent periods as compared to the number of subscriber deactivations we have experienced. We believe this reduction in new subscribers is primarily due to the market penetration rates described above compounded by the relative success that certain of our competitors are enjoying with respect to retaining subscribers. We further believe this reduction in new subscribers is due to measures taken by us to increase the credit quality of our subscribers, as well as lingering consumer perceptions regarding our networks, particularly our iDEN network, and customer care. Our reduced iDEN oriented marketing programs and limited new handset offerings at higher than market prices have also contributed to the decline in new iDEN subscribers.

Our post-paid subscriber retention rates (or rates of customer churn) remain high relative to our larger competitors; however, our post-paid subscriber churn rates have remained relatively flat in 2008 as compared to 2007 and 2006, as we have experienced improvement in involuntary deactivations, due to our improving the credit quality of our subscriber base, offset by relatively high voluntary subscriber deactivations.

**Prepaid Subscribers**

We lost approximately 981,000 net prepaid subscribers during 2008 as compared to adding 566,000 net prepaid subscribers in 2007. The 2008 subscriber losses included approximately 1.4 million net subscribers on our iDEN network which was partially offset by 381,000 net subscriber additions on our CDMA network. In 2007, we had 83,000 and 483,000 net prepaid subscriber additions on our iDEN and CDMA networks, respectively.

Our net prepaid subscriber losses in 2008 were principally caused by our attracting fewer new subscribers on the iDEN network and total deactivations increasing year over year. We believe the net losses sustained are primarily due to our decision to focus our resources on our post-paid business and increased competition from prepaid competitors. Refer to “—Results of Operations—Segment Results of Operations—Wireless—Wireless Segment Earnings” below for a discussion of churn trends.

**Wholesale and Affiliate Subscribers**

Wholesale and affiliate subscribers represent customers that we serve on our networks through companies that resell our services to their subscribers. In 2008, wholesale subscriber additions were 389,000, resulting in about 8.1 million wholesale subscribers at December 31, 2008, compared to about 7.7 million wholesale subscribers at December 31, 2007 and 6.4 million wholesale subscribers at December 31, 2006. Certain wholesale devices are activated on the network by our wholesale partners prior to selling the device to the end user customer. As of December 31, 2008, these subscribers, for which devices are not in the hands of an end user customer, represented approximately 2% of the total wholesale subscriber base.
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Below is a table showing (a) net additions (losses) for the past twelve quarters of direct subscribers for our iDEN and CDMA networks, excluding subscribers obtained through business combinations, existing subscribers who have migrated between networks and indirect subscribers of MVNOs and PCS Affiliates, (b) our total iDEN and CDMA post-paid subscribers as of each of the quarters in 2006, 2007 and 2008, and (c) our average rates of monthly post-paid and prepaid customer churn for the past twelve quarters.

<table>
<thead>
<tr>
<th>Quarter Ended</th>
<th>Net additions (losses) (in thousands)</th>
<th>End of period subscribers (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>iDEN</td>
<td>CDMA</td>
</tr>
<tr>
<td></td>
<td>Paid subscribers</td>
<td>Paid and prepaid</td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td></td>
<td>Prepaid</td>
<td>Prepaid</td>
</tr>
<tr>
<td></td>
<td>Post-paid</td>
<td>Post-paid</td>
</tr>
<tr>
<td></td>
<td>Boost Mobile-branded service:</td>
<td>Boost Mobile</td>
</tr>
<tr>
<td></td>
<td>iDEN-based prepaid</td>
<td>iDEN-prepaid</td>
</tr>
<tr>
<td></td>
<td>CDMA-based unlimited local calling plan</td>
<td>CDMA-unlimited local calling plan</td>
</tr>
<tr>
<td></td>
<td>Boost Mobile prepaid</td>
<td>Wholesale</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>March 31, 2006</td>
<td>72</td>
<td>22,487</td>
</tr>
<tr>
<td>June 30, 2006</td>
<td>(68)</td>
<td>(22,781)</td>
</tr>
<tr>
<td>September 30, 2006</td>
<td>(379)</td>
<td>18,624</td>
</tr>
<tr>
<td>December 31, 2006</td>
<td>(643)</td>
<td>16,616</td>
</tr>
<tr>
<td>March 31, 2007</td>
<td>(744)</td>
<td>5,351</td>
</tr>
<tr>
<td>June 30, 2007</td>
<td>(662)</td>
<td>3,625</td>
</tr>
<tr>
<td>September 30, 2007</td>
<td>(700)</td>
<td>4,284</td>
</tr>
<tr>
<td>December 31, 2007</td>
<td>(686)</td>
<td>4,012</td>
</tr>
<tr>
<td>March 31, 2008</td>
<td>(684)</td>
<td>4,287</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>(527)</td>
<td>4,284</td>
</tr>
<tr>
<td>September 30, 2008</td>
<td>(589)</td>
<td>4,284</td>
</tr>
<tr>
<td>December 31, 2008</td>
<td>(639)</td>
<td>4,284</td>
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<tr>
<td>March 31, 2009</td>
<td>(498)</td>
<td>502</td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>3</td>
<td>498</td>
</tr>
<tr>
<td>September 30, 2009</td>
<td>191</td>
<td>216</td>
</tr>
<tr>
<td>December 31, 2009</td>
<td>337</td>
<td>171</td>
</tr>
<tr>
<td>March 31, 2010</td>
<td>524</td>
<td>272</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>678</td>
<td>70</td>
</tr>
<tr>
<td>September 30, 2010</td>
<td>363</td>
<td>(57)</td>
</tr>
<tr>
<td>December 31, 2010</td>
<td>3</td>
<td>(202)</td>
</tr>
<tr>
<td>March 31, 2011</td>
<td>3</td>
<td>(543)</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>257</td>
<td>(250)</td>
</tr>
<tr>
<td>September 30, 2011</td>
<td>124</td>
<td>(305)</td>
</tr>
<tr>
<td>December 31, 2011</td>
<td>275</td>
<td>(264)</td>
</tr>
<tr>
<td>March 31, 2012</td>
<td>169</td>
<td></td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>67</td>
<td></td>
</tr>
<tr>
<td>September 30, 2012</td>
<td>55</td>
<td>37,783</td>
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<tr>
<td>December 31, 2012</td>
<td>(200)</td>
<td>36,678</td>
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<tr>
<td>March 31, 2013</td>
<td>(138)</td>
<td>8,063</td>
</tr>
<tr>
<td>June 30, 2013</td>
<td>(329)</td>
<td></td>
</tr>
<tr>
<td>September 30, 2013</td>
<td>(314)</td>
<td></td>
</tr>
<tr>
<td>December 31, 2013</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) In the fourth quarter 2006, we changed our subscriber deactivation policy for post-paid subscribers to provide us additional time to retain subscribers who were subject to deactivation due to late payment. To effect this change, the subscriber base as of October 1, 2006 was increased by 436,000 subscribers. We adjusted our subscriber beginning balance so as to not increase our direct net subscriber additions or decrease the customer churn rates for the fourth quarter 2006 due to this policy change.

(2) Includes subscribers with PowerSource devices, which operate seamlessly between our CDMA and iDEN networks, introduced in the fourth quarter 2006.

(3) We calculate churn by dividing net subscriber deactivations for the quarter by the sum of the average number of subscribers for each month in the quarter. For accounts comprised of multiple subscribers, such as family plans and enterprise accounts, net deactivations are defined as deactivations in excess of customer activations in a particular account within 30 days. Post-paid churn consists of both voluntary churn, where the subscriber makes his or her own determination to cease being a customer, and involuntary churn, where we terminate the customer’s service due to a lack of payment or other reasons.

(4) During the third quarter 2007, we implemented an additional churn rule to remove the impact of activations and deactivations occurring within 30 days in the same account. The new rule, which we believe presents a more precise churn calculation, reduced churn by 10 basis points to 2.3% in the third quarter 2007. The additional churn rule did not impact reported net additions or results of operations. Prior period churn figures have not been adjusted for this additional churn rule.
We are committed to both adding new subscribers and retaining existing subscribers in order to reverse the negative subscriber trends that we have experienced in recent years. We expect to improve our subscriber results by consistently improving the customer experience by focusing on value, simplicity and productivity.

We expect that both post-paid and total subscriber losses will improve in 2009 as compared to 2008. We believe this improvement will principally be driven by strengthening our brand through improving the customer experience as well as by the launch of our monthly prepaid nationwide unlimited plan on our iDEN network.

Our net subscriber losses during the past two years have significantly reduced our revenue, operating margin and cash flow. These effects will continue if we do not attract new subscribers and/or reduce our rate of churn. See “—Forward-Looking Statements” and “—Results of Operations—Segment Results of Operations—Wireless—Wireless Segment Earnings” below for a discussion of how our subscriber trends will impact our segment earnings trends.

Average Revenue per Subscriber
Below is a table showing our average revenue per post-paid and prepaid subscriber for the past twelve quarters.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average monthly service revenue per subscriber (1)</td>
<td>$62</td>
<td>$62</td>
<td>$61</td>
<td>$60</td>
<td>$59</td>
<td>$59</td>
<td>$58</td>
<td>$56</td>
<td>$56</td>
<td>$56</td>
<td>$56</td>
<td>$56</td>
</tr>
<tr>
<td>Direct post-paid</td>
<td>$36</td>
<td>$34</td>
<td>$33</td>
<td>$32</td>
<td>$32</td>
<td>$31</td>
<td>$30</td>
<td>$28</td>
<td>$29</td>
<td>$30</td>
<td>$31</td>
<td>$30</td>
</tr>
</tbody>
</table>

(1) Average monthly service revenue per subscriber for the quarter is calculated by dividing our quarterly service revenue by the sum of our average number of subscribers for each month in the quarter. Changes in average monthly post-paid service revenue reflect subscribers who change rate plans, the level of voice and data usage during a quarter, the amount of service credits which we offer our subscribers, plus the net effect of average monthly revenue generated by new subscribers and deactivating subscribers.

Average monthly post-paid service revenue per subscriber was flat throughout 2008 as we improved the retention of our higher revenue subscribers and lessened the impact of rate plan migrations. These improvements have been offset by the decline in average monthly post-paid service revenue per iDEN subscriber. Our retention efforts have been focused on improving the customer experience, including, but not limited to, new Simply Everything bundled plans that provide unlimited voice, data and Direct Connect services; improved service levels from our customer care centers; and the new Ready Now program. The decline in average monthly post-paid service revenue per subscriber from 2007 and 2006 is primarily due to the loss of iDEN subscribers with higher priced service plans and the migration of iDEN subscribers to lower priced plans. Our average monthly service revenue in these periods also declined due to other reasons, the most significant of which is the number of service credits accepted by our subscribers on both networks, which increased due to our retention efforts. Average monthly prepaid service revenue per subscriber increased during the first, second and third quarters of 2008 due to higher access charges received from our Boost Unlimited users combined with more stable average revenue per subscriber from our traditional prepaid users. Average monthly prepaid service revenue per subscriber declined in the fourth quarter 2008 due to a decline in average revenue per subscriber from our traditional prepaid users. There is no assurance that average monthly service revenue per post-paid and prepaid subscribers will continue at these rates in the future.

Segment Earnings
Wireless segment earnings is primarily a function of wireless service revenue, costs to acquire subscribers, network and interconnection costs to serve those subscribers and other Wireless segment operating expenses. The costs to acquire our subscribers include the net cost at which we sell our handsets, referred to as handset subsidies, as well as the marketing and sales costs incurred to attract those subscribers. Network costs primarily
represent switch and cell site costs and interconnection costs generally consist of per-minute usage fees and roaming fees paid to other carriers. The remaining costs associated with operating the Wireless segment include the costs to operate our customer care organization, back office support and bad debt expense. Wireless service revenue, costs to acquire subscribers, and variable network and interconnection costs fluctuate with the growth in our subscriber base, but certain elements are fixed.

Wireline

Through our Wireline segment, we provide a broad suite of wireline voice and data communications services to our Wireless segment, other communications companies and targeted business customers. These services include domestic and international data communications using various protocols, such as MPLS technologies, IP, asynchronous transfer mode, or ATM, frame relay, managed network services and voice services. Our IP services can also be combined with our wireless services. In addition, we provide IP and other services to cable MSOs that resell our local and long distance service and/or use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-user customers. We are one of the nation’s largest providers of long distance services and operate all-digital long distance and Tier 1 IP networks.

For several years, our long distance voice services have experienced an industry-wide trend of lower revenue from lower prices and competition from other wireline and wireless communications companies, as well as cable MSOs and Internet service providers. Growth in voice services provided by cable MSOs is accelerating as consumers use cable MSOs as alternatives to local and long distance voice communications providers. We continue to assess the portfolio of services provided by our Wireline segment and are focusing our efforts on IP-based services and de-emphasizing stand-alone voice services and non-IP-based data services. For example, in addition to increased emphasis on selling IP and managed services, we are converting most of our existing subscribers from ATM and frame relay to more advanced IP technologies, such as MPLS, Sprintlink Frame Relay and Sprintlink ATM, which will reduce our cost structure by moving toward one consolidated data platform that can provide converged services. Over time, this conversion is expected to result in decreases in revenue from frame relay and ATM service offset by increases in IP and MPLS services. We also are taking advantage of the growth in voice services provided by cable MSOs, by providing large cable MSOs with wholesale voice local and long distance services, which they offer as part of their bundled service offerings, as well as traditional voice and data services for their enterprise use.

Results of Operations

We present consolidated information as well as separate supplemental financial information for our two reportable segments: Wireless and Wireline. The disaggregated financial results for our two reportable segments have been prepared in a manner that is consistent with the basis and manner in which our chief executive officer evaluates segment performance and makes resource allocation decisions. Consequently, segment earnings is defined as wireless or wireline operating income (loss) before other segment expenses, such as depreciation, amortization, severance, exit costs, goodwill and asset impairments, other and merger and integration expenses solely and directly attributable to the segment. Expenses and income items excluded from segment earnings are managed at the corporate level. See note 13 of the Notes to Consolidated Financial Statements for additional information on our segments. For reconciliations of segment earnings to operating income, the closest generally accepted accounting principles measure, see the tables set forth in “—Wireless” and “—Wireline” below. We generally account for transactions between segments based on fully distributed costs, which we believe approximate fair value. In certain transactions, pricing is set using market rates.
The following table summarizes our consolidated results of operations.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008 (1)</td>
<td>2007 (2)</td>
<td>2006 (3)</td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$35,635</td>
<td>$40,146</td>
<td>$41,003</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>963</td>
<td>29,649</td>
<td>—</td>
</tr>
<tr>
<td>(Loss) income from continuing operations</td>
<td>(2,796)</td>
<td>(29,444)</td>
<td>995</td>
</tr>
<tr>
<td>Discontinued operations, net</td>
<td>—</td>
<td>—</td>
<td>334</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(2,796)</td>
<td>(29,444)</td>
<td>1,329</td>
</tr>
</tbody>
</table>

(1) Our consolidated results of operations include the results of our next-generation wireless broadband network. That network was contributed to Clearwire in a transaction that closed on November 28, 2008. For further information on the Clearwire transaction, see note 3 of the Notes to Consolidated Financial Statements.

(2) Our consolidated and wireless results include merged and acquired companies from either the date of merger/acquisition or the start of the month closest to the acquisition date. The results of merged and acquired companies are included as of the following dates: Enterprise Communications Partnership and Alamosa Holdings, Inc. from February 1, 2006; Nextel Partners and UbiquiTel Inc. from July 1, 2006 and Northern PCS Services, LLC from August 1, 2007. The results of Velocita Wireless Holding Corporation are included from the date of acquisition, March 1, 2006, through the date of sale, June 27, 2007.

(3) On May 17, 2006, we spun-off to our shareholders our local communications business, which is now known as Embarq Corporation and is comprised primarily of what was our local wireline communications segment prior to the spin-off. As a result of the spin-off, we no longer own any interest in Embarq. The results of Embarq for periods prior to the spin-off are presented as discontinued operations.

Net operating revenues decreased about 11% in 2008 as compared to 2007, reflecting the decrease in revenues from our Wireless segment, principally due to the decrease in wireless service revenue, and decreased 2% in 2007 as compared to 2006, reflecting the decrease in revenues from our Wireless segment, principally due to the decrease in wireless equipment revenue. For additional information, see “—Segment Results of Operations” below.

Loss from continuing operations decreased to a loss of $2.8 billion in 2008, compared to a loss of $29.4 billion in 2007, primarily due to the 2007 goodwill impairment charge of $29.6 billion. Loss from continuing operations increased to a loss of $29.4 billion in 2007, as compared to income of $995 million in 2006, primarily due to the goodwill impairment charge of $29.6 billion. For additional information, see “—Segment Results of Operations” and “—Consolidated Information” below.

In 2008, we incurred a net loss of $2.8 billion as compared to a net loss of $29.4 billion in 2007, due to the reasons stated above. In 2007, we incurred a net loss of $29.4 billion as compared to net income of $1.3 billion in 2006, primarily due to the goodwill impairment charge of $29.6 billion and the absence of income from discontinued operations in 2007. For additional information, see “—Segment Results of Operations” and “—Consolidated Information” below.
Presented below are results of operations for our Wireless and Wireline segments, followed by a discussion of consolidated information.

**Segment Results of Operations**

**Wireless**

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
<th>Change from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service</td>
<td>$27,492</td>
<td>$31,044</td>
<td>$31,059</td>
<td>(11)%</td>
</tr>
<tr>
<td>Wholesale, affiliate and other</td>
<td>$943</td>
<td>$1,061</td>
<td>$870</td>
<td>2%</td>
</tr>
<tr>
<td>Total services revenue</td>
<td>$28,435</td>
<td>$32,105</td>
<td>$31,929</td>
<td>(11)%</td>
</tr>
<tr>
<td>Cost of services</td>
<td>$(8,745)</td>
<td>(8,612)</td>
<td>(8,058)</td>
<td>2%</td>
</tr>
<tr>
<td>Service gross margin</td>
<td>$19,690</td>
<td>$23,493</td>
<td>$23,871</td>
<td>(16)%</td>
</tr>
<tr>
<td>Service gross margin percentage</td>
<td>69%</td>
<td>73%</td>
<td>75%</td>
<td></td>
</tr>
<tr>
<td>Equipment revenue</td>
<td>$1,992</td>
<td>$2,595</td>
<td>$3,172</td>
<td>(23)%</td>
</tr>
<tr>
<td>Cost of products</td>
<td>$(4,859)</td>
<td>(5,023)</td>
<td>(4,927)</td>
<td>(3)%</td>
</tr>
<tr>
<td>Equipment net subsidy</td>
<td>$(2,867)</td>
<td>$(2,428)</td>
<td>$(1,755)</td>
<td>18%</td>
</tr>
<tr>
<td>Equipment net subsidy percentage</td>
<td>(144)%</td>
<td>(94)%</td>
<td>(55)%</td>
<td></td>
</tr>
<tr>
<td>Selling, general and administrative expense</td>
<td>$(10,047)</td>
<td>$(11,151)</td>
<td>$(10,438)</td>
<td>(10)%</td>
</tr>
<tr>
<td>Wireless segment earnings</td>
<td>$6,776</td>
<td>$9,914</td>
<td>$11,678</td>
<td>(32)%</td>
</tr>
<tr>
<td>Merger and integration expenses</td>
<td>$(101)</td>
<td>(344)</td>
<td>(191)</td>
<td>(71)%</td>
</tr>
<tr>
<td>Severance, exit costs, asset impairments and other, net</td>
<td>$(723)</td>
<td>(394)</td>
<td>(179)</td>
<td>NM</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>$(963)</td>
<td>(29,649)</td>
<td>—</td>
<td>NM</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$(5,356)</td>
<td>(5,085)</td>
<td>(5,232)</td>
<td>5%</td>
</tr>
<tr>
<td>Amortization</td>
<td>$(2,440)</td>
<td>(3,310)</td>
<td>(3,854)</td>
<td>(26)%</td>
</tr>
<tr>
<td>Wireless operating (loss) income</td>
<td>$(2,807)</td>
<td>(28,868)</td>
<td>2,222</td>
<td>NM</td>
</tr>
</tbody>
</table>

*NM—Not Meaningful*

(1) Merger and integration expenses, severance, exit costs, goodwill and asset impairments and other, depreciation and amortization are discussed in the Consolidated Information section.

(2) During 2008 and 2007, we recorded $963 million and $29.6 billion of non-cash goodwill impairment charges related to the Wireless segment, which is recorded as a component of operating income. Goodwill impairment is further discussed in the Consolidated Information section.

**Service Revenue**

Service revenue consists of fixed monthly recurring charges, variable usage charges and miscellaneous fees such as activation fees, directory assistance, operator-assisted calling, equipment protection, late payment and early termination charges and certain regulatory related fees, net of service credits. Service revenue totaled $27.5 billion in 2008, $31.0 billion in 2007, and $31.1 billion in 2006.
The following is a summary of our average subscribers and average revenue per subscriber for the years ended December 31, 2008, 2007 and 2006. The number of subscribers impacts service revenues, cost of service and bad debt expense, as well as support costs, such as customer care and billing, which are included in general and administrative expenses.

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
<th>Change from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average post-paid subscribers (1)(2)</td>
<td>38,752</td>
<td>41,454</td>
</tr>
<tr>
<td>Average prepaid subscribers</td>
<td>4,135</td>
<td>4,391</td>
</tr>
<tr>
<td>Average monthly service revenue per subscriber:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct post-paid</td>
<td>$ 56</td>
<td>$ 59</td>
</tr>
<tr>
<td>Direct prepaid</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>Average direct post-paid and prepaid</td>
<td>53</td>
<td>56</td>
</tr>
</tbody>
</table>

(1) Average subscribers represent the average number of direct subscribers included in our customer base during the period, including subscribers added through acquisitions, net of deactivated subscribers.

(2) The average subscribers for the year ended December 31, 2007 are inclusive of 170,000 subscribers acquired through our 2007 acquisition of Northern PCS, compared to 4,156,000 subscribers acquired through our 2006 acquisitions of certain PCS Affiliates and Nextel Partners.

(3) A summary of changes in net additions to subscribers and average monthly service revenue per subscriber since the first quarter 2006 may be found on pages 35 and 36.

Service revenues decreased $3.6 billion, or 11%, in 2008 as compared to 2007. Over half of the decline is due to a decrease in the average number of direct post-paid subscribers, and the remaining amount is due to a decline in average monthly service revenue per post-paid user.

As previously discussed in “—Overview—Wireless Service Revenue—Wireless Subscribers,” our net post-paid subscriber losses have principally been caused by our attracting fewer new subscribers on both the iDEN and CDMA networks in recent periods. See subscriber trends discussed in “—Wireless Segment Earnings” below for expected impact on future periods.

Over half of the decline in average monthly service revenue per post-paid subscriber in 2008, as compared to 2007, is due to the loss of iDEN subscribers with higher priced service plans and the migration of iDEN subscribers to lower priced plans. Our average monthly service revenue also declined due to other reasons, the most significant of which is the number of service credits accepted by our subscribers on both networks, which increased due to our retention efforts. See discussion of service revenue in “—Wireless Segment Earnings” below.

Service revenues decreased $15 million, or less than 1%, in 2007 as compared to 2006, due to a decrease of approximately $220 million in service revenue from our direct post-paid subscribers, offset by a net increase of approximately $205 million in service revenue from our prepaid subscribers. The decrease in post-paid service revenue was due primarily to a decline in average monthly service revenue per post-paid user, and was partially offset by an increase in revenue attributable to the increase in the average number of direct post-paid subscribers. The increase in prepaid service revenue was primarily due to an increase in the average number of direct prepaid subscribers, partially offset by a decline in average monthly service revenue per prepaid subscriber.

Wholesale, Affiliate and Other Revenue

Wholesale, affiliate and other revenues consist primarily of revenues from the sale of wireless services to companies that resell those services to their subscribers and net revenues retained from wireless subscribers residing in PCS Affiliate territories. Wholesale, affiliate and other revenues decreased 11% in 2008 as compared
to 2007 due to a decline in average monthly service revenue per wholesale subscriber. Wholesale, affiliate and other revenues increased 22% in 2007 as compared to 2006 primarily due to increases in our wholesale operators’ subscribers.

Cost of Services

Cost of services consists primarily of:

- costs to operate and maintain our CDMA and iDEN networks, including direct switch and cell site costs, such as rent, utilities, maintenance, payroll costs associated with our network employees and spectrum frequency leasing costs;
- fixed and variable interconnection costs, the fixed component of which consists of monthly flat-rate fees for facilities leased from local exchange carriers based on the number of cell sites and switches in service in a particular period and the related equipment installed at each site, and the variable component of which generally consists of per-minute use fees charged by wireline providers for calls terminating on their networks, which fluctuates in relation to the level and duration of those terminating calls;
- long distance costs paid to the Wireline segment;
- costs to service and repair handsets;
- roaming fees paid to other carriers; and
- variable costs relating to payments to third parties for the use of their proprietary data applications, such as ringers, games, music, TV and navigation services by our subscribers.

Cost of services increased 2% in 2008 as compared to 2007, primarily reflecting increased costs relating to data and voice roaming outside of our networks and increased service and repair costs related to devices with increased functionality. In addition, backhaul costs, including usage of our wireline network, have increased primarily due to increased data usage by our subscribers and the expansion of EV-DO Rev. A in our network. These costs have been slightly offset by lower employee related and outside services costs.

Cost of services increased 7% in 2007 as compared to 2006 primarily due to increased network costs. Specifically we experienced increased roaming expenses, mainly from subscribers of our CDMA services, due to increased data and voice usage outside of our CDMA network. We also experienced an increase in the operational costs of our cell sites and switches, including increases in rent and fixed and variable interconnection costs due to the increase in usage, number of cell sites and related equipment in service.

Subsidy

We recognize equipment revenue and corresponding costs of handsets and accessories when title to the handset or accessory passes to the dealer or end-user customer. Our marketing plans assume that handsets typically will be sold at prices below our cost, which is consistent with industry practice, as subscriber retention efforts often include providing incentives to subscribers such as offering new handsets at discounted prices. We reduce equipment revenue for these discounts offered directly to the customer, or for certain payments to third-party dealers to reimburse the dealer for point of sale discounts that are offered to the end-user subscriber. Additionally, we reduce the cost of handsets by any rebates that we earn from the supplier. Cost of handsets and accessories also includes order fulfillment related expenses and write-downs of handset and related accessory inventory for shrinkage and obsolescence. Equipment costs in excess of the revenues generated from equipment sales (referred to in our industry as subsidy) as a percentage of equipment revenues increased to 144% in 2008 from 94% in 2007 and 55% in 2006. The increase in subsidy in 2008 as compared to 2007 is primarily due to:

- a 23% decline in equipment revenue, primarily due to a decrease in the number of handsets sold, slightly offset by,
The increase in subsidy in 2007 as compared to 2006 is primarily due to:

- an 18% decline in equipment revenue, primarily due to a decrease in the average sales price of handsets due to more aggressive acquisition and retention handset pricing, which was only slightly offset by an increase in the number of handsets sold, and
- a 2% increase in the cost of handsets and accessories due to the increase in the number of handsets sold and an increase in the average cost of the units sold.

**Selling, General and Administrative Expense**

Sales and marketing costs primarily consist of customer acquisition costs, including commissions paid to our indirect dealers, third-party distributors and direct sales force for new handset activations and upgrades, residual payments to our indirect dealers, payroll and facilities costs associated with our direct sales force, retail stores and marketing employees, advertising, media programs and sponsorships, including costs related to branding. General and administrative expenses primarily consist of costs for billing, customer care and information technology operations, bad debt expense and back office support activities, including collections, legal, finance, human resources, strategic planning and technology and product development.

Sales and marketing expense decreased 13% in 2008 from 2007 as compared to an increase of 9% in 2007 from 2006. The decline in sales and marketing expenses for the year ended December 31, 2008 is primarily attributable to our decline in gross subscriber additions and a decline in advertising expenses and labor related costs due to our cost reduction activities. During the year ended December 31, 2007, advertising expenses increased, as we promoted our brand in an effort to gain market share and build loyalty among existing subscribers. We also increased compensation of our post-paid third-party dealers for both new subscriber additions and upgrades.

General and administrative costs decreased 9% in 2008 from 2007 as compared to an increase of 5% in 2007 from 2006. The decline in general and administrative costs for the year ended December 31, 2008 is principally due to the decrease in bad debt expense and lower employee related costs, offset by an increase in customer care related costs. Bad debt expense was $632 million for the year ended December 31, 2008 representing a $264 million decline, as compared to the $262 million increase in 2007 to $896 million. Our improvement in bad debt expense is largely attributable to credit policies for new customers and customer care initiatives we launched in late 2007. Specifically, our ratio of subscribers with a prime credit rating to those with a subprime credit rating has continued to improve since December 31, 2007. We also have several customer care and collection activities designed to proactively contact subscribers to ensure they are on appropriate service plans based on their usage and to negotiate payment arrangements designed to help the customers through difficult financial times. As a result, we have noted a decrease in involuntary churn and the number of accounts written off. The increase in bad debt expense in 2007 was due to higher average write-offs per account due to a higher number of subscribers per account, increased add-a-phone activity, increased incidence of overages, increased fees related to data services and increased credit extended in early 2007 and 2006.

**Wireless Segment Earnings**

Wireless segment earnings decreased about $3.1 billion, or 32%, in 2008 from 2007 primarily due to the decline in wireless service revenue principally driven by net direct subscriber losses. Wireless segment earnings decreased about $1.8 billion, or 15%, in 2007 from 2006, primarily due to increases in costs to acquire our subscribers, lower equipment revenue, and increases in network and interconnection costs. Wireless segment earnings were $1.5 billion in the fourth quarter of 2008.
We expect to experience continued downward pressure on Wireless segment earnings and cash flow from operations until we can reverse our net direct subscriber losses described in “—Wireless Service Revenue.” Given the current economic environment and the difficulties the economic uncertainties create in forecasting, we are unable to say with assurance the expected effects of 2009 direct subscriber declines on our 2009 wireless service revenue. However, our actual 2008 direct subscriber losses of 5.1 million can be expected to cause 2009 service revenue to be approximately 6% lower than service revenues would have been had we not lost those subscribers. If we were to experience the same level of direct subscriber losses in 2009 as we did in 2008, direct subscriber losses would further reduce 2009 service revenue by approximately 5%.

We have also recently lowered the prices of certain handset devices and continue to make targeted investments to improve subscriber results, which may cause an increase in our equipment net subsidy, which could increase the overall cost to acquire and retain subscribers. Management is implementing a cost reduction program designed to decrease our cost structure by reducing our labor and other costs; however, we do not expect that the reduction in cash costs will offset the reduced cash expected from our service revenue declines in the near term. See “—Forward-Looking Statements.”

**Wireline**

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Change from Previous Year</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Voice</td>
<td>$3,079</td>
<td>$3,509</td>
</tr>
<tr>
<td>Data</td>
<td>959</td>
<td>1,210</td>
</tr>
<tr>
<td>Internet</td>
<td>2,148</td>
<td>1,575</td>
</tr>
<tr>
<td>Other</td>
<td>146</td>
<td>169</td>
</tr>
<tr>
<td>Total net services revenue</td>
<td>6,332</td>
<td>6,463</td>
</tr>
<tr>
<td>Costs of services and products</td>
<td>(4,192)</td>
<td>(4,446)</td>
</tr>
<tr>
<td>Service gross margin</td>
<td>$2,140</td>
<td>$2,017</td>
</tr>
<tr>
<td>Service gross margin percentage</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td>Selling, general and administrative expense</td>
<td>(965)</td>
<td>(943)</td>
</tr>
<tr>
<td>Wireline segment earnings</td>
<td>1,175</td>
<td>1,074</td>
</tr>
<tr>
<td>Severance, exit costs, asset impairments and other (1)</td>
<td>(66)</td>
<td>(42)</td>
</tr>
<tr>
<td>Depreciation and amortization (1)</td>
<td>(563)</td>
<td>(534)</td>
</tr>
<tr>
<td>Wireline operating income</td>
<td>546</td>
<td>498</td>
</tr>
</tbody>
</table>

(1) Severance, exit costs, asset impairments and other, depreciation and amortization are discussed in the Consolidated Information section. Other expense includes charges associated with legal contingencies for the year ended December 31, 2007.

**Voice Revenues**

Voice revenues decreased 12% in 2008 as compared to 2007 and decreased 7% in 2007 as compared to 2006. The 2008 decrease was primarily driven by volume declines due to customer churn as well as overall price declines. The 2007 decrease was primarily a result of certain business subscribers that were transferred to Embarq as part of the spin-off in the second quarter 2006, as well as a decrease in our customer base and continued price declines. Also contributing to the decrease is the loss of conference line subscribers due to the final transition of those activities in the third quarter 2006 as part of the sale of that business.

Our retail business experienced a decrease in voice revenues of 17% in 2008 as compared to 2007, and a decrease of 22% in 2007 as compared to 2006. The 2008 decrease was driven by a combination of volume declines and rate declines given customer mix. The 2007 decrease was primarily due to the loss of accounts related to the Embarq spin-off, the sale of our conference line business and lower prices.
Voice revenues related to our wholesale business decreased 14% in 2008 as compared to 2007 and increased about 1% in 2007 as compared to 2006. The 2008 decrease reflected volume declines due to customer churn as well as overall price declines. Minute volume increases accounted for the 2007 increase, primarily as a result of our relationship with Embarq. We began providing wholesale long distance services to Embarq following the spin-off. Rate declines slightly offset the minute volume increase.

Voice revenues generated from the provision of services to the Wireless segment represented 26% of total voice revenues in 2008 as compared to 23% in 2007 and 17% in 2006.

Data Revenues
Data revenues reflect sales of legacy data services, including ATM, frame relay and managed network services. Data revenues decreased 21% in 2008 as compared to 2007 and decreased 16% in 2007 as compared to 2006 due to declines in frame relay and ATM services as subscribers migrated to IP-based technologies. These declines were partially offset by growth in IP revenues.

Data revenues generated from the provision of services to the Wireless segment represented 13% of total data revenue in 2008 as compared to 8% in 2007 and 5% in 2006.

Internet Revenues
Internet revenues reflect sales of IP-based data services, including MPLS. Internet revenues increased 36% in 2008 as compared to 2007 and increased 38% in 2007 as compared to 2006. The increases were due to higher IP revenues as business subscribers increasingly migrate to MPLS services, as well as revenue growth in our cable VoIP business, which experienced a 52% increase in 2008 as compared to 2007 and an 80% increase in 2007 as compared to 2006.

Internet revenues generated from the provision of services to the Wireless segment represented 9% of total Internet revenues in 2008 as compared to 5% in 2007 and 2% in 2006.

Other Revenues
Other revenues, which primarily consist of sales of customer premises equipment, or CPE, decreased 14% in 2008 as compared to 2007 and decreased 22% in 2007 as compared to 2006 as a result of fewer projects in 2008 and 2007.

Costs of Services and Products
Costs of services and products include access costs paid to local phone companies, other domestic service providers and foreign phone companies to complete calls made by our domestic subscribers, costs to operate and maintain our networks and costs of equipment. Costs of services and products decreased 6% in 2008 from 2007 and decreased 1% in 2007 from 2006. The decrease in 2008 is mainly due to improved access cost rates and declining volumes. The decrease in 2007 relates to decreased costs due to declining volumes and improved access cost rates in the retail business, partially offset by increased activity in the wholesale and cable VoIP businesses.

Service gross margin percentage decreased from 32% in 2006 to 31% in 2007 and then increased to 34% in 2008, primarily as a result of revenue growth in our cable VoIP business and improved access cost rates.

Selling, General and Administrative Expense
Selling, general and administrative expense increased 2% in 2008 as compared to 2007 and decreased 13% in 2007 as compared to 2006. The 2008 increase reflected the Vonage settlement in 2007, not present in 2008. The 2007 decline was due primarily to recognition of a license from Vonage covering the use of certain patents.
within our patent portfolio, as well as a reduction in employee headcount, reduced commissions as a result of the spin-off of Embarq and decreased customer care and billing expenses due to a smaller customer base. These declines were partially offset by increases in costs associated with cable VoIP support.

Selling, general and administrative expense includes charges for estimated bad debt expense. Each quarter we reassess our allowance for doubtful accounts based on customer-specific indicators, as well as historical trends and industry data, to ensure we are adequately reserved. In 2008, bad debt expense decreased by 13% due to less customer specific reserves.

Total selling, general and administrative expense as a percentage of net services revenues was 15% in 2008, 15% in 2007 and 16% in 2006.

**Wireline Segment Earnings**

Wireline segment earnings increased $101 million, or 9%, in 2008 from 2007 primarily due to an increase in Internet revenue, and a decrease in cost of services and products, partially offset by decreases in voice and data revenue. Wireline segment earnings increased $83 million, or 8%, in 2007 from 2006 primarily due to an increase in Internet revenue, and a decrease in selling, general and administrative expenses due to the recognition of the Vonage license, partially offset by decreases in voice and data revenue.

**Consolidated Information**

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>Change from Previous Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling, general and administrative expenses</td>
<td>$(11,355)</td>
</tr>
<tr>
<td>Severance, exit costs and asset impairments</td>
<td>(817)</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>(963)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(5,953)</td>
</tr>
<tr>
<td>Amortization</td>
<td>(2,443)</td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,362)</td>
</tr>
<tr>
<td>Interest income</td>
<td>97</td>
</tr>
<tr>
<td>Equity in losses of unconsolidated affiliates and other, net</td>
<td>(129)</td>
</tr>
<tr>
<td>Realized (loss) gain on sale or exchange of investments</td>
<td>(24)</td>
</tr>
<tr>
<td>Income tax benefit (expense)</td>
<td>1,264</td>
</tr>
<tr>
<td>Discontinued operations, net</td>
<td>—</td>
</tr>
<tr>
<td>Net (loss) income</td>
<td>(2,796)</td>
</tr>
</tbody>
</table>

*NM—Not Meaningful*

**Selling, General and Administrative Expenses**

Selling, general and administrative expenses are primarily allocated at the segment level and are discussed in the segment earnings discussions above. The selling, general and administrative expenses related to the Wireless segment were $10.0 billion in 2008, $11.2 billion in 2007 and $10.4 billion in 2006. The selling, general and administrative expenses related to the Wireline segment were $965 million in 2008, $943 million in 2007 and $1.1 billion in 2006.

In addition to the selling, general and administrative expenses discussed in the segment earnings, we incurred corporate general and administrative expenses of $278 million in 2008, $359 million in 2007 and $246 million in 2006, including certain merger and integration expenses of $29 million in 2008, $172 million in
2007 and $222 million in 2006 as discussed in “—Merger and Integration Expenses” below. Also included in corporate general and administrative expenses are expenses of $249 million in 2008 and $189 million in 2007 related to our development of a next-generation broadband wireless network. As we contributed the assets related to this effort to Clearwire on November 28, 2008, we will not incur similar expenses in future periods.

**Merger and Integration Expenses**

We incurred $130 million of merger and integration expenses in 2008, $516 million in 2007 and $413 million in 2006, of which $101 million, $344 million and $191 million are included in our Wireless segment for 2008, 2007 and 2006, respectively, as the expenses are solely and directly attributable to that segment. These expenses are generally classified as selling, general and administrative and cost of products as appropriate on our consolidated statement of operations. Merger and integration expenses that are not solely and directly attributable to the Wireless segment are included in our Corporate segment and are classified as selling, general and administrative expenses. Merger and integration expenses decreased in 2008 as compared to 2007 as we did not incur these costs in the second half of the year. Merger and integration expenses increased in 2007 as compared to 2006, primarily due to costs to provide wireless devices that operate seamlessly between the CDMA and iDEN networks.

**Severance, Exit Costs and Asset Impairments**

We had severance, exit costs and asset impairments of $817 million in 2008 as compared to $440 million for 2007 and $207 million for 2006.

We recorded severance and exit costs of $355 million in 2008 related to the separation of employees and continued organizational realignment initiatives. We recorded severance and exit costs of $277 million in 2007 related to the separation of employees, exit costs primarily associated with the sale of Velocita Wireless and continued organizational realignment initiatives associated with the Sprint-Nextel merger and the PCS Affiliate and Nextel Partners acquisitions. In 2006, we recorded $138 million in severance and exit costs primarily related to our realignment initiatives associated with the Sprint-Nextel merger and integration initiatives.

In 2008, we recorded asset impairments of $435 million primarily related to cell site development costs and network asset equipment no longer necessary for management’s strategic plans. In addition, we also recorded losses on disposition of assets of $27 million in 2008. During 2007, we had asset impairments of $163 million, which related to the write-off of network assets, including site development costs, the loss on the sale of Velocita Wireless, and the closing of retail stores due to integration activities. We wrote off $69 million of assets in 2006 primarily related to software asset impairments.

**Goodwill Impairment**

During the fourth quarters 2008 and 2007, we performed our annual goodwill analyses and recorded non-cash goodwill impairment charges of $963 million and $29.649 billion, respectively. Refer to note 4 of the Notes to Consolidated Financial Statements.

**Depreciation and Amortization Expense**

Depreciation expense increased 6% in 2008 from 2007, primarily due to increases to our in service network assets. These increases were partially offset by certain assets becoming fully depreciated and the impact of our annual review of depreciation rates and lives completed in the first quarter 2008. These rate changes were primarily related to net changes in the remaining service lives of assets primarily in the CDMA network. The impact of these changes reduced annual depreciation expense by about $135 million, including $105 million in the Wireless segment and about $30 million in the Wireline segment.
Depreciation expense in 2007 declined 2% as compared to 2006. The 2007 depreciation expense includes about a $400 million decrease related to depreciation rate changes with respect to our CDMA and Wireline networks assets, resulting from our 2007 depreciable lives study. These rate changes are primarily related to net changes in the remaining service lives of certain assets. The decreases resulting from the depreciation rate changes were fully offset by normal additions to our network asset base.

Amortization expense declined 26% in 2008 from 2007 and declined 14% in 2007 from 2006, primarily due to the amortization of the customer relationships acquired as part of the Sprint-Nextel merger, which are amortized using the sum of the years’ digits method, resulting in higher amortization rates in early periods that decline over time. See note 4 to the Notes to Consolidated Financial Statements for additional information regarding our definite lived intangible assets.

Interest Expense
Interest expense decreased $71 million in 2008 as compared to 2007, due to the reduction in our average effective interest rates. This was partially offset by the increase in the average long-term debt balance. The effective interest rate on our average long-term debt balance of $22.9 billion in 2008 was 6.6%. The effective interest rate on our average long-term debt balance of $21.8 billion in 2007 was 6.9%. Interest expense in 2007 decreased 7% as compared to 2006, primarily reflecting the reduction in our average debt balance. The effective interest rate on our average long-term debt balance of $21.8 billion in 2007 was 6.9%, unchanged from 2006 on an average long-term debt balance of $23.2 billion.

Interest Income
Interest income includes interest earned on marketable debt securities and cash equivalents. Interest income decreased $54 million in 2008 as compared to 2007, primarily due to the lower interest rates and the one-time interest income on income taxes recorded in 2007 of $31 million. In 2007, interest income decreased 50%, as compared to 2006, primarily due to a decrease in the average temporary cash investments balance.

Equity in Losses of Unconsolidated Affiliates and Other, Net
This item consists mainly of our losses from our equity method investments, gain/loss on early retirement of debt and other miscellaneous income/expense.

Realized (Loss) Gain on Sale or Exchange of Investments
During 2008, we recognized loss on investments of $24 million, primarily due to the impairment of our investment in Nextwave. In 2007, we recognized a gain from the sale of investments of $253 million, primarily due to a pre-tax gain of $240 million related to the sale of a portion of our equity interest in Virgin Mobile USA, LLC, or VMU. See note 3 of the Notes to Consolidated Financial Statements for more information. During 2006, we recognized a gain from the sale of investments of $205 million, primarily due to $433 million of gains on the sales of our investment in NII Holdings, Inc., partially offset by a loss of $274 million from the change in fair value of an option contract associated with our investment in NII Holdings, as described in note 10 of the Notes to Consolidated Financial Statements.

Income Tax Benefit (Expense)
Our consolidated effective tax rates were 31.1% in 2008, 1.1% in 2007 and 32.9% in 2006. The 2008 and 2007 effective tax rates were impacted by $794 million of the $963 million non-cash impairment charge in 2008 and $29.3 billion of the $29.6 billion non-cash impairment charge in 2007 related to goodwill as substantially all of the charges are not separately deductible for tax purposes. Information regarding the items that caused the effective income tax rates to vary from the statutory federal rate for income taxes related to continuing operations can be found in note 9 of the Notes to Consolidated Financial Statements.
Discontinued Operations, Net

Discontinued operations reflect the results of our previously held Local segment from January 1 through May 17, 2006, the date of the Embarq spin-off. Additional information regarding our discontinued operations can be found in note 16 of the Notes to Consolidated Financial Statements.

Net (Loss) Income

We recorded a net loss of $2.8 billion in 2008 compared to a net loss of $29.4 billion in 2007. Our 2008 net loss was primarily due to decreases in our Wireless segment revenue, the goodwill impairment charge of $963 million and the asset impairment charge of $435 million that we recorded in 2008, while the 2007 net loss was principally due to a one time non-cash goodwill impairment charge in our Wireless segment and a decline in the performance of the Wireless segment. We recorded net income of $1.3 billion in 2006 primarily due to increased revenue in our Wireless segment resulting from the Sprint-Nextel merger and the PCS Affiliate and Nextel Partners acquisitions.

We expect downward pressure on our consolidated results of operations in the near term caused principally by the expected decline in Wireless segment earnings and severance costs associated with our work force reduction announced in January 2009. See “—Forward-Looking Statements.”

Critical Accounting Policies and Estimates

We consider the following accounting policies and estimates to be the most important to our financial position and results of operations, either because of the significance of the financial statement item or because they require the exercise of significant judgment and/or use of significant estimates. While management believes that the estimates used are reasonable, actual results could differ from those estimates.

Revenue Recognition and Allowance for Doubtful Accounts Policies

Operating revenues primarily consist of wireless service revenues, revenues generated from handset and accessory sales, revenues from wholesale operators and PCS Affiliates, as well as local and long distance voice, data and Internet revenues. Service revenues consist of fixed monthly recurring charges, variable usage charges such as roaming, directory assistance and operator-assisted calling and miscellaneous fees, such as activation, upgrade, late payment, reconnection and early termination fees and certain regulatory related fees. We recognize service revenues as services are rendered and equipment revenue when title passes to the dealer or end-user customer. We recognize revenue for access charges and other services charged at fixed amounts ratably over the service period, net of credits and adjustments for service discounts, billing disputes and fraud or unauthorized usage. We recognize excess wireless usage and long distance revenue at contractual rates per minute as minutes are used. Additionally, we recognize excess wireless data usage based on kilobytes and one-time use charges, such as for the use of premium services, when rendered. As a result of the cutoff times of our multiple billing cycles each month, we are required to estimate the amount of subscriber revenues earned but not billed from the end of each bill cycle to the end of each reporting period. These estimates are based primarily on rate plans in effect and our historical usage and billing patterns. Subscriber revenue earned but not billed represented about 12% of our accounts receivable balance as of December 31, 2008.

We establish an allowance for doubtful accounts receivable sufficient to cover probable and reasonably estimable losses. Because of the number of accounts that we have, it is not practical to review the collectibility of each of those accounts individually when we determine the amount of our allowance for doubtful accounts each period, although we do perform some account level analysis with respect to large wireless and wireline subscribers. Our estimate of the allowance for doubtful accounts considers a number of factors, including collection experience, aging of the accounts receivable portfolios, the credit quality of our subscriber base, estimated proceeds from future bad debt sales and other qualitative considerations, including macro-economic
factors. The accounting estimates related to the recognition of revenue require us to make assumptions about future billing adjustments for disputes with subscribers, unauthorized usage, and future returns and mail-in rebates on handset sales. The allowance amounts recorded represent our best estimate of future outcomes; to the extent that our actual experience differs significantly from historical trends, the required allowance amounts could differ from our estimate. Any resulting adjustments would change the net accounts receivable reported on our consolidated balance sheet, and bad debt expense, in the case of estimates related to doubtful accounts, or revenue, in the case of estimates related to other allowances, reported in our results of operations in future periods. For example, if our allowance for doubtful accounts estimate were to change by 10%, it would result in a corresponding change in bad debt expense of about $26 million for the Wireless segment and $1 million for the Wireline segment.

**Device and Accessory Inventory**

Inventories of handsets and accessories in the Wireless segment are stated at the lower of cost or market. We determine cost by the first-in, first-out method. Handset costs and related revenues generated from handset sales, or handset subsidies, are recognized at the time of sale. We do not recognize the expected handset subsidies prior to the time of sale because the promotional discount decision is made at the point of sale and/or because we expect to recover the handset subsidies through service revenues.

As of December 31, 2008, we held $528 million of inventory. We analyze the realizable value of our handset and other inventory on a quarterly basis. This analysis includes assessing obsolescence, sales forecasts, product life cycle, marketplace and other considerations. If our assessments regarding the above factors change, we may be required to sell handsets at a higher subsidy or potentially record expense in future periods prior to the point of sale to the extent that we expect that we will be unable to sell handsets with a service contract.

**Other-than-temporary Impairment of Investments and Marketable Securities**

We hold a portfolio of investments that include marketable and non-marketable debt and equity securities. We evaluate such investments for other-than-temporary impairment on a quarterly basis. Other-than-temporary impairment occurs when the fair value of an investment is below our carrying value, and we determine that difference is not recoverable in the near future. This evaluation requires significant judgment regarding, but not limited to, the severity and duration of the impairment; our ability and intent to hold the securities until recovery; financial condition, liquidity, and near-term prospects of the issuer, specific events, and other factors. Our assessment that an investment is not other-than-temporarily impaired could change in the future due to changes in facts and circumstances.

Our only material investment is our $3.9 billion investment in Clearwire, which we have held since we closed our transaction with Clearwire on November 28, 2008. Our book value per share in Clearwire was $10.65 per share at year-end, as compared to the year-end Clearwire stock price of $4.93, and the stock price has continued to decline subsequent to the balance sheet date. As further discussed in note 3 of the Notes to Consolidated Financial Statements, we have concluded as of December 31, 2008 that the decline is temporary and the stock price is expected to recover in the near future.

We will continue to evaluate our investment in Clearwire every quarter and update our conclusions based upon the facts and circumstances in place at that time. If such facts and circumstance change, for example if Clearwire’s stock price continues to remain at a depressed level for a longer duration of time, it is possible that we may record an impairment in future periods on this investment that could be material to our results of operations and financial condition.

**Valuation and Recoverability of Long-lived Assets Including Definite Lived Intangible Assets**

A significant portion of our total assets are long-lived assets, consisting primarily of property, plant and equipment and definite lived intangible assets. Changes in technology or in our intended use of these assets, as well as changes in economic or industry factors or in our business or prospects, may cause the estimated period of use or the value of these assets to change.
Property, plant and equipment represented $22.4 billion of our $58.3 billion in total assets as of December 31, 2008. We generally calculate depreciation on these assets using the straight-line method based on estimated economic useful lives as follows:

<table>
<thead>
<tr>
<th>Long-lived Assets</th>
<th>Estimated Useful Life</th>
<th>Average Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings and improvements</td>
<td>3 to 30 years</td>
<td>12 years</td>
</tr>
<tr>
<td>Network equipment, site costs and software</td>
<td>3 to 30 years</td>
<td>8 years</td>
</tr>
<tr>
<td>Non-network internal use software, office equipment and other</td>
<td>3 to 12 years</td>
<td>4 years</td>
</tr>
</tbody>
</table>

We calculate depreciation on certain of our assets using the group life method. Accordingly, ordinary asset retirements and disposals on those assets are charged against accumulated depreciation with no gain or loss recognized. Gains or losses associated with non-monetary exchanges and asset retirements or disposals on non-network equipment are recorded within asset impairments in the consolidated statements of operations.

Since changes in technology or in our intended use of these assets, as well as changes in broad economic or industry factors, may cause the estimated period of use of these assets to change, we perform annual studies to confirm the appropriateness of depreciable lives for certain categories of property, plant and equipment. These studies take into account actual usage, physical wear and tear, replacement history and assumptions about technology evolution, to calculate the remaining life of our asset base. When these factors indicate that an asset’s useful life is different from the previous assessment, we depreciate the remaining book values prospectively over the adjusted remaining estimated useful life.

During the first quarter 2008, we implemented depreciation rate and life changes with respect to certain assets that comprise the wireless and wireline networks resulting from our annual depreciable lives study. These revised rates reflected both changes in the useful life estimates of certain of our asset groups and adjustments to our accumulated depreciation accounts under the group life depreciation method. The reduced expense associated with the depreciation rate and life changes resulted in an approximately $135 million reduction, or $0.03 per share savings, net of tax, in the net loss for the year ended December 31, 2008. In addition to performing our annual study, we also continue to assess the estimated useful life and future strategic plans of our wireless and wireline network assets, which had a net carrying value of $14.5 billion and $2.3 billion, respectively, as of December 31, 2008. A reduction in our estimate of the useful lives of those network assets would cause increased depreciation charges in future periods that could be material. For example, a 10% reduction in the remaining weighted average useful lives of the network assets would increase annual wireless and wireline depreciation expense by about $500 million and $50 million, respectively. In conjunction with our fourth quarter 2008 annual goodwill impairment review, we re-assessed the remaining useful lives of our long-lived assets and concluded they were appropriate.

Intangible assets with definite useful lives represented $3.6 billion of our $58.3 billion in total assets as of December 31, 2008. Definite lived intangible assets consist primarily of customer relationships that are amortized over two to five years using the sum of the years’ digits method, which we believe best reflects the estimated pattern in which the economic benefits will be consumed. Other definite lived intangible assets primarily include certain rights under affiliation agreements that we reacquired in connection with the acquisitions of certain PCS Affiliates and Nextel Partners, which are being amortized over the remaining terms of those affiliation agreements on a straight-line basis, and the Nextel and Direct Connect trade names, which are being amortized over ten years on a straight-line basis. We also evaluate the remaining useful lives of our definite lived intangible assets each reporting period to determine whether events and circumstances warrant a revision to the remaining periods of amortization, which would be addressed prospectively. For example, we review certain trends such as subscriber churn, average revenue per subscriber, revenue, our future plans regarding our networks and changes in marketing strategies, among others. Significant changes in certain trends may cause us to adjust, on a prospective basis, the remaining estimated life of certain of our definite lived intangible assets. For additional information, refer to note 4 of the Notes to Consolidated Financial Statements.
We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We determine our long-lived asset groups based upon certain factors including assessing the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Our asset groups consist of wireless and wireline, and the wireless asset group currently includes our intangible assets and our wireless property, plant and equipment.

Indicators of impairment for our asset groups include, but are not limited to, a sustained significant decrease in the market price of, or the cash flows expected to be derived from, the asset groups, or a significant change in the extent or manner in which the assets in the group are utilized. A significant amount of judgment is involved in determining the occurrence of an indicator of impairment that requires an evaluation of the recoverability of our long-lived assets. If the total of the expected undiscounted future cash flows is less than the carrying amount of our assets, a loss is recognized for the difference between the estimated fair value and carrying value of the assets. Impairment analyses, when performed, are based on our current business and technology strategy, our views of growth rates for our business, anticipated future economic and regulatory conditions and expected technological availability.

In conjunction with our 2008 and 2007 annual assessments of goodwill for impairment, we performed a recoverability test of the wireless long-lived assets. The future cash flows used in the recoverability test included cash flow projections from our wireless operations along with cash flows associated with the eventual disposition of the long-lived assets, which included estimated proceeds from the sale of FCC licenses, trade names and customer relationships. In both the 2008 and 2007 assessments of long-lived assets, the estimated undiscounted future cash flows of the wireless asset group exceeded its book value and, as a result, no impairment charge was recorded. While the estimated difference in 2008 is significant, it is less than the difference calculated in 2007 due to expected lower future cash flows from our wireless operations. If we continue to have operational challenges, including obtaining and retaining subscribers, our future cash flows may not be sufficient to recover the carrying value of our wireless asset group and we could record asset impairments that are material to our consolidated results of operations and financial condition.

In addition to the analyses described above, we periodically assess certain assets that have not yet been deployed in our business, including network equipment, cell site development costs and software in development, to determine if an impairment charge is required. Network equipment and cell site development costs are impaired whenever events or changes in circumstances cause us to conclude the assets are no longer needed to meet management’s strategic network plans and will not be deployed. Software development costs are impaired when it is no longer probable that the software project will be deployed. We also periodically assess network equipment that has been removed from the network to determine if an impairment is required. The substantial majority of our $435 million of asset impairments in 2008 related to such assessments. If we continue to have challenges retaining subscribers and as we continue to assess the impact of rebanding the iDEN network, management may conclude in future periods that certain CDMA and iDEN assets will never be either deployed or redeployed, in which case we would recognize a non-cash impairment that could be material to our consolidated financial statements.

Valuation and Recoverability of Goodwill and Indefinite Lived Intangible Assets

Intangible assets with indefinite useful lives represented $19.3 billion of our $58.3 billion in total assets as of December 31, 2008. We have identified FCC licenses and our Sprint and Boost Mobile trademarks as indefinite lived intangible assets, in addition to our previously recorded goodwill, 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. We review our goodwill, which was solely related to our wireless reporting unit, and other indefinite lived intangibles annually in the fourth quarter for impairment, or more frequently if indicators of impairment exist. We continually assess whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows, a significant adverse change in legal factors or in the...
business climate; unanticipated competition; the testing for recoverability of a significant asset group within a reporting unit; and/or slower growth rates, among others. Any adverse change in these factors could have a significant impact on the recoverability of these assets and could have a material impact on our consolidated financial statements.

When required, we first test goodwill for impairment by comparing the estimated fair value of our wireless reporting unit with its net book value. If the fair value of the wireless reporting unit exceeds its net book value, goodwill is not deemed to be impaired, and no further testing would be necessary. If the net book value of our wireless reporting unit exceeds its fair value, we perform a second test to measure the amount of impairment loss, if any. To measure the amount of any impairment loss, we determine the implied fair value of goodwill in the same manner as if our wireless reporting unit were being acquired in a business combination. Specifically, we allocate the estimated fair value of the wireless reporting unit to all of the assets and liabilities of that reporting unit, including any unrecognized intangible assets, in a hypothetical calculation that would yield the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill on our consolidated balance sheet, we record an impairment charge for the difference. The valuation analyses used in our estimate of fair value utilize both income and market approaches as described below:

• **Income Approach:** To determine its estimated fair value, we discount the expected cash flows of the wireless reporting unit. We estimate our future cash flows after considering current economic conditions and trends; estimated future operating results, our views of growth rates, anticipated future economic and regulatory conditions; and the availability of necessary technology, network infrastructure, handsets and other devices. The discount rate used represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in our wireless operations and the rate of return an outside investor would expect to earn. To estimate cash flows beyond the final year of our model, we use a terminal value approach. Under this approach, we use estimated operating income before depreciation and amortization in the final year of our model, adjust it to estimate a normalized cash flow, apply a perpetuity growth assumption and discount by a perpetuity discount factor to determine the terminal value. We incorporate the present value of the resulting terminal value into our estimate of fair value.

• **Market-Based Approach:** To corroborate the results of the income approach described above, we estimate the fair value of our wireless reporting unit using several market-based approaches, including the guideline company method, which focuses on comparing our risk profile and growth prospects to select reasonably similar/guideline publicly traded companies.

The determination of the estimated fair value of the wireless reporting unit and other assets and liabilities within the wireless reporting unit requires significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, the discount rate, terminal growth rates, operating income before depreciation and amortization, or OIBDA, and capital expenditures forecasts. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates. We evaluate the merits of each significant assumption, both individually and in the aggregate, used to determine the fair value of the wireless reporting unit, as well as the fair values of the corresponding assets and liabilities within the wireless reporting unit, for reasonableness.

The allocation of the estimated fair value of the wireless reporting unit to individual assets and liabilities within the wireless reporting unit also requires us to make significant estimates and assumptions. The allocation requires several analyses to determine the fair value of assets and liabilities including, among others, customer relationships, FCC licenses, trademarks and current replacement costs for certain property, plant and equipment.

In fourth quarter 2008, we impaired the remaining $963 million of our goodwill. Refer to note 4 of the Notes to the Consolidated Financial Statements.
When required, we test other indefinite lived intangibles for impairment by comparing the asset’s respective carrying value to estimates of fair value, determined using the direct value method. Our FCC licenses were combined into two units of accounting, which consisted of our 800 MHz, 900 MHz and 1.9 GHz bands as one unit of accounting and our 2.5 GHz band as another unit of accounting. Our licenses in the 2.5 GHz band were subsequently contributed to Clearwire on November 28, 2008; accordingly, we will only have one unit of accounting in future analyses.

The accounting estimates related to our indefinite lived intangible assets require us to make significant assumptions about fair values. Our assumptions regarding fair values require significant judgment about economic factors, industry factors and technology considerations, as well as our views regarding the prospects of our business. Changes in these judgments may have a significant effect on the estimated fair values.

**Tax Valuation Allowances and Uncertain Tax Positions**

We are required to estimate the amount of taxes 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 our consolidated financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact. We record valuation allowances on deferred tax assets if we determine it is more likely than not that the asset will not be realized. The accounting estimates related to the tax valuation allowance require us to make assumptions regarding the timing of future events, including the probability of expected future taxable income and available tax planning opportunities. These assumptions require significant judgment because actual performance has fluctuated in the past and may do so in the future. The impact that changes in actual performance versus these estimates could have on the realization of tax benefits as reported in our results of operations could be material.

We carried an income tax valuation allowance of $711 million as of December 31, 2008. This amount includes a valuation allowance of $473 million for the total tax benefits related to loss carryforwards, subject to utilization restrictions, acquired in connection with certain acquisitions. The remainder of the valuation allowance relates to tax credits and state net operating loss carryforwards. Within our total valuation allowance, we had $95 million related to separate company state net operating losses incurred by our subsidiaries after we acquired them. The valuation allowance was provided on these separate company state net operating loss benefits since these subsidiaries do not have a sufficient history of taxable income. Current analyses of cumulative historical income and qualitative factors indicate that the valuation allowance continues to be appropriate, meaning that we currently believe it is more likely than not that we will not realize such tax benefits in the future. We will continue to monitor these analyses and factors in future periods and may adjust the valuation allowance based on the facts and circumstances existing in future periods.

We adopted Financial Accounting Standards Board, or FASB, Interpretation No. 48, or FIN 48, Accounting for Uncertainty in Income Taxes, on January 1, 2007. The adoption of FIN 48 did not have a material impact on our consolidated financial statements. The accounting estimates related to the liability for uncertain tax positions require us to make judgments regarding the sustainability of each uncertain tax position based on its technical merits. If we determine it is more likely than not a tax position will be sustained based on its technical merits, we record the impact of the position in our consolidated financial statements at the largest amount that is greater than fifty percent likely of being realized upon ultimate settlement. These estimates are updated based on the facts, circumstances and information available. We are also required to assess at each annual reporting date whether it is reasonably possible that any significant increases or decreases to the unrecognized tax benefits will occur during the next twelve months. See note 9 of the Notes to Consolidated Financial Statements for additional information regarding FIN 48. The total unrecognized tax benefits decreased by $205 million during 2008. This reduction was principally attributable to income tax settlements and lapses of statute of limitations in various tax jurisdictions. As these uncertain tax benefits were originally acquired in purchase business combinations, other non-current intangible assets were reduced.
The various IRS and state income tax reviews disclosed in note 9 of the Notes to Consolidated Financial Statements continue to progress and we expect that certain of these may be completed in the next twelve months. Based on our current knowledge of the examinations, administrative reviews and appellate processes, we believe it is reasonably possible many of our uncertain tax positions could be resolved during the next twelve months which could result in a reduction of up to approximately $200 million in our unrecognized tax benefits. Any changes to the unrecognized tax benefits made after December 31, 2008 will impact tax expense, including those changes related to acquired income tax uncertainties from prior business combinations, except for qualified measurement period adjustments.

Actual income tax assets and liabilities could vary from these estimates due to future changes in income tax law, significant changes in the jurisdictions in which we operate, our inability to generate sufficient future taxable income or unpredicted results from the final determination of each year’s liability by taxing authorities. These changes could have a significant impact on our financial position.

Significant New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, which replaces SFAS No. 141, Business Combinations, originally issued in June 2001. SFAS No. 141R will apply to business combinations for which the acquisition date is on or after January 1, 2009, and this statement could have a material impact on us with respect to business combinations completed after the effective date. Such significant changes include, but are not limited, to the acquirer recording 100% of all assets and liabilities, including goodwill, of the acquired business, generally at their fair values, and acquisition-related transaction and restructuring costs being expensed rather than included as part of the purchase price allocation process. In addition, after the effective date, reversals of valuation allowances related to acquired deferred tax assets and changes to acquired income tax uncertainties related to any business combinations, even those completed prior to the statement’s effective date, will generally be recognized in earnings.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements. This statement amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for a noncontrolling interest in a subsidiary and for a deconsolidation of a subsidiary. SFAS No. 160 is effective for our quarterly reporting period ending March 31, 2009. If we were to enter into an arrangement after the effective date of the standard where we are required to consolidate a noncontrolling interest, we would report the noncontrolling interest’s equity as a component of our shareholders’ equity in our consolidated balance sheet and report the component of net income or loss and comprehensive income or loss attributable to the noncontrolling interest separately. While certain changes in ownership interests will be treated as equity transactions under the new standard, a gain or loss recognized upon loss of control of a subsidiary will be recognized in the consolidated statement of operations. This practice differs from our current policy of recognizing such gains or losses as a component of equity. In addition, the amount of gain or loss is measured using the fair value of the noncontrolling interest at the date control ceases.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. This statement amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, by requiring expanded disclosures about an entity’s derivative instruments and hedging activities. SFAS No. 161 is effective for our quarterly reporting period ending March 31, 2009. We are in the process of evaluating the impact of this statement on the disclosures included in the notes to our consolidated financial statements.

Financial Condition

Our consolidated assets were $58.3 billion as of December 31, 2008, which included $22.9 billion of intangible assets, and $64.3 billion as of December 31, 2007, which included $28.1 billion of intangible assets. The decrease in our consolidated assets was primarily a result of the amortization of $2.4 billion related to our definite lived intangible assets, goodwill impairment of $963 million, decrease in accounts receivable balances of $835 million mainly due to declining revenues, decrease in our device and access inventory of $410 million
reflecting management’s decision to lower inventory levels and the decrease in our deferred tax assets of $354 million. Our consolidated liabilities were $38.6 billion as of December 31, 2008 and $42.2 billion as of December 31, 2007. The decrease in our consolidated liabilities was primarily as a result of a $1.8 billion decrease in our accounts payable, accrued expenses and other current liabilities as a result of a reduction in our obligations relating to capital expenditures, inventory and other items, reflecting lower levels of purchasing activity in the business, a decrease in our deferred tax liabilities of $1.5 billion, and a net decrease in our debt, financing and capital lease obligations of $520 million. See “—Liquidity and Capital Resources” for additional information on the change in cash and cash equivalents.

Liquidity and Capital Resources

Management exercises discretion regarding the liquidity and capital resource needs of our business segments. This responsibility 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.

Cash Flow

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by operating activities</td>
<td>$ 6,179</td>
<td>$ 9,245</td>
<td>$ 10,958</td>
<td>(33)%</td>
<td>(16)%</td>
</tr>
<tr>
<td>Cash used in investing activities</td>
<td>(4,250)</td>
<td>(6,377)</td>
<td>(11,392)</td>
<td>(33)%</td>
<td>(44)%</td>
</tr>
<tr>
<td>Cash used in financing activities</td>
<td>(484)</td>
<td>(2,668)</td>
<td>(6,423)</td>
<td>(82)%</td>
<td>(58)%</td>
</tr>
</tbody>
</table>

At December 31, 2008, cash and cash equivalents were $3.7 billion as compared to $2.2 billion as of December 31, 2007.

Operating Activities

Net cash provided by operating activities of $6.2 billion in 2008 decreased $3.1 billion from 2007, primarily due to a $3.8 billion decrease in cash received from our subscribers as a result of declining service revenues from our post-paid subscribers. This was offset by a decrease of $1.2 billion in cash paid to our suppliers and employees.

Net cash provided by operating activities of $9.2 billion in 2007 decreased $1.7 billion from 2006 reflecting a decline in our earnings, primarily due to a decrease in cash flows from discontinued operations of $903 million, a decrease in cash received from subscribers of $779 million primarily due to a decrease in service revenues as we experienced lower average monthly service revenue per subscriber in 2007, an increase in cash paid to our suppliers and employees of $285 million, and a decrease in interest received of $151 million due to a decrease in average commercial paper and temporary cash balances held during the year offset by a decrease of $311 million in cash paid for interest on debt due to the retirement of debt and cash paid for taxes.

Net cash provided by operating activities for both 2008 and 2007 is net of cash used for operating activities of approximately $300 million that related to our operations that were contributed to Clearwire.

Investing Activities

Net cash used in investing activities for 2008 decreased by $2.1 billion from 2007, primarily due to the decrease in capital expenditures of $2.4 billion in 2008 as compared to 2007 mainly due to lower number of cell sites built in 2008, reduced capacity needs, fewer IT projects as well as substantial completion in 2007 of various initiatives that were undertaken in our Wireless segment, an increase in the proceeds from sales and maturities of marketable securities of $189 million and a decrease in the purchase of marketable securities of $143 million in 2008 compared to 2007. Net cash used in investing activities for 2008 was also impacted by the proceeds of $213 million that we received from Clearwire as partial reimbursement of the financing that we provided in 2008 to
our 4G wireless broadband business. In addition, we used $287 million in 2007 to acquire Northern PCS, a PCS Affiliate. These decreases were partially offset by the $866 million in cash collateral received from our securities loan agreements in 2007 and the decrease in net sales of our investments of $317 million. The $866 million in cash received from our securities loan agreements is fully offset during 2007 by cash used to pay off our securities loan agreement as described in the “—Financing Activities” section below.

Net cash used in investing activities of $6.4 billion decreased $5.0 billion from 2006 primarily due to a $10.2 billion decrease in cash paid for acquisitions in 2007 as compared to 2006 when we acquired Alamosa Holdings, UbiquiTel, Velocita Wireless, Enterprise Communications and Nextel Partners for $10.5 billion compared to $287 million that we paid for the acquisition of Northern PCS in 2007. Net cash used in investing activities for 2007 also decreased due to a $1.2 billion decrease in capital expenditures from 2006 due to fewer cell sites, capacity modifications and inventory reductions in our Wireless segment and decreased investment in transport and switching equipment related to voice and cable subscribers, and the collateral of $866 million in cash received back from our securities loan agreements in 2007, compared to $866 million used to collateralize securities loan agreements in 2006. This was offset by a net decrease in proceeds from sale and maturities of marketable securities, investments and assets net of purchases of $1.8 billion, and $6.3 billion in proceeds received in 2006 in connection with the spin-off of our Local segment, including $1.8 billion received from Embarq at the time of the spin-off and proceeds from the sale of Embarq notes of $4.4 billion.

Net cash used in investing activities for 2008 and 2007 include expenditures of approximately $600 million and $700 million, respectively, related to capital assets and FCC licenses that were contributed to Clearwire.

Financing Activities

Net cash used in financing activities was $484 million during 2008 as compared to net cash used in financing activities of $2.7 billion in 2007. Year-to-date activities as of December 31, 2008 include the draw down of $2.5 billion under our revolving bank credit facility in February 2008 and the net proceeds from the financing obligation with TowerCo Acquisition LLC in September 2008 of $645 million, offset by the early redemption of $1.25 billion of our senior notes in June 2008, the extinguishment in September 2008 of $235 million of US Unwired Inc.’s 10% Second Priority Senior Secured Notes due 2012, the extinguishment in September 2008 of $250 million of Alamosa (Delaware), Inc.’s 8.5% Senior Notes due 2012, the repayment of $1.5 billion of our revolving bank credit facility in the third and fourth quarters of 2008 and net maturities of commercial paper of $379 million.

Net cash used in financing activities of $2.7 billion during 2007 decreased $3.8 billion compared to 2006, primarily due to a decrease in cash used for debt and credit facility payments of $6.7 billion. In 2007, we made principal and debt repayments of $1.4 billion compared to payments in 2006 of $4.3 billion in payments and retirements related to our senior notes and capital lease obligations, $3.2 billion related to the retirement of our term loan and $500 million to retire the Nextel Partners credit facility offset by $135 million in net maturities of commercial paper in 2007 compared to net issuances of $514 million in 2006, payment of $866 million in 2007 to settle collateralized borrowings compared to proceeds of $866 million received from securities loan agreements in 2006 and proceeds of $1.5 billion in 2007, including $750 million from our unsecured loan agreement with Export Development Canada and $750 million in principal from the sale of floating rate notes due 2010 compared to proceeds of $2.0 billion in principal amount of 6.0% senior serial redeemable notes received in 2006 that are due in 2016.

Pursuant to our share repurchase program, we repurchased about 87 million of our common shares for $1.8 billion in 2007 compared to 98 million of our common shares repurchased in 2006 for $1.6 billion. We received $57 million, $344 million and $405 million in 2008, 2007 and 2006, respectively in proceeds from common share issuances, primarily resulting from exercises of employee options. We paid cash dividends of $286 million in 2007 compared to $296 million in 2006. During 2006, we used $247 million to retire our Seventh series redeemable preferred shares.
Discontinued Operations

On May 17, 2006, we completed the spin-off of Embarq. In connection with the spin-off, Embarq transferred to our parent company $2.1 billion in cash and about $4.5 billion of Embarq senior notes in partial consideration for, and as a condition to, our transfer to Embarq of the local communications business. Embarq also retained about $665 million in debt obligations of its subsidiaries. The cash and senior notes were transferred by our parent company to our finance subsidiary, Sprint Capital Corporation, in satisfaction of indebtedness owed by our parent company to Sprint Capital. On May 19, 2006, Sprint Capital sold the Embarq senior notes to the public, and received about $4.4 billion in net proceeds. Embarq provided $903 million of net cash to us in 2006 excluding cash received from Embarq in connection with the spin-off.

Capital Requirements

We currently anticipate that future funding needs in the near term will principally relate to:

- operating expenses relating to our segment operations;
- capital expenditures, particularly with respect to the capacity and upgrading of our wireless networks and the deployment of new technologies in our networks;
- scheduled debt service requirements;
- amounts required to be expended in connection with the Report and Order;
- certain costs of compliance with regulatory mandates; and
- other general corporate expenditures.

Liquidity

As of December 31, 2008, our cash and cash equivalents and marketable securities totaled $3.7 billion. We depend on these funds as well as cash provided by operating activities and cash available under our revolving bank credit facility to satisfy our liquidity needs. Our revolving bank credit facility expires in December 2010.

In February 2008, we drew down $2.5 billion under our revolving bank credit facility. The proceeds were used to repay $1.7 billion in senior notes during the second and third quarters of 2008 and $1.5 billion of our revolving bank credit facility in the third and fourth quarters of 2008. In April 2008, we repaid in full all outstanding amounts under our commercial paper program, which we subsequently terminated.

On November 3, 2008, we entered into an agreement to amend the terms and conditions of our revolving bank credit facility giving us greater flexibility regarding our financial covenants. Pursuant to the amendment, the ratio of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and certain other non-recurring charges increased from no more than 3.5 to 1.0 to no more than 4.25 to 1.0. As of December 31, 2008, the ratio was 3.0 to 1.0. The new terms of the revolving bank credit facility provide for an interest rate equal to the London Interbank Offered Rate, or LIBOR, plus a margin of between 2.50% and 3.00%, depending on our debt ratings. The interest rate prior to the amendment was LIBOR plus a margin of 0.75%. Certain of our domestic subsidiaries have guaranteed the revolving bank credit facility. Under this revolving bank credit facility, we may not pay cash dividends unless our ratio of total indebtedness is less than 2.5 to 1.0. In addition, the amendment reduced the revolving bank credit facility from $6.0 billion to $4.5 billion. We also reduced the outstanding loan balance from $2.0 billion to $1.0 billion. As of December 31, 2008, we had $2.1 billion in letters of credit, including a $2.0 billion letter of credit required by the Report and Order to reconfigure the 800 MHz band, outstanding under our $4.5 billion revolving bank credit facility. As a result of the outstanding borrowings under the revolving bank credit facility and the outstanding letters of credit, each of which directly impacts the availability of the revolving bank credit facility, we had $1.4 billion of borrowing capacity available under our revolving bank credit facility as of December 31, 2008.
A default under our credit facilities could trigger defaults under our other debt obligations, including our senior notes, which in turn could result in the maturities of certain debt obligations being accelerated.

The indentures that govern our outstanding senior notes also require that we comply with various covenants, including limitations on the incurrence of indebtedness and liens by us and our subsidiaries.

All three agencies rate our senior unsecured debt below investment grade. On May 1, 2008, Standard & Poor’s lowered our rating to BB. They rate our outlook as stable. On December 10, 2008, Moody’s Investors Service lowered our rating to Ba2. At the same time, they raised our amended bank credit facility rating to Baa2. They rate our outlook as negative. On February 19, 2009, Fitch Ratings lowered our rating to BB. They rate our outlook as negative.

Downgrades of our current ratings to below investment grade do not accelerate scheduled principal payments of our existing debt; however, downgrades may cause us to incur higher interest costs on our borrowings and could negatively impact our access to the public capital markets.

As of December 31, 2008, we had working capital of $2.1 billion compared to a working capital deficit of $441 million as of December 31, 2007, with the change primarily due to the reduction in our current liabilities. In addition, during 2008, we reclassified approximately $350 million in deferred tax assets out of working capital due to the anticipated timing of the realization of those deferred tax benefits. This reclassification reduced our long-term deferred tax liabilities and our current deferred tax assets. In light of conditions in our business and financial markets, we decided in early 2008 that we will not pay dividends for the foreseeable future. In addition, under our amended bank credit facility, we are currently restricted from paying any cash dividends as a result of our ratio of total indebtedness as described above.

**Future Outlook**

We are committed to both adding new and retaining our wireless subscribers in order to reverse the negative subscriber trends that we have experienced in recent periods. These subscriber losses have and will further decrease our earnings before interest, taxes, depreciation and amortization, or adjusted EBITDA, as defined by our revolving bank credit facility. Management is implementing a cost reduction program designed to decrease our cost structure by reducing our labor and other costs; however we do not expect that the reduction in cash costs will offset the reduced cash expected from our service revenue declines described above. See “—Forward-Looking Statements.”

Our decline in adjusted EBITDA has also caused the ratio of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and certain other non-recurring charges to increase. We currently expect to remain in compliance with our covenants and expect to be able to meet our debt service requirements through at least the end of 2010, although there can be no assurance that we will do so. Although we expect to improve our subscriber results, if we do not execute as planned, depending on the severity of the actual subscriber results versus what we currently anticipate, it is possible that we would not remain in compliance with our covenants or be able to meet our debt service obligations, which could result in acceleration of our indebtedness. If such unforeseen events occur, we may engage with our lenders to obtain appropriate waivers or amendments of our credit facilities or refinance borrowings, although there is no assurance we would be successful in any of these actions.

Specifically, we expect to be able to meet our currently identified funding needs for at least the next 12 months by using:

- our anticipated cash flows from operating activities as well as our cash, cash equivalents and marketable securities on hand; and/or
- any remaining borrowing capacity available under our revolving bank credit facility.
In making this assessment, we have considered:

- anticipated levels of capital expenditures and FCC license acquisitions;
- anticipated payments under the Report and Order, as supplemented;
- any contributions we may make to our pension plan, which has been negatively impacted by the high degree of volatility in the global financial markets experienced during the year ended December 31, 2008;
- scheduled debt service requirements; and
- other future contractual obligations.

If there are material changes in our business plans, or currently prevailing or anticipated economic conditions in any of our markets or competitive practices in the mobile wireless communications industry, or if other presently unexpected circumstances arise that have a material effect on our cash flow or profitability, anticipated cash needs could change significantly.

The conclusion that we expect to meet our funding needs for at least the next 12 months as described above does not take into account:

- any significant acquisition transactions or the pursuit of any significant new business opportunities or spectrum acquisition strategies;
- potential material purchases or redemptions of our outstanding debt securities for cash; and
- potential material increases in the cost of compliance with regulatory mandates.

Any of these events or circumstances could involve significant additional funding needs in excess of anticipated cash flows from operating activities and the identified currently available funding sources, including existing cash and cash equivalents on hand and borrowings available under our existing revolving credit facility. If existing capital resources are not sufficient to meet these funding needs, it would be necessary to raise additional capital to meet those needs.

Our ability to fund our capital needs from outside sources is ultimately affected by the overall capacity and terms of the banking and securities markets. Given our recent financial performance as well as the volatility in these markets, we continue to monitor them closely and to take steps to maintain financial flexibility and a reasonable cost of capital.

We have in the past and may in the future have discussions with third parties regarding potential sources of new capital to satisfy actual or anticipated financing needs. At present, we have no legally binding commitments or understandings with any third parties to obtain any material amount of additional capital. The above discussion is subject to the risks and other cautionary and qualifying factors set forth under “—Forward-Looking Statements” and Part I, Item 1A “Risk Factors” in this report.
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Future Contractual Obligations

The following table sets forth our best estimates as to the amounts and timing of contractual payments for our most significant contractual obligations as of December 31, 2008. The information in the table reflects future unconditional payments and is based upon, among other things, the terms of the relevant agreements, appropriate classification of items under generally accepted accounting principles, or GAAP, currently in effect and certain assumptions, such as future interest rates. Future events, including additional purchases of our securities and refinancing of those securities, could cause actual payments to differ significantly from these amounts. See “—Forward-Looking Statements.”

<table>
<thead>
<tr>
<th>Future Contractual Obligations</th>
<th>Total (in millions)</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014 and thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior notes, bank credit facilities and debentures (1)</td>
<td>$33,812</td>
<td>$1,999</td>
<td>$3,717</td>
<td>$2,869</td>
<td>$3,801</td>
<td>$2,417</td>
<td>$19,009</td>
</tr>
<tr>
<td>Capital leases and financing obligation (2)</td>
<td>1,964</td>
<td>86</td>
<td>83</td>
<td>77</td>
<td>79</td>
<td>82</td>
<td>1,557</td>
</tr>
<tr>
<td>Operating leases (3)</td>
<td>17,878</td>
<td>1,732</td>
<td>1,741</td>
<td>1,595</td>
<td>1,469</td>
<td>1,338</td>
<td>10,003</td>
</tr>
<tr>
<td>Purchase orders and other commitments (4)</td>
<td>10,548</td>
<td>6,315</td>
<td>1,816</td>
<td>974</td>
<td>663</td>
<td>519</td>
<td>261</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$64,202</td>
<td>$10,132</td>
<td>$7,357</td>
<td>$5,515</td>
<td>$6,012</td>
<td>$4,356</td>
<td>$30,830</td>
</tr>
</tbody>
</table>

(1) Includes principal and estimated interest payments. Interest payments are based on management’s expectations for future interest rates.
(2) Represents capital lease payments including interest and the TowerCo financing obligation.
(3) Includes future lease costs related to cell and switch sites, real estate, network equipment and office space.
(4) Includes service, spectrum, network capacity and other executory contracts. Excludes blanket purchase orders in the amount of $536 million. See below for further discussion.

“Purchase orders and other commitments” include minimum purchases we commit to purchase from suppliers over time and/or the unconditional purchase obligations where we guarantee to make a minimum payment to suppliers for goods and services regardless of whether suppliers fully deliver them. They include agreements for access and backhaul and customer billing services, advertising services and contracts related to information technology and customer care outsourcing arrangements. Amounts actually paid under some of these “other” agreements will likely be higher due to variable components of these agreements. The more significant variable components that determine the ultimate obligation owed include hours contracted, subscribers and other factors. In addition, we are party to various arrangements that are conditional in nature and create an obligation to make payments only upon the occurrence of certain events, such as the delivery of functioning software or products. Because it is not possible to predict the timing or amounts that may be due under these conditional arrangements, no such amounts have been included in the table above. The table above also excludes about $536 million of blanket purchase order amounts since their agreement terms are not specified. No time frame is set for these purchase orders and they are not legally binding. As a result, they are not firm commitments.

The table above does not include remaining costs to be paid in connection with the fulfillment of our obligation under the Report and Order. The Report and Order requires us to make a payment to the U.S. Treasury at the conclusion of the band reconfiguration process to the extent that the value of the 1.9 GHz spectrum we received exceeds the total of the value of licenses for spectrum in the 700 MHz and 800 MHz bands that we surrendered under the decision plus the actual costs, or qualifying costs, that we incur to retune incumbents and our own facilities. The total minimum cash obligation for the Report and Order is $2.8 billion. From the inception of the program through December 31, 2008, we have incurred approximately $1.8 billion of costs directly attributable to the spectrum reconfiguration program. This amount does not include any of our internal network costs that we have preliminarily allocated to the reconfiguration program for capacity sites and modifications for which we may request credit under the reconfiguration program. We estimate, based on our

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experience to date with the reconfiguration program and on information currently available, that our total direct costs attributable to complete the spectrum reconfigurations will range between $3.2 and $3.6 billion. Accordingly, we believe that it is unlikely that we will be required to make a payment to the U.S. Treasury.

Our liability for uncertain tax positions was $449 million as of December 31, 2008. Due to the inherent uncertainty of the timing of the resolution of the underlying tax positions, it is not practicable to assign this liability to any particular years in the table.

Off-Balance Sheet Financing

We do not participate in, or secure, financings for any unconsolidated, special purpose entities.

Financial Strategies

General Risk Management Policies

We primarily use derivative instruments for hedging and risk management purposes. Hedging activities may be done for various purposes, including, but not limited to, mitigating the risks associated with an asset, liability, committed transaction or probable forecasted transaction. We seek to minimize counterparty credit risk through stringent credit approval and review processes, credit support agreements, continual review and monitoring of all counterparties, and thorough legal review of contracts. We also control exposure to market risk by regularly monitoring changes in hedge positions under normal and stress conditions to ensure they do not exceed established limits.

Our board of directors has adopted a financial risk management policy that authorizes us to enter into derivative transactions, and all transactions comply with the policy. We do not purchase or hold any derivative financial instruments for speculative purposes with the exception of equity rights obtained in connection with commercial agreements or strategic investments, usually in the form of warrants to purchase common shares.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are primarily exposed to the market risk associated with unfavorable movements in interest rates, foreign currencies, and equity prices. The risk inherent in our market risk sensitive instruments and positions is the potential loss arising from adverse changes in those factors.

Interest Rate Risk

The communications industry is a capital intensive, technology driven business. We are subject to interest rate risk primarily associated with our borrowings. Interest rate risk is the risk that changes in interest rates could adversely affect earnings and cash flows. Specific interest rate risk includes: the risk of increasing interest rates on floating-rate debt and the risk of increasing interest rates for planned new fixed rate long-term financings or refinancings.

Cash Flow Hedges

We periodically enter 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 our floating-rate debt to a fixed-rate. As of December 31, 2008, we had no outstanding interest rate cash flow hedges.
Fair Value Hedges

We periodically enter 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 our 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. As of December 31, 2008, we had no outstanding interest rate fair value hedges.

About 85% of our debt as of December 31, 2008 was fixed-rate debt. While changes in interest rates impact the fair value of this debt, there is no impact to earnings and cash flows because we intend to hold these obligations to maturity unless market and other conditions are favorable.

We perform interest rate sensitivity analyses on our variable rate debt. These analyses indicate that a one percentage point change in interest rates would have an annual pre-tax impact of $29.1 million on our consolidated statements of operations and cash flows for the year ended December 31, 2008. We also perform a sensitivity analysis on the fair market value of our outstanding debt. A 10% decline in market interest rates would cause a $979 million increase in the fair market value of our debt to $15.4 billion.

Foreign Currency Risk

We also enter into forward contracts and options in foreign currencies to reduce the impact of changes in foreign exchange rates. Our foreign exchange risk management program focuses on reducing transaction exposure to optimize consolidated cash flow. We use foreign currency derivatives to hedge our foreign currency exposure related to settlement of international telecommunications access charges and the operation of our international subsidiaries. The dollar equivalent of our net foreign currency payables from international settlements was $4 million and the net foreign currency receivables from international operations was $6 million as of December 31, 2008. The potential immediate pre-tax loss to us that would result from a hypothetical 10% change in foreign currency exchange rates based on these positions would be insignificant.

Equity Risk

We are exposed to market risk as it relates to changes in the market value of our investments. We invest in equity instruments of public and private companies for operational and strategic business purposes. These securities are subject to significant fluctuations in fair market value due to volatility of the stock market and industries in which the companies operate. These securities, which are classified in investments and marketable securities on the consolidated balance sheets, include equity method investments, such as our investment in Clearwire, investments in private securities, available-for-sale securities and equity derivative instruments.

Additional information regarding our derivative instruments can be found in note 10 of the Notes to Consolidated Financial Statements.

In certain business transactions, we are 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.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements required by this item begin on page F-1 of this annual report on Form 10-K and are incorporated herein by reference. The financial statement schedule required under Regulation S-X is filed pursuant to Item 15 of this annual report on Form 10-K and is incorporated herein by reference.
Evaluation of Disclosure Controls and Procedures

Disclosure controls are procedures that are designed with the objective of ensuring that information required to be disclosed in our reports under the Securities Exchange Act of 1934, such as this Form 10-K, is reported in accordance with the SEC’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, to allow timely decisions regarding required disclosure.

In connection with the preparation of this Form 10-K as of December 31, 2008, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the disclosure controls and procedures were effective as of December 31, 2008 in providing reasonable assurance that information required to be disclosed in reports we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure and in providing reasonable assurance that the information is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

We continue to update our internal control over financial reporting as necessary to accommodate any modifications to our business processes or accounting procedures. There have been no changes in our internal control over financial reporting that occurred during the fourth quarter 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes.

Our management conducted an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2008. This assessment was based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control—Integrated Framework. Based on this assessment, management believes that, as of December 31, 2008, our internal control over financial reporting was effective.

Our independent registered public accounting firm has issued a report on the effectiveness of our internal control over financial reporting. This report appears on page F-2.

Item 9B. Other Information

Not applicable
PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item regarding our directors is incorporated by reference to the information set forth under the captions “Election of Directors—Nominees for Director,” “—Board Committees and Director Meetings—The Audit Committee” and “—Board Committees and Director Meetings—The Nominating and Corporate Governance Committee” in our proxy statement relating to our 2009 annual meeting of shareholders, which will be filed with the SEC, and with respect to family relationships, to Part I of this report under “Executive Officers of the Registrant.” The information required by this item regarding our executive officers is incorporated by reference to Part I of this report under the caption “Executive Officers of the Registrant.” The information required by this item regarding compliance with Section 16(a) of the Securities Exchange Act of 1934 by our directors, executive officers and holders of ten percent of a registered class of our equity securities is incorporated by reference to the information set forth under the caption “Section 16(a) Beneficial Ownership Reporting Compliance” in our proxy statement relating to our 2009 annual meeting of shareholders, which will be filed with the SEC.

We have adopted the Sprint Nextel Code of Conduct, which applies to all of our directors, officers and employees. The Code of Conduct is publicly available on our website at http://www.sprint.com/governance. If we make any amendment to our Code of Conduct, other than a technical, administrative or non-substantive amendment, or if we grant any waiver, including any implicit waiver, from a provision of the Code of Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, we will disclose the nature of the amendment or waiver on our website at the same location. Also, we may elect to disclose the amendment or waiver in a current report on Form 8-K filed with the SEC.

Item 11. Executive Compensation

The information required by this item regarding compensation of executive officers and directors is incorporated by reference to the information set forth under the captions “Election of Directors—Compensation of Directors,” “Executive Compensation” and “Compensation Committee Report” in our proxy statement relating to our 2009 annual meeting of shareholders, which will be filed with the SEC. No information is required by this item regarding compensation committee interlocks.


The information required by this item, other than the equity compensation plan information presented below, is incorporated by reference to the information set forth under the captions “Security Ownership of Certain Beneficial Owners” and “Security Ownership of Directors and Executive Officers” in our proxy statement relating to our 2009 annual meeting of shareholders, which will be filed with the SEC.

Equity Compensation Plan Information

Currently we sponsor two active equity incentive plans, the 2007 Omnibus Incentive Plan, or 2007 Plan, and our Employee Stock Purchase Plan, or ESPP. We also sponsor the 1997 Long-Term Incentive Program, or the 1997 Program; the Nextel Incentive Equity Plan, or the Nextel Plan; and the Management Incentive Stock Option Plan, or the MISOP. On May 8, 2007, our shareholders approved the 2007 Plan, under which we may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other equity-based and cash awards to our employees, outside directors and certain other service providers. Under the 2007 Plan, the Compensation Committee of our board of directors, or one or more executive officers should the Compensation Committee so authorize, will determine the terms of each equity-based award. On February 11, 2008 and November 5, 2008, we made certain amendments to the 2007 Plan to comply with new tax regulations, including new regulations under Section 409A of the Internal Revenue Code. No new grants can be made under the 1997 Program, the Nextel Plan or the MISOP.
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The following table provides information about the shares of Series 1 common stock that may be issued upon exercise of awards as of December 31, 2008.

| Plan Category                                      | Number of Securities To be Issued Upon Exercise of Outstanding Options, (a) | Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b) | Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c) |
|---------------------------------------------------|--------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Equity compensation plans approved by shareholders of Series 1 common stock | 120,201,339$^{(1)(2)}$                                                   | $23.36$^{(3)}                                                                       | 187,273,476$^{(4)(5)(6)(7)}$                                                   |
| Equity compensation plans not approved by shareholders of Series 1 common stock | 33,217,574$^{(8)}$                                                      | 22.13                                                                               | —                                                                                |
| **Total**                                        | **153,418,913**                                                           | **22.13**                                                                            | **187,273,476**                                                                  |

(1) Includes 11,803,447 shares covered by options and 12,984,857 restricted stock units under the 2007 Plan, 58,930,644 shares covered by options and 6,151,590 restricted stock units outstanding under the 1997 Program and 26,070,750 shares covered by options outstanding under the MISOP. Also includes 28,919 shares of common stock issuable under the 2007 Plan as a result of the purchase of those shares by directors with fourth quarter 2008 fees and purchase rights to acquire 4,231,132 shares of common stock accrued at December 31, 2008 under the ESPP. Under the ESPP, each eligible employee may purchase common stock at quarterly intervals at a purchase price per share equal to 90% of the market value on the last business day of the offering period.

(2) Included in the total of 120,201,339 shares are 28,919 shares issued to directors under the 2007 Plan and 12,984,857 restricted stock units under the 2007 Plan, which will be counted against the 2007 Plan maximum in a 2.5 to 1 ratio.

(3) The weighted average exercise price does not take into account the shares of common stock issuable upon vesting of restricted stock units issued under the 1997 Program or the 2007 Plan. These restricted stock units have no exercise price. The weighted average price also does not take into account the 28,919 shares of common stock issuable as a result of the purchase of those shares by directors with fourth quarter 2008 fees; the purchase price of these shares was $1.85 for each share. The weighted average purchase price also does not take into account the 4,231,132 shares of common stock issuable as a result of the purchase rights accrued under the ESPP; the purchase price of these shares was $1.67 for each share.

(4) Of these shares, 176,685,247 shares of common stock were available under the 2007 Plan. Through December 31, 2008, 34,976,810 cumulative shares came from the 1997 Program, the Nextel Plan and the MISOP.

(5) Includes 10,588,229 shares of common stock available for issuance under the ESPP after issuance of the 4,231,132 shares purchased in the fourth quarter 2008 offering. See note 1 above.

(6) No new awards may be granted under the 1997 Program or the Nextel Plan after April 15, 2007.

(7) No new options may be granted under the MISOP and therefore this figure does not include any shares of our common stock that may be issued under the MISOP. Most options outstanding under the MISOP, however, grant the holder the right to receive additional options to purchase our common stock if the holder, when exercising a MISOP option, makes payment of the purchase price using shares of previously owned stock. The additional option gives the holder the right to purchase the number of shares of our common stock utilized in payment of the purchase price and tax withholding. The exercise price for this option is equal to the market price of the stock on the date the option is granted, and this option becomes exercisable one year from the date the original option is exercised. This option does not include a right to receive additional options.

(8) Consists of options outstanding under the Nextel Plan. There are no deferred shares outstanding under the Nextel Plan.
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Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item is incorporated by reference to the information set forth under the captions “Certain Relationships and Other Transactions” and “Election of Directors—Independence of Directors” in our proxy statement relating to our 2009 annual meeting of shareholders, which will be filed with the SEC.

Item 14. Principal Accountant Fees and Services

The information required by this item is incorporated by reference to the information set forth under the caption “Ratification of Independent Registered Public Accounting Firm” in our proxy statement relating to our 2009 annual meeting of shareholders, which will be filed with the SEC.
Item 15. Exhibits and Financial Statement Schedules

1. The consolidated financial statements of Sprint Nextel filed as part of this report are listed in the Index to Consolidated Financial Statements and Financial Statement Schedule.

2. The financial statement schedule of Sprint Nextel filed as part of this report is listed in the Index to Consolidated Financial Statements and Financial Statement Schedule.

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

<table>
<thead>
<tr>
<th>Exhibit No.</th>
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<tbody>
<tr>
<td>(2) Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession</td>
<td>Separation and Distribution Agreement by and between Sprint Nextel Corporation and Embarq Corporation, dated as of May 1, 2006</td>
<td>10-12B/A</td>
<td>001-32732</td>
<td>2.1</td>
<td>05/02/2006</td>
<td></td>
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<tr>
<td>(3) Articles of Incorporation and Bylaws</td>
<td>Amended and Restated Articles of Incorporation</td>
<td>8-K</td>
<td>001-04721</td>
<td>3.1</td>
<td>08/18/2005</td>
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<td>Amended and Restated Bylaws</td>
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<td>001-04721</td>
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<td>02/28/2007</td>
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</tr>
<tr>
<td>(4) Instruments Defining the Rights of Sprint Nextel Security Holders</td>
<td>The rights of Sprint Nextel’s equity security holders are defined in the Fifth, Sixth, Seventh and Eighth Articles of Sprint Nextel’s Articles of Incorporation. See Exhibit 3.1</td>
<td>8-K</td>
<td>001-04721</td>
<td>3.1</td>
<td>08/18/2005</td>
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<tr>
<td></td>
<td>Provision regarding Kansas Control Share Acquisition Act is in Article 2, Section 2.5 of the Bylaws. Provisions regarding Stockholders’ Meetings are set forth in Article 3 of the Bylaws. See Exhibit 3.2</td>
<td>8-K</td>
<td>001-04721</td>
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<td>02/28/2007</td>
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<td></td>
<td>Indenture, dated as of October 1, 1998, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee</td>
<td>10-Q</td>
<td>001-04721</td>
<td>4(b)</td>
<td>11/02/1998</td>
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<tr>
<td>4.3.2</td>
<td>First Supplemental Indenture, dated as of January 15, 1999, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee</td>
<td>8-K</td>
<td>001-04721</td>
<td>4(b)</td>
<td>02/03/1999</td>
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<td>4.3.3</td>
<td>Second Supplemental Indenture, dated as of October 15, 2001, among Sprint Capital Corporation, Sprint Corporation and Bank One, N.A., as Trustee</td>
<td>8-K</td>
<td>001-04721</td>
<td>99</td>
<td>10/29/2001</td>
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</table>

(10) Material Agreements:


10.2.1*** Letter Agreement between Motorola, Inc. and Nextel, dated November 4, 1991

10.2.2*** iDEN Infrastructure Supply Agreement between Motorola and Nextel, dated April 13, 1999

10.2.3*** Term Sheet for Subscriber Units and Services Agreement, dated December 31, 2003 between Nextel and Motorola

10.2.4 Second Extension Amendment to the iDEN Infrastructure 5 Year Supply Agreement, dated December 14, 2004, between Motorola, Inc. and Nextel Communications, Inc.

10.2.5*** Amendment Seven to the Term Sheet for Subscriber Units and Services Agreement, dated December 14, 2004, between Motorola, Inc. and Nextel Communications, Inc.

10.3.1 Credit Agreement, dated as of December 19, 2005, among Sprint Nextel Corporation, Sprint Capital Corporation and Nextel Communications, Inc., the lenders named therein, and JP Morgan Chase Bank, N.A. as Administrative Agent

10.3.2 Amendment No. 1 to Credit Agreement, dated as of November 3, 2008, among Sprint Nextel Corporation, Sprint Capital Corporation and Nextel Communications, Inc., the lenders named therein, and JP Morgan Chase Bank, N.A. as Administrative Agent
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<tr>
<td>10.4</td>
<td>Summary of First Quarter 2008 Short-Term Incentive Plan</td>
<td>8-K</td>
<td>001-04721</td>
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<td>02/15/2008</td>
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<td>10.5</td>
<td>Summary of Second, Third and Fourth Quarters 2008 Short-Term Incentive Plan</td>
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<td>001-04721</td>
<td>10.5</td>
<td>03/25/2008</td>
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<td>10.6</td>
<td>Summary of 2007 Short-Term Incentive Plan</td>
<td>10-K</td>
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<td>10.7</td>
<td>Sprint Nextel Short-Term Incentive Plan</td>
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<td>10.8</td>
<td>Sprint Nextel 2006-2007 Integration Overachievement Plan</td>
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<td>10.9</td>
<td>Sprint Nextel 1997 Long-Term Stock Incentive Program, as amended</td>
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<td>10.10</td>
<td>Form of 2004 Award Agreement (awarding stock options and restricted stock units) with Executive Officers</td>
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<td>001-04721</td>
<td>10.10</td>
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<td>10.11</td>
<td>Form of 2004 Award Agreement (awarding restricted stock units) with Directors</td>
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<td>11/09/2004</td>
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<td>10.12</td>
<td>Form of 2005 Award Agreement (awarding restricted stock units) with Directors</td>
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<td>02/14/2005</td>
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<td>10.13</td>
<td>Form of 2005 Award Agreement (awarding stock options and restricted stock units) with Executive Officers</td>
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<td>Form of Award Agreement for Restricted Stock Unit Awards under the 1997 Long-Term Stock Incentive Program for 2006 for the executive officers with Nextel employment agreements</td>
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<td>001-04721</td>
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<td>10.16</td>
<td>Form of Award Agreement for Restricted Stock Unit Awards under the 1997 Long-Term Stock Incentive Program for 2006 for executive officers</td>
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<td>10.17</td>
<td>Form of Award Agreement for Restricted Stock Unit Awards under the 1997 Long-Term Stock Incentive Program for retention awards made to certain executive officers</td>
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<td>10.18</td>
<td>Summary of 2008 Long-Term Incentive Plan</td>
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<td>001-04721</td>
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(10) **Executive Compensation Plans and Arrangements:**

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<td>Summary of 2007 Long-Term Incentive Plan</td>
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<td>10.20</td>
<td>Form of Award Agreement (awarding stock options and restricted stock units) under the 1997 Long-Term Incentive Program for 2007 for executive officers with Nextel employment agreements</td>
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<td>001-04721</td>
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<td>10.21</td>
<td>Form of Award Agreement (awarding stock options and restricted stock units) under the 1997 Long-Term Stock Incentive Program for 2007 for other executive officers</td>
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<td>Management Incentive Stock Option Plan, as amended</td>
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<td>10.25.1</td>
<td>Amended and Restated Employment Agreement, effective December 31, 2008, between Keith O. Cowan and Sprint Nextel Corporation</td>
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<td>10.25.2</td>
<td>Compensatory Agreement, dated June 11, 2008, between Keith O. Cowan and Sprint Nextel Corporation</td>
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<td>10.26.1</td>
<td>Amended and Restated Employment Agreement, effective December 31, 2008, between Robert L. Johnson and Sprint Nextel Corporation</td>
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<td>10.27.1</td>
<td>Amended and Restated Employment Agreement, effective December 31, 2008, between Steven L. Elfman and Sprint Nextel Corporation</td>
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<td>10.27.2</td>
<td>Litigation Release Arrangement with Steven L. Elfman</td>
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<td>Amended and Restated Employment Agreement, effective December 31, 2008, between Paget L. Alves and Sprint Nextel Corporation</td>
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<td>10.29</td>
<td>Amended and Restated Employment Agreement, effective December 31, 2008, between Charles R. Wunsch and Sprint Nextel Corporation</td>
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<td>10.30.1</td>
<td>Employment Agreement, dated April 1, 2004, between Paul N. Saleh and Nextel Communications, Inc.</td>
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<td>10.30.2</td>
<td>First Amendment to Employment Agreement, dated March 15, 2008, between Paul N. Saleh and Sprint Nextel Corporation</td>
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<td>Employment Agreement, dated as of March 15, 2005, by and among Nextel Communications, Inc. and William G. Arendt</td>
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<td>Sprint Nextel Deferred Compensation Plan, as amended and restated effective May 17, 2006</td>
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<td>10.35</td>
<td>Executive Deferred Compensation Plan, as amended and restated effective January 1, 2008</td>
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<td>10.36</td>
<td>Amended and Restated Centel Directors Deferred Compensation Plan</td>
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<td>10.37</td>
<td>Director’s Deferred Fee Plan, as amended</td>
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<td>10.38</td>
<td>Amended and Restated Sprint Nextel Corporation Change in Control Severance Plan effective as of January 1, 2008</td>
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<td>Summary of Amendments to the Sprint Supplemental Executive Retirement Plan</td>
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<td>10.40</td>
<td>Retirement Plan for Directors, as amended</td>
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<td>10.41</td>
<td>Form of Indemnification Agreement between Sprint Nextel and its Directors and Officers</td>
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<td>2007 Omnibus Incentive Plan Amended and Restated on November 5, 2008</td>
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<td>10.43</td>
<td>Form of Award Agreement (awarding restricted stock units) under the 2007 Omnibus Incentive Plan for Non-Employee Directors</td>
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<td>Form of Evidence of Restricted Stock Unit Award under the 2007 Omnibus Incentive Plan for Non-Employee Directors</td>
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<td>Summary of Benefits and Fees for Non-Employee Directors</td>
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<td>12</td>
<td>Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends</td>
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<td>Subsidiaries of the Registrant</td>
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<td>23</td>
<td>Consent of KPMG LLP, Independent Registered Public Accounting Firm</td>
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<td>31.1</td>
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</table>
Sprint Nextel will furnish to the SEC, upon request, copies of instruments defining the rights of holders of long-term debt not exceeding 10% of the total assets of Sprint Nextel.
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 NEXTEL CORPORATION
(Registrant)

By /s/ Daniel R. Hesse
    Daniel R. Hesse
Chief Executive Officer and President

Date: February 27, 2009

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 27th day of February, 2009.

/s/ Daniel R. Hesse
   Daniel R. Hesse
Chief Executive Officer and President

/s/ Robert H. Brust
   Robert H. Brust
Chief Financial Officer

/s/ Christopher J. Gregoire
   Christopher J. Gregoire
Vice President and 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 27th day of February, 2009.

<table>
<thead>
<tr>
<th>Signature</th>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/ JAMES H. HANCE, JR.</td>
<td>James H. Hance, Jr., Chairman</td>
<td></td>
</tr>
<tr>
<td>/s/ ROBERT R. BENNETT</td>
<td>Robert R. Bennett, Director</td>
<td></td>
</tr>
<tr>
<td>/s/ GORDON M. BETHUNE</td>
<td>Gordon M. Bethune, Director</td>
<td></td>
</tr>
<tr>
<td>/s/ LARRY C. G LASSOCK</td>
<td>Larry C. Glasscock, Director</td>
<td></td>
</tr>
<tr>
<td>/s/ DANIEL R. HESSE</td>
<td>Daniel R. Hesse, Director</td>
<td></td>
</tr>
<tr>
<td>/s/ V. JANET HILL</td>
<td>V. Janet Hill, Director</td>
<td></td>
</tr>
<tr>
<td>/s/ IRVINE O. HOCKADAY, JR.</td>
<td>Irvine O. Hockaday, Jr., Director</td>
<td></td>
</tr>
<tr>
<td>/s/ SVEN-CHRISTER NILSSON</td>
<td>Sven-Christer Nilsson, Director</td>
<td></td>
</tr>
<tr>
<td>/s/ WILLIAM R. NUTI</td>
<td>William R. Nuti, Director</td>
<td></td>
</tr>
<tr>
<td>/s/ RODNEY O’NEAL</td>
<td>Rodney O’Neal, Director</td>
<td></td>
</tr>
</tbody>
</table>
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<td>F-4</td>
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<tr>
<td>Consolidated Statements of Shareholders’ Equity for the years ended December 31, 2008, 2007 and 2006</td>
<td>F-6</td>
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<tr>
<td>Notes to Consolidated Financial Statements</td>
<td>F-8</td>
</tr>
</tbody>
</table>

1. Description of Operations  
2. Summary of Significant Accounting Policies and Other Information  
3. Investments  
4. Intangible Assets  
5. Long-Term Debt, Financing and Capital Lease Obligations  
6. Supplemental Balance Sheet Information  
7. Severance, Exit Costs and Asset Impairments  
8. Fair Value  
9. Income Taxes  
10. Derivative Instruments and Hedging Activities  
11. Shareholders’ Equity  
12. Share-Based Compensation  
13. Segments  
14. Commitments and Contingencies  
15. Quarterly Financial Data (Unaudited)  
16. Discontinued Operations  
17. Subsequent Events

**Financial Statement Schedule**  
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Sprint Nextel Corporation:

We have audited the accompanying consolidated balance sheets of Sprint Nextel Corporation and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, cash flows and shareholders’ equity for each of the years in the three-year period ended December 31, 2008. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule, Schedule II—Valuation and Qualifying Accounts. We also have audited Sprint Nextel Corporation’s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Sprint Nextel Corporation’s management is responsible for these consolidated financial statements and financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Sprint Nextel Corporation and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, Sprint Nextel Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in note 2 to the consolidated financial statements, the Company changed its method of quantifying errors in 2006.

/s/ KPMG LLP

Kansas City, Missouri
February 27, 2009
## SPRINT NEXTEL CORPORATION
### CONSOLIDATED BALANCE SHEETS

<table>
<thead>
<tr>
<th></th>
<th>December 31, 2008 (in millions)</th>
<th>December 31, 2007 (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$3,691</td>
<td>$2,246</td>
</tr>
<tr>
<td>Marketable debt securities</td>
<td>28</td>
<td>194</td>
</tr>
<tr>
<td>Accounts and notes receivable, net</td>
<td>3,361</td>
<td>4,196</td>
</tr>
<tr>
<td>Device and accessory inventory</td>
<td>528</td>
<td>938</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>93</td>
<td>447</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>643</td>
<td>640</td>
</tr>
<tr>
<td>Total current assets</td>
<td>8,344</td>
<td>8,661</td>
</tr>
<tr>
<td>Investments</td>
<td>4,064</td>
<td>165</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>22,373</td>
<td>26,636</td>
</tr>
<tr>
<td>Intangible assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>—</td>
<td>978</td>
</tr>
<tr>
<td>FCC licenses and other</td>
<td>19,320</td>
<td>21,123</td>
</tr>
<tr>
<td>Customer relationships, net</td>
<td>1,932</td>
<td>4,203</td>
</tr>
<tr>
<td>Other definite lived intangible assets, net</td>
<td>1,634</td>
<td>1,835</td>
</tr>
<tr>
<td>Other assets</td>
<td>585</td>
<td>694</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$58,252</td>
<td>$64,295</td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$2,138</td>
<td>$3,481</td>
</tr>
<tr>
<td>Accrued expenses and other current liabilities</td>
<td>3,525</td>
<td>3,960</td>
</tr>
<tr>
<td>Current portion of long-term debt and capital lease obligations</td>
<td>618</td>
<td>1,661</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>6,281</td>
<td>9,102</td>
</tr>
<tr>
<td>Long-term debt, financing and capital lease obligations</td>
<td>20,992</td>
<td>20,469</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>7,196</td>
<td>8,742</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>4,178</td>
<td>3,847</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>38,647</td>
<td>42,160</td>
</tr>
<tr>
<td>Commitments and contingencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shares, voting, par value $2.00 per share, 6.5 billion shares authorized, 2.951 billion shares issued and 2,857 billion shares outstanding and 2.951 billion shares issued and 2.845 billion shares outstanding</td>
<td>5,902</td>
<td>5,902</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>47,314</td>
<td>46,693</td>
</tr>
<tr>
<td>Treasury shares, at cost</td>
<td>(1,939)</td>
<td>(2,161)</td>
</tr>
<tr>
<td>Accumulated deficit</td>
<td>(31,148)</td>
<td>(28,188)</td>
</tr>
<tr>
<td>Accumulated other comprehensive loss</td>
<td>(524)</td>
<td>(111)</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td>19,605</td>
<td>22,135</td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td><strong>$58,252</strong></td>
<td><strong>$64,295</strong></td>
</tr>
</tbody>
</table>

See Notes to Consolidated Financial Statements
## SPRINT NEXTEL CORPORATION

### CONSOLIDATED STATEMENTS OF OPERATIONS

<table>
<thead>
<tr>
<th>Year Ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions, except per share amounts)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Net operating revenues

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$35,635</td>
<td>$40,146</td>
<td>$41,003</td>
</tr>
</tbody>
</table>

### Operating expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of services and products (exclusive of depreciation included below)</td>
<td>16,746</td>
<td>17,191</td>
<td>16,763</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>11,355</td>
<td>12,673</td>
<td>11,957</td>
</tr>
<tr>
<td>Severance, exit costs and asset impairments</td>
<td>817</td>
<td>440</td>
<td>207</td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>963</td>
<td>29,649</td>
<td>—</td>
</tr>
<tr>
<td>Depreciation</td>
<td>5,953</td>
<td>5,621</td>
<td>5,738</td>
</tr>
<tr>
<td>Amortization</td>
<td>2,443</td>
<td>3,312</td>
<td>3,854</td>
</tr>
<tr>
<td></td>
<td>38,277</td>
<td>68,886</td>
<td>38,519</td>
</tr>
</tbody>
</table>

### Operating (loss) income

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2,642)</td>
<td>(28,740)</td>
<td>2,484</td>
<td></td>
</tr>
</tbody>
</table>

### Other (expense) income

<table>
<thead>
<tr>
<th>Category</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense</td>
<td>(1,362)</td>
<td>(1,433)</td>
<td>(1,533)</td>
</tr>
<tr>
<td>Interest income</td>
<td>97</td>
<td>151</td>
<td>301</td>
</tr>
<tr>
<td>Equity in losses of unconsolidated affiliates and other, net</td>
<td>(129)</td>
<td>(6)</td>
<td>26</td>
</tr>
<tr>
<td>Realized (loss) gain on sale or exchange of investments, net</td>
<td>(24)</td>
<td>253</td>
<td>205</td>
</tr>
<tr>
<td></td>
<td>(1,418)</td>
<td>(1,035)</td>
<td>(1,001)</td>
</tr>
</tbody>
</table>

### (Loss) income from continuing operations before income taxes

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(4,060)</td>
<td>(29,775)</td>
<td>1,483</td>
<td></td>
</tr>
</tbody>
</table>

### Income tax benefit (expense)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,264</td>
<td>331</td>
<td>(488)</td>
<td></td>
</tr>
</tbody>
</table>

### (Loss) income from continuing operations

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2,796)</td>
<td>(29,444)</td>
<td>995</td>
<td></td>
</tr>
</tbody>
</table>

### Discontinued operations, net

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>334</td>
</tr>
</tbody>
</table>

### Net (loss) income

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2,796)</td>
<td>(29,444)</td>
<td>1,329</td>
<td></td>
</tr>
</tbody>
</table>

### Preferred share dividends

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>—</td>
<td>—</td>
<td>(2)</td>
</tr>
</tbody>
</table>

### (Loss) income available to common shareholders

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ (2,796)</td>
<td>$ (29,444)</td>
<td>$ 1,327</td>
<td></td>
</tr>
</tbody>
</table>

### Basic and diluted (loss) earnings per common share

<table>
<thead>
<tr>
<th>Category</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing operations</td>
<td>$ (0.98)</td>
<td>$ (10.27)</td>
<td>$ 0.34</td>
</tr>
<tr>
<td>Discontinued operations, net</td>
<td>—</td>
<td>—</td>
<td>0.11</td>
</tr>
<tr>
<td>Total</td>
<td>$ (0.98)</td>
<td>$ (10.27)</td>
<td>$ 0.45</td>
</tr>
</tbody>
</table>

### Basic weighted average common shares outstanding

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,854</td>
<td>2,868</td>
<td>2,950</td>
<td></td>
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</tbody>
</table>

### Diluted weighted average common shares outstanding

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,854</td>
<td>2,868</td>
<td>2,972</td>
<td></td>
</tr>
</tbody>
</table>

---

*See Notes to Consolidated Financial Statements*

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SPRINT NEXTEL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

F-5

See Notes to Consolidated Financial Statements
### SPRINT NEXTEL CORPORATION

#### CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY

*(in millions)*

<table>
<thead>
<tr>
<th>Common Shares</th>
<th>Treasury Shares</th>
<th>Comprehensive Income (Loss)</th>
<th>Accumulated Deficit/Retained Earnings</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares (2)</td>
<td>Amount</td>
<td>Shares Amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, January 1, 2006</td>
<td>2,961</td>
<td>$ 5,846</td>
<td>$46,136</td>
<td>—</td>
<td>$ 681</td>
</tr>
<tr>
<td>Cumulative effect of adopting SAB No. 108 (1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(50)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td></td>
<td></td>
<td>$ 1,329</td>
<td>1,329</td>
<td>1,329</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrecognized net periodic pension and other postretirement benefit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>cost</td>
<td></td>
<td></td>
<td>(17)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td></td>
<td></td>
<td>9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized holding gains on securities</td>
<td></td>
<td></td>
<td>203</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustment for realized gains on securities</td>
<td></td>
<td></td>
<td>(288)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrealized holding losses on qualifying cash flow hedges</td>
<td></td>
<td></td>
<td>(148)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustments for losses on cash flow hedges</td>
<td></td>
<td></td>
<td>157</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td></td>
<td></td>
<td>(84)</td>
<td>(84)</td>
<td>(84)</td>
</tr>
<tr>
<td>Issuance of common shares, net</td>
<td>28</td>
<td>56</td>
<td>324</td>
<td>(6)</td>
<td>95</td>
</tr>
<tr>
<td>Purchase of common shares</td>
<td>98</td>
<td>(1,643)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shares dividends</td>
<td></td>
<td></td>
<td>(294)</td>
<td>(294)</td>
<td></td>
</tr>
<tr>
<td>Preferred shares dividends</td>
<td></td>
<td></td>
<td>(2)</td>
<td>(2)</td>
<td></td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td></td>
<td></td>
<td>354</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conversion of non-voting common shares to voting common shares</td>
<td>(38)</td>
<td>—</td>
<td>(623)</td>
<td>(38)</td>
<td>623</td>
</tr>
<tr>
<td>Accelerated vesting of Nextel share-based awards</td>
<td></td>
<td></td>
<td>51</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spin-off of local communications business</td>
<td></td>
<td></td>
<td>662</td>
<td>1,063</td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 2006</td>
<td>2,951</td>
<td>5,902</td>
<td>46,664</td>
<td>54</td>
<td>(925)</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td></td>
<td></td>
<td>(29,444)</td>
<td>(29,444)</td>
<td>(29,444)</td>
</tr>
<tr>
<td>Other comprehensive income (loss), net of tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrecognized net periodic pension and other postretirement benefit</td>
<td></td>
<td></td>
<td>cost</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td></td>
<td></td>
<td>16</td>
<td></td>
<td></td>
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<tr>
<td>Unrealized holding gains on securities</td>
<td></td>
<td></td>
<td>10</td>
<td></td>
<td></td>
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<tr>
<td>Reclassification adjustment for realized gains on securities</td>
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<td></td>
<td>(3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Comprehensive loss</td>
<td></td>
<td></td>
<td>(29,407)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adoption of FIN 48 (4)</td>
<td></td>
<td></td>
<td>4</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Issuance of common shares, net</td>
<td>(36)</td>
<td>(35)</td>
<td>597</td>
<td>(102)</td>
<td></td>
</tr>
<tr>
<td>Purchase of common shares</td>
<td>87</td>
<td>(1,833)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Common shares dividends</td>
<td></td>
<td></td>
<td>(286)</td>
<td>(286)</td>
<td></td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td></td>
<td></td>
<td>263</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment dilution due to affiliate equity issuances, net</td>
<td>(213)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 2007</td>
<td>2,951</td>
<td>5,902</td>
<td>46,693</td>
<td>106</td>
<td>(2,161)</td>
</tr>
</tbody>
</table>
Table of Contents

SPRINT NEXTEL CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS’ EQUITY—(Continued)
(in millions)

<table>
<thead>
<tr>
<th>Common Shares</th>
<th>Treasury Shares</th>
<th>Comprehensive Income (Loss)</th>
<th>(Accumulated Deficit)/Retained Earnings</th>
<th>Accumulated Other Comprehensive Loss</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shares</td>
<td>Amount</td>
<td>Capital</td>
<td>Shares</td>
<td>Amount</td>
<td>(2,161)</td>
</tr>
<tr>
<td>Balance, January 1, 2008</td>
<td>2,951</td>
<td>5,902</td>
<td>46,693</td>
<td>106</td>
<td>(2,161)</td>
</tr>
<tr>
<td>Comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other comprehensive income (loss), net of tax</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Unrecognized net periodic pension and other postretirement benefit cost</td>
<td></td>
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<tr>
<td>Foreign currency translation adjustment</td>
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<td></td>
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<tr>
<td>Unrealized holding losses on securities</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Reclassification adjustment for realized losses on securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Comprehensive loss</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issuance of common shares, net</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on deconsolidation of net assets contributed to Clearwire</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share-based compensation expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, December 31, 2008</td>
<td>2,951</td>
<td>5,902</td>
<td>47,314</td>
<td>94</td>
<td>1,839</td>
</tr>
</tbody>
</table>

(1) Previously reported accumulated deficit as of December 31, 2007 has been decreased by $136 million related to the goodwill impairment charge and depreciation adjustments made in 2008. See note 2 for further information.
(2) See note 11 for information regarding common shares.
(3) See note 2 for details of adoption of SAB No. 108.
(4) See note 9 for details of adoption of FIN 48.
(5) On November 28, 2008, we recorded a $424 million gain on the deconsolidation of net assets contributed to Clearwire, net of $260 million in related taxes. See note 3 for details of this transaction.

See Notes to Consolidated Financial Statements

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We are a communications company offering a comprehensive range of wireless and wireline communications products and services that are designed to meet the needs of individual consumers, businesses and government subscribers. We have organized our operations to meet the needs of our targeted customer groups through focused communications solutions that incorporate the capabilities of our wireless and wireline services. We are one of the three largest wireless companies in the United States based on the number of wireless subscribers. We own extensive wireless networks and a global long distance, Tier 1 Internet backbone. Our Series 1 voting common stock trades on the New York Stock Exchange under the symbol “S.”

We offer digital wireless service in all 50 states, Puerto Rico and the U.S. Virgin Islands under the Sprint® brand name utilizing wireless code division multiple access, or CDMA, technology. We offer digital wireless services under our Nextel® brand name using integrated Digital Enhanced Network, or iDEN®, technology. We offer our wireless services on a post-paid and prepaid payment basis, including our Boost Mobile® prepaid wireless service. We are one of the largest providers of long distance services and one of the largest carriers of Internet traffic in the nation.

On November 28, 2008, we closed a transaction with Clearwire Corporation and its subsidiary Clearwire Communications LLC, which we refer to on a consolidated basis as Clearwire, to combine our next-generation wireless broadband businesses. At closing, we contributed $3.3 billion of net assets including our 2.5 gigahertz, or GHz, spectrum and Worldwide Interoperability for Microwave Access, or WiMAX, related assets. In exchange, we received 370 million Class B common shares and common interests in Clearwire Corporation and Clearwire Communications LLC, respectively, which as of December 31, 2008, represented approximately 53% of the voting power in Clearwire Corporation and approximately 53% of the economic interests in Clearwire Communications. Our ownership percentage was subject to change based on the trading price of Clearwire’s stock during the 90 days after close. Accordingly, as of February 26, 2009 our ownership percentage has been adjusted to 51%. The book value of our investment as of December 31, 2008 is $3.9 billion, which represents our share of Clearwire’s net assets. We expect the book value of our investment will decline due to the settlement of the post closing 90-day ownership adjustment and is also expected to decline in the immediate future as we account for our share of Clearwire’s losses. Clearwire is deploying WiMAX technology, a fourth generation, or 4G, technology, as a new network in markets that we serve. The services supported by these technologies give subscribers with compatible devices high-speed access to the Internet and a variety of increasingly sophisticated data services.

On May 17, 2006, we spun-off to our shareholders our local communications business, which is now known as Embarq Corporation and is comprised primarily of what was our Local segment as reported in our consolidated financial statements in prior periods. The results of operations and the operating cash flows from this business are presented as discontinued operations for all periods presented. The footnotes accompanying these consolidated financial statements reflect our continuing operations and, unless otherwise noted, exclude information related to Embarq. See note 16 for additional information regarding this transaction.

Consolidation Policies

The consolidated financial statements include our accounts, and those of our wholly owned subsidiaries, and subsidiaries we control or in which we have a controlling financial interest. All significant intercompany transactions and balances have been eliminated in consolidation. We use the equity method to account for equity investments in unconsolidated entities in which we have the ability to exercise significant influence over operating and financial policies. We recognize all changes in our proportionate share of the equity of these entities resulting from their equity transactions as adjustments to our investment and shareholders’ equity balances.
Estimates, Adoption of SAB No. 108 and Reclassifications

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the balance sheet as well as the reported amounts of revenues and expenses during the reporting periods. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates.

During the fourth quarter 2007, we performed our annual goodwill analysis and recorded a non-cash goodwill impairment charge of $29.729 billion. We subsequently determined that certain net assets should not have been assigned to the wireless reporting unit. Consequently, the 2007 goodwill impairment charge has been reduced by $80 million to $29.649 billion. We also reduced our 2007 depreciation expense by $90 million ($56 million after-tax) from $5.711 billion to $5.621 billion, due principally to the revision of depreciation expense relating to property, plant and equipment from a previous acquisition, once those assets were loaded into our asset subledger and depreciation was calculated systematically rather than manually. As a result of the foregoing, the 2007 net loss and loss per share are $29.444 billion and $10.27, respectively, as compared to the previously reported amounts of $29.580 billion and $10.31, respectively. The accompanying December 31, 2007 consolidated balance sheet reflects the immaterial adjustments to goodwill, property, plant and equipment, deferred tax liabilities and accumulated deficit.

Effective January 1, 2006, we adopted Staff Accounting Bulletin, or SAB, No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, and we recorded an $81 million increase to the deferred rent liability related to the cumulative effect of certain lease accounting misstatements as of December 31, 2005. In addition, we reduced retained earnings by $50 million and recorded $31 million as a deferred tax asset.

Certain prior period amounts have been reclassified to conform to the current period presentation.

Significant Accounting Policies

Cash and Cash Equivalents

Cash equivalents generally include highly liquid investments with maturities at the time of purchase of three months or less. These investments include money market funds, U.S. government and government-sponsored debt securities, corporate debt securities, municipal securities, bank-related securities, and credit and debit card transactions in process.

Supplemental Cash Flow Information from Continuing Operations

<table>
<thead>
<tr>
<th></th>
<th>Year Ended December 31,</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2008</td>
</tr>
<tr>
<td>Interest paid, net of capitalized interest</td>
<td>$1,421</td>
</tr>
<tr>
<td>Interest received</td>
<td>92</td>
</tr>
<tr>
<td>Income tax (refunds) payments, net</td>
<td>(30)</td>
</tr>
</tbody>
</table>
Our non-cash activities included the following:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Conversion of non-voting common shares to voting common shares</td>
<td>—</td>
<td>—</td>
<td>623</td>
</tr>
<tr>
<td>Employee stock purchase plans</td>
<td>5</td>
<td>15</td>
<td>44</td>
</tr>
<tr>
<td>2.5 GHz spectrum acquisition</td>
<td>4</td>
<td>100</td>
<td>—</td>
</tr>
</tbody>
</table>

**Investments**

We record our investments in debt securities at amortized cost and classify these securities as current assets on the consolidated balance sheets when the original maturities at purchase are greater than 90 days but less than one year. Interest on investments in debt securities is reinvested and included in interest income in the consolidated statements of operations.

We record our investments in marketable equity securities at fair value as we consider them available-for-sale securities. Accordingly, we record unrealized holding gains and losses on these securities in accumulated other comprehensive income (loss), net of related income tax. Realized gains or losses are measured and reclassified from accumulated other comprehensive income (loss) into earnings based on identifying the specific investments sold or where an other-than-temporary impairment exists. We account for any additional contributions as an increase to the investments and any distributions or dividends from the investee as a decrease to the investment. We record our investment in non-marketable equity securities at cost.

We account for certain of our investments using the equity method based on our ownership interest and our ability to exercise significant influence. Accordingly, we record our investment initially at cost and we adjust the carrying amount of the investment to recognize our share of the earnings or losses of the investee each reporting period subsequent to the investment date. We cease to recognize investee losses when our investment basis is zero.

We evaluate our investments for other-than-temporary impairment on a quarterly basis. Other-than-temporary impairment occurs when the fair value of an investment is below our carrying value, and we determine that difference is not recoverable in the near future. This evaluation requires significant judgment regarding, but not limited to, the severity and duration of the impairment; our ability and intent to hold the securities until recovery; financial condition, liquidity, and near-term prospects of the issuer, specific events, and other factors.

**Allowance for Doubtful Accounts**

We establish an allowance for doubtful accounts receivable sufficient to cover probable and reasonably estimable losses. Because of the number of accounts that we have, it is not practical to review the collectibility of each of those accounts individually when we determine the amount of our allowance for doubtful accounts each period, although we do perform some account level analysis with respect to large wireless and wireline subscribers. Our estimate of the allowance for doubtful accounts considers a number of factors, including collection experience, aging of the accounts receivable portfolios, the credit quality of our subscriber base, estimated proceeds from future bad debt sales, and other qualitative considerations, including macro-economic factors.
Device and Accessory Inventory

Inventories of handsets and accessories in the Wireless segment are stated at the lower of cost or market. We determine cost by the first-in, first-out, or FIFO, method. Handset costs and related revenues generated from handset sales, or handset subsidies, are recognized at the time of sale. We do not recognize the expected handset subsidies prior to the time of sale because the promotional discount decision is generally made at the point of sale and because we expect to recover the handset subsidies through service revenues.

We analyze the realizable value of our handset and other inventory on a quarterly basis. This analysis includes assessing obsolescence, sales forecasts, product life cycle, marketplace and other considerations. If our assessments regarding the above factors change, we may be required to sell handsets at a higher subsidy or potentially record expense in future periods prior to the point of sale to the extent that we expect that we will be unable to sell handsets with a service contract.

Property, Plant and Equipment

We record property, plant and equipment, or PP&E, including improvements that extend useful lives, at cost. PP&E primarily includes network equipment, site costs, buildings and improvements, software, office equipment and non-network internal use software, all of which are being depreciated as they have been placed into service, as well as network asset inventory and construction in progress, which are not depreciated until they are placed in service. Network equipment, site costs and software includes switching equipment and cell site towers, base transceiver stations, site development costs, other radio frequency equipment, internal use software, digital fiber optic cable, conduit, transport facilities and transmission-related equipment. Buildings and improvements principally consists of owned general office facilities, retail stores and leasehold improvements. Non-network internal use software, office equipment and other primarily consists of furniture, information technology systems and equipment and vehicles. Network asset inventory and construction in progress primarily includes materials, transmission and related equipment, labor, engineering, site development costs, interest and other costs relating to the construction and development of our network. Capitalized interest incurred in connection with the construction of capital assets totaled $123 million in 2008, $127 million in 2007 and $113 million in 2006. Repair and maintenance costs and research and development costs are expensed as incurred.

We capitalize costs for network and non-network software developed or obtained for internal use during the application development stage. These costs are included in PP&E and, when the software is placed in service, are depreciated over estimated useful lives of up to 8.5 years. Costs incurred during the preliminary project and post-implementation stage, as well as maintenance and training costs, are expensed as incurred.

The cost of PP&E generally is depreciated on a straight-line basis over estimated economic useful lives. Amortization of assets recorded under capital leases is recorded in depreciation expense. We depreciate leasehold improvements over the shorter of the lease term or the estimated useful life of the respective assets. We depreciate buildings, network equipment, site costs and software over estimated useful lives of up to 30 years, with about 94% of those assets being depreciated over lives of five to 15 years, and non-network internal use software, office equipment and other depreciable property, plant and equipment over estimated useful lives of up to 12 years, with about 87% of those assets being depreciated over lives of three to five years. We calculate depreciation on certain of our assets using the group life method. Accordingly, ordinary asset retirements and disposals on those assets are charged against accumulated depreciation with no gain or loss recognized. Gains or losses associated with non-monetary exchanges and asset retirements or disposals on non-network equipment are recorded within asset impairments in the consolidated statement of operations.

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Since changes in technology, changes in our intended use of these assets, as well as changes in broad economic or industry factors, may cause the estimated period of use of these assets to change, we perform annual studies to confirm the appropriateness of depreciable lives of most categories of PP&E. These studies take into account actual usage, physical wear and tear, replacement history and assumptions about technology evolution, to calculate the remaining life of our asset base. When these factors indicate the useful lives of PP&E are different from the previous assessment, we depreciate the remaining book values prospectively over the adjusted estimated useful lives.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. We determine our long-lived asset groups based upon certain factors including assessing the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. Our asset groups consist of wireless and wireline, and the wireless asset group currently includes our intangible assets and our wireless property, plant and equipment. Indicators of impairment include, but are not limited to, a sustained significant decrease in the market price of, or the cash flows expected to be derived from, the asset groups, or a significant change in the extent or manner in which the assets in the group are utilized. A significant amount of judgment is involved in determining the occurrence of an indicator of impairment that requires an evaluation of the recoverability of our long-lived assets. If the total of the expected undiscounted future cash flows is less than the carrying amount of our assets, a loss is recognized for the difference between the estimated fair value and book value of the assets. Impairment analyses, when performed, are based on our current business and technology strategy, our views of growth rates for our business, anticipated future economic and regulatory conditions and expected technological availability. See note 4 for additional information.

In addition to the analyses described above, we periodically assess certain assets that have not yet been deployed in our business, including network equipment, cell site development costs and software in development, to determine if an impairment charge is required. Network equipment and cell site development costs are impaired whenever events or changes in circumstances cause us to conclude the assets are no longer needed to meet management’s strategic network plans and will not be deployed. Software development costs are impaired when it is no longer probable that the software project will be deployed. We also periodically assess network equipment that has been removed from the network to determine if an impairment charge is required. See note 7 for additional information. If we continue to have challenges retaining subscribers and as we continue to assess the impact of rebanding the iDEN network, management may conclude in future periods that certain CDMA and iDEN assets will not be either deployed or redeployed, in which case we would recognize a non-cash impairment charge that could be material to our results of operations and financial condition.

**Intangible Assets**

**Goodwill and Other Indefinite Lived Intangibles**

Goodwill represents the premium paid over the fair value of the net tangible and intangible assets we have acquired in business combinations. We have also acquired several kinds of Federal Communications Commission, or FCC, licenses, primarily through FCC auctions and business combinations, to deploy our wireless services. We have identified our FCC licenses and our Sprint and Boost Mobile trademarks as indefinite lived intangible assets, in addition to our previously recorded goodwill, 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. Refer to note 4 for additional description of our impairment testing policies for these assets.
Definite Lived Intangible Assets

Definite lived intangible assets consist primarily of customer relationships that are amortized over two to five years using the sum of the years' digits method, which we believe best reflects the estimated pattern in which the economic benefits will be consumed. Other definite lived intangible assets primarily include certain rights under affiliation agreements that we reacquired in connection with the acquisitions of the third party affiliates that provide service on our CDMA network (the PCS Affiliates), and Nextel Partners, Inc., which are being amortized over the remaining terms of those affiliation agreements on a straight-line basis, and the Nextel and Direct Connect trade names, which are being amortized over ten years from the date of the Sprint-Nextel merger on a straight-line basis. We also evaluate the remaining useful lives of our definite lived intangible assets each reporting period to determine whether events or circumstances warrant a revision to the remaining periods of amortization, which would be addressed prospectively.

We review our long-lived intangible asset groups for impairment under the same policy described above for property, plant and equipment; that is, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment analyses, when performed, are based on our current business and technology strategy, our views of growth rates for our business, anticipated future economic and regulatory conditions and expected technological availability. In addition, when our annual goodwill test requires us to determine the implied fair value of our goodwill, we also evaluate the recorded value of our long-lived assets for impairment.

Income Taxes

Income taxes are accounted for using the asset/liability approach in accordance with Statement of Financial Accounting Standards, or SFAS, No. 109, Accounting for Income Taxes. Deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted statutory tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are also recorded for net operating loss, capital loss and tax credit carryforwards. We are required to estimate the amount of taxes payable or refundable for the current year and the deferred tax liabilities and assets for the future tax consequences of events that have been reflected in our consolidated financial statements or tax returns for each taxing jurisdiction in which we operate. This process requires management to make assessments regarding the timing and probability of the ultimate tax impact. We record valuation allowances on deferred tax assets if we determine that it is more likely than not that the asset will not be realized. Additionally, we establish reserves for uncertain tax positions based upon our judgment regarding potential future challenges to those positions. We recognize interest related to unrecognized tax benefits in interest expense or interest income. We recognize penalties as additional income tax expense.

We adopted Financial Accounting Standards Board, or FASB, Interpretation No. 48, Accounting for Uncertainty in Income Taxes, or FIN 48, on January 1, 2007. The accounting estimates related to the liability for uncertain tax positions require us to make judgments regarding the sustainability of each uncertain tax position based on its technical merits. If we determine it is more likely than not a tax position will be sustained based on its technical merits, we record the impact of the position in our consolidated financial statements at the largest amount that is greater than fifty percent likely of being realized upon ultimate settlement. These estimates are updated at each reporting date based on the facts, circumstances and information available. We are also required to assess at each reporting date whether it is reasonably possible that any significant increases or decreases to the unrecognized tax benefits will occur during the next twelve months. See note 9 for more information.
Benefit Plans

We provide a defined benefit pension plan and certain other postretirement benefits to certain employees, and we sponsor a defined contribution plan for all employees. As of December 31, 2008 and 2007, the fair value of our plan assets in aggregate was $896 million and $1.4 billion, respectively, and the fair value of our benefit obligations in aggregate was $1.7 billion and $1.6 billion, respectively. As a result, the aggregated amount of all underfunded plans was $805 million at December 31, 2008 and $217 million at December 31, 2007, and was recorded as a liability in our consolidated balance sheet. The offset to the liability is recorded in equity as a component of accumulated other comprehensive loss, net of tax, including the 2008 adjustment of $379 million. The funded status of the plan was affected primarily by the significant decrease in the fair value of the plan assets caused by the poor performance in the financial markets during 2008 and by a slight decrease in the discount rate used to calculate the benefit obligation. We intend to make future cash contributions to the defined benefit pension plan in an amount necessary to meet minimum funding requirements according to applicable benefit plan regulations. We estimate the funding contribution will range between approximately $100 million and $200 million during 2009.

At the time of the Sprint-Nextel merger, we did not extend plan participation in the defined benefit pension plan or other postretirement benefits to Nextel employees and amended our postretirement medical benefit plan to only include employees designated to work for Embarq and employees who were employed by us prior to the Sprint-Nextel merger and born before 1956. As of December 31, 2005, the pension plan was also amended to freeze benefit plan accruals for participants not designated to work for Embarq following the spin-off. As of May 17, 2006, in connection with the spin-off of Embarq, accrued pension benefit obligations and postretirement benefit obligations for participants designated to work for Embarq and related plan assets were transferred to Embarq. The aggregate plan activity, including net expense of $2 million in 2008, $18 million in 2007 and $34 million in 2006, and related disclosures are not material to us as of December 31, 2008 and 2007.

Under our defined contribution plan, participants may contribute a portion of their eligible pay to the plan through payroll withholdings. In 2008, 2007 and 2006, we matched in cash 100% of participants’ contributions up to 5% of their eligible compensation. In prior years, participants’ contributions were matched with our common stock. Our total matching contributions were $119 million in 2008, $128 million in 2007 and $126 million in 2006.

Derivative Instruments and Hedging Activities

We recognize derivative instruments as either assets or liabilities in our consolidated balance sheets and measure those instruments at fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income (loss) depending on the use of the derivative and whether it qualifies for hedge accounting.

We use derivative instruments only for hedging and risk management purposes. Hedging activity may be done for purposes of mitigating the risks associated with an asset, liability, committed transaction or probable forecasted transaction. We are primarily exposed to the market risk associated with unfavorable movements in interest rates, equity prices and foreign currencies. We do not enter into derivative transactions for speculative or trading purposes.

At inception and on an on-going basis, we assess whether each derivative that qualifies for hedge accounting continues to be highly effective in offsetting changes in the cash flows or fair value of the hedged item. If and when a derivative instrument is no longer expected to be highly effective, hedge accounting is discontinued. Hedge ineffectiveness, if any, is included in current period earnings.
Treasury Shares

Shares of common stock repurchased by us are recorded at cost as treasury shares and result in a reduction of shareholders’ equity. We reissue treasury shares as part of our shareholder approved stock-based compensation programs, as well as upon conversion of outstanding securities that are convertible into common stock. When shares are reissued, we determine the cost using the FIFO method.

Revenue Recognition

Operating revenues primarily consist of wireless service revenues, revenues generated from handset and accessory sales, revenues from wholesale operators and PCS Affiliates, as well as long distance voice, data and Internet revenues. Service revenues consist of fixed monthly recurring charges, variable usage charges such as roaming, directory assistance, and operator-assisted calling and miscellaneous fees, such as activation, upgrade, late payment, reconnection and early termination fees and certain regulatory related fees. We recognize service revenues as services are rendered and equipment revenue when title passes to the dealer or end-user customer. We recognize revenue for access charges and other services charged at fixed amounts ratably over the service period, net of credits and adjustments for service discounts, billing disputes and fraud or unauthorized usage. We recognize excess wireless usage and long distance revenue at contractual rates per minute as minutes are used. Additionally, we recognize excess wireless data usage based on kilobytes and one-time use charges, such as for the use of premium services, when rendered. As a result of the cutoff times of our multiple billing cycles each month, we are required to estimate the amount of subscriber revenues earned but not billed from the end of each billing cycle to the end of each reporting period. These estimates are based primarily on rate plans in effect and our historical usage and billing patterns. Regulatory fees and costs are recorded gross. The largest component of the regulatory fees is universal service fund, which represented about 2% of net operating revenue in 2008, 2007 and 2006.

The accounting estimates related to the recognition of revenue in the results of operations require us to make assumptions about future billing adjustments for disputes with subscribers, unauthorized usage, future returns and mail-in rebates on handset sales.

Dealer Commissions

Cash consideration given by us to a dealer or end-user customer is presumed to be a reduction of revenue unless we receive, or will receive, an identifiable benefit in exchange for the consideration, and the fair value of such benefit can be reasonably estimated, in which case the consideration will be recorded as a selling expense. We compensate our dealers using specific compensation programs related to the sale of our handsets and our subscriber service contracts, or both. When a commission is earned by a dealer solely due to a selling activity relating to wireless service, the cost is recorded as a selling expense. When a commission is earned by a dealer due to the dealer selling one of our handsets, the cost is recorded as a reduction to equipment revenue.

Advertising Costs

We recognize advertising expense as incurred. These expenses include production, media and other promotional and sponsorship costs. Advertising expenses totaled $1.5 billion in 2008, $1.8 billion in 2007 and $1.6 billion in 2006.
Share-Based Compensation

We measure the cost of employee services received in exchange for an award of equity-based securities using the fair value of the award on the date of the grant, and we recognize that cost over the period that the award recipient is required to provide service to us in exchange for the award. Any awards of liability instruments to employees would be measured at fair value at each reporting date through settlement. Share-based compensation cost related to awards with graded vesting is recognized using the straight-line method. See note 12 for additional information.

Severance and Exit Costs

We recognize liabilities for severance and exit costs based upon the nature of the cost to be incurred. For involuntary separation plans that are completed within the guidelines of our written involuntary separation plan, we record the liability when it is probable and reasonably estimable. For voluntary separation plans, or VSP, the liability is recorded when the VSP is irrevocably accepted by the employee. For one-time termination benefits, such as additional severance pay or benefit payouts, and other exit costs, such as lease termination costs, the liability is measured and recognized initially at fair value in the period in which the liability is incurred, with subsequent changes to the liability recognized as adjustments in the period of change. When a business combination has occurred, we record severance and lease exit costs as part of the purchase price allocation. See note 7 for additional information.

Earnings (Loss) per Common Share

Basic earnings (loss) per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share adjusts basic earnings (loss) per common share for the effects of potentially dilutive common shares, if the effect is not antidilutive. Potentially dilutive common shares include the dilutive effects of shares issuable under our equity plans computed using the treasury stock method, and the dilutive effects of shares issuable upon the conversion of our convertible senior notes computed using the if-converted method.

Shares issuable under our equity plans were antidilutive in 2008 because we incurred a net loss from continuing operations. All 11 million shares issuable upon the assumed conversion of our convertible senior notes could potentially dilute earnings per common share in the future; however, they were excluded from the calculation of diluted loss per common share in 2008 due to their antidilutive effects. Additionally, as of December 31, 2008, there were about 130 million average shares issuable under the equity plans that had exercise prices that exceeded the average market price that could also potentially dilute earnings per common share in the future.

Shares issuable under our equity plans were antidilutive in 2007 because we incurred a net loss from continuing operations. All 11 million shares issuable upon the assumed conversion of our convertible senior notes could potentially dilute earnings per common share in the future; however, they were excluded from the calculation of diluted loss per common share in 2007 due to their antidilutive effects. Additionally, as of December 31, 2007, there were about 124 million average shares issuable under the equity plans that had exercise prices that exceeded the average market price that could also potentially dilute earnings per common share in the future.

Dilutive shares issuable under our equity plans used in calculating earnings per common share were about 22 million shares for 2006. All 11 million shares issuable upon the assumed conversion of our convertible senior notes could potentially dilute earnings per common share in the future; however, they were excluded from the
calculation of diluted earnings per common share for 2006 due to their antidilutive effects. Additionally, as of December 31, 2006, there were about 115 million average shares issuable under the equity plans that had exercise prices that exceeded the average market price that could also potentially dilute earnings per common share in the future.

Significant New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141R, Business Combinations, which replaces SFAS No. 141, Business Combinations, originally issued in June 2001. SFAS No. 141R will apply to business combinations for which the acquisition date is on or after January 1, 2009, and this statement could have a material impact on us with respect to business combinations completed after the effective date. Such significant changes include, but are not limited to the acquirer recording 100% of all assets and liabilities, including goodwill, of the acquired business, generally at their fair values, and acquisition-related transaction and restructuring costs being expensed rather than included as part of the purchase price allocation process. In addition, after the effective date, reversals of valuation allowances related to acquired deferred tax assets and changes to acquired income tax uncertainties related to any business combinations, even those completed prior to the Statement’s effective date, will generally be recognized in earnings.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements. This statement amends Accounting Research Bulletin No. 51, Consolidated Financial Statements, to establish accounting and reporting standards for a noncontrolling interest in a subsidiary and for deconsolidation of a subsidiary. SFAS No. 160 is effective for our quarterly reporting period ending March 31, 2009. If we were to enter into an arrangement after the effective date of the standard where we are required to consolidate a noncontrolling interest, we would report the noncontrolling interest’s equity as a component of our shareholders’ equity in our consolidated balance sheet and report the component of net income or loss and comprehensive income or loss attributable to the noncontrolling interest separately. While certain changes in ownership interests will be treated as equity transactions under the new standard, a gain or loss recognized upon loss of control of a subsidiary will be recognized in the consolidated statement of operations. This practice differs from our current policy of recognizing such gains or losses as a component of equity. In addition, the amount of gain or loss is measured using the fair value of the noncontrolling interest at the date control ceases.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities. This statement amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, by requiring expanded disclosures about an entity’s derivative instruments and hedging activities. SFAS No. 161 is effective for our quarterly reporting period ending March 31, 2009. We are in the process of evaluating the impact of this statement on the disclosures included in the notes to our consolidated financial statements.

Concentrations of Risk

Our accounts and notes receivable are not subject to any concentration of credit risk.

We are exposed to the risk of loss that would occur if a counterparty defaults on a derivative transaction used for hedging and risk management purposes. This exposure is controlled through credit approvals, continual review and monitoring of all counterparties and legal review of contracts. In the event of nonperformance by the counterparties, our accounting loss would be limited to the net amount we would be entitled to receive under the terms of the applicable interest rate swap agreement or foreign currency contract. However, we do not anticipate nonperformance by any of the counterparties to these contracts.
Motorola, Inc. is our sole source for most of the equipment that supports the iDEN network and for all of the handsets we offer under the Nextel brand except primarily BlackBerry® devices. Although our handset supply agreement with Motorola is structured to provide competitively-priced handsets, the cost of iDEN handsets is generally higher than handsets that do not incorporate a similar multi-function capability. This difference may make it more difficult or costly for us to offer handsets at prices that are attractive to potential subscribers. In addition, the higher cost of iDEN handsets requires us to absorb a larger part of the cost of offering handsets to new and existing subscribers. These increased costs and handset subsidy expenses may reduce our growth and profitability. Also, we must rely on Motorola to develop handsets and equipment capable of supporting the features and services we offer to subscribers of services on our iDEN network, including the dual-mode handsets. A decision by Motorola to discontinue, or the inability of Motorola to continue, manufacturing, supporting or enhancing our iDEN-based infrastructure and handsets would have a material adverse effect on us. In addition, because iDEN technology is not as widely adopted and has fewer subscribers than other wireless technologies and because we expect that over time it is less likely that manufacturers other than Motorola will be willing to make the significant financial commitment required to license, develop and manufacture iDEN infrastructure equipment and handsets. Further our ability to complete the spectrum reconfiguration plan in connection with the FCC’s Report and Order, described in note 14, is dependent, in part, on Motorola.

Our CDMA handsets use products obtained from QUALCOMM. Some of QUALCOMM’s products have been found to infringe on certain patents owned by Broadcom Corporation. A United States district court enjoined QUALCOMM from further infringement and allowed for a sunset provision that expired on January 31, 2009. QUALCOMM has supplied us with alternative technologies. Broadcom may continue to challenge the alternatives, and Broadcom has initiated other suits against QUALCOMM. These claims could subject us to costly litigation, a court could determine that the alternative technologies still infringe Broadcom’s patents, and/or a court could require us to cease providing certain QUALCOMM products.

Note 3. Investments

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*Investments in Debt Securities*

Interest on investments in debt securities is reinvested and included in interest income in the consolidated statement of operations. During 2008, 2007 and 2006, we recognized $6 million, $31 million and $122 million of interest income, respectively, on these securities. Furthermore, during 2008, we recorded unrealized holding losses of $8 million on these securities.

*Investments in Equity Securities and Other Investments*

We held approximately $64 million and $100 million of marketable and nonmarketable equity securities at December 31, 2008 and 2007, respectively, which are included in investments in the accompanying consolidated balance sheet. During 2008 and 2007, we recorded gross unrealized holding gains of less than $1 million and
$10 million, respectively. In 2008, we also recorded gross unrealized holding losses of $21 million related to these securities. During 2006, we recorded gross unrealized holding gains related to NII Holdings, Inc. securities of $205 million and gross unrealized holding losses related to other securities of $2 million. See note 10 for information regarding our sale of NII Holdings securities in 2006. In addition, we held $49 million and $51 million in other investments at December 31, 2008 and 2007, respectively, which are also included in investments in the accompanying consolidated balance sheet.

Equity Method Investments

As of December 31, 2008, investments accounted for using the equity method primarily consisted of our investment in Clearwire and Virgin Mobile USA, LLC, or VMU.

Clearwire Corporation

On November 28, 2008, we closed a transaction with Clearwire Corporation, and its subsidiary Clearwire Communications LLC, which we refer to on a consolidated basis as Clearwire, to combine our next-generation wireless broadband businesses. At closing, we contributed $3.3 billion of net assets including our 2.5 GHz spectrum and WiMAX related assets (collectively referred to as the Sprint WiMAX Business). In exchange, we received 370 million Class B common shares and common interests in Clearwire Corporation and Clearwire Communications LLC, respectively, which as of December 31, 2008, represented approximately 53% of the voting power in Clearwire Corporation and approximately 53% of the economic interests in Clearwire Communications. Our ownership percentage was subject to change based on the trading price of Clearwire’s stock during the 90 days after close. Accordingly, as of February 26, 2009 our ownership percentage has been adjusted to 51%. The carrying value of our investment as of December 31, 2008 is $3.9 billion, which represents our share of Clearwire’s net assets, net of our share of Clearwire’s losses, and other adjustments. We expect the book value of our investment will decline due to the settlement of the post closing 90-day ownership adjustment and is also expected to decline in the immediate future as we account for our share of Clearwire’s losses.

The transaction was accounted for as a reverse acquisition in accordance with SFAS No. 141, with the Sprint WiMAX Business as the accounting acquirer and predecessor for reporting purposes. While the Sprint WiMAX Business is considered the accounting acquirer, we do not control key management decisions, and therefore our interest in Clearwire is accounted for as an equity method investment. We recorded a pre-tax gain within equity for $684 million ($424 million after tax) related to the difference between our share of Clearwire’s net assets upon close and the $3.3 billion of net assets contributed to Clearwire. In addition to our contribution of assets, Clearwire also received a $3.2 billion cash investment from Comcast Corporation, Intel Capital, Time Warner Cable Inc., Google Inc., Bright House Networks and Trilogy Equity Partners.

Prior to closing this transaction, we continued to invest in the development of our own WiMAX services in selected markets, under the brand name of Xohm. These operations were contributed to Clearwire under the terms of the agreement. Clearwire has reimbursed us $213 million in cash of the approximate $388 million of financing we provided to our next-generation wireless broadband business between April 1, 2008 and the closing of the transaction. The remaining amount was repaid in the form of an interest bearing note that matures in May 2011. This reimbursement was accounted for as a reduction to our initial investment in Clearwire.
Our book value per share in Clearwire was $10.65 per share as of December 31, 2008, as compared to the December 31, 2008 Clearwire stock price of $4.93, and the stock price has continued to decline subsequent to the balance sheet date. As of December 31, 2008, we have concluded that this decline is temporary and we expect the stock price to recover in the near future based upon the following factors:

- Clearwire continues to develop their WiMAX network in accordance with a business plan that has a value derived from discounted cash flows that is not materially different from the one agreed upon as part of the transaction, which valued Clearwire at $17 per share;
- Clearwire now owns or has the right to use a true nationwide footprint of 2.5 GHz FCC licenses, which provides Clearwire with significantly more spectrum to be used for wireless broadband internet services than any competitor;
- Clearwire has a strong liquidity position and, while it may need additional funding to build out its network, there appears to be no immediate need to access the debt markets; and
- The WiMAX technology has been launched successfully in two markets, Baltimore and Portland, and the service footprint will continue to grow in these and additional markets throughout 2009.

We believe that the investment will recover in part when Clearwire addresses their network build plans in the near term, and we have both the intent and ability to hold this investment until recovery. The indicated value of our investment has been less than our investment basis for only 33 days at year-end, which is a very short time duration, particularly after considering the volatility of the stock markets in this uncertain economy.

We will continue to evaluate our investment in Clearwire every quarter and will update our conclusions based upon the facts and circumstances in place at that time. If such facts and circumstance change, for example if Clearwire’s stock price continues to remain at a depressed level, it is possible that we may record an impairment in future periods on this investment that could be material to our results of operations and financial condition.

Virgin Mobile USA

We account for our investment in VMU using the equity method. At December 31, 2008, we held an approximate 14% ownership interest and continued to have the ability to exercise significant influence as VMU continues to use our network under the mobile virtual network operator, or MVNO, agreement. The equity losses we incurred related to this investment are in excess of our investment, and our investment balance remains at zero as of December 31, 2008. On October 16, 2007, VMU made an initial public offering of its stock. In conjunction with this initial public offering, we sold approximately 48% of our ownership interest for cash proceeds of approximately $155 million. As our ownership percentage in VMU was reduced, we also recognized $85 million of the previously deferred credit of $180 million related to capital previously returned by VMU to us. Consequently, we recognized a total gain of $240 million in 2007. The remaining $95 million in return of capital is recorded in other liabilities on our consolidated balance sheet due to the fact that VMU originally obtained debt financing in order to return our capital. At the time of its initial public offering, VMU also repaid outstanding debt to us in the amount of $45 million related to credit we had extended to VMU in 2006 through our participation in a revolving credit facility.
Indefinite Lived Intangibles

Goodwill

Goodwill represents the premium paid over the fair value of the net tangible and intangible assets we have acquired in business combinations. In the fourth quarters of 2008 and 2007, we performed our annual assessments of impairment of goodwill. As a result of these assessments, which are described below, we recorded non-cash goodwill impairment charges of $963 million and $29.6 billion for the years ended December 31, 2008 and 2007, respectively. These charges are presented separately in the statement of operations and relate solely to the Wireless segment. The substantial majority of these charges are not deductible for tax purposes. These charges did not result in a violation of any covenants of any of our debt instruments. As a result of the annual assessments, we no longer have any goodwill on our consolidated balance sheet as of December 31, 2008.

Goodwill Impairment Testing Policy

We review our goodwill for impairment annually in the fourth quarter at the wireless reporting unit level, which is equivalent to our reported Wireless operating segment. We also analyze whether any indicators of impairment exist each quarter. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a sustained, significant decline in our share price and market capitalization, a decline in our expected future cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition, the testing for recoverability of our long-lived wireless assets, and/or slower growth rates, among others.

We estimate the fair value of the wireless reporting unit using discounted expected future cash flows, supported by the results of various market approach valuation models. If the fair value of the wireless reporting unit exceeds its net book value, goodwill is not impaired, and no further testing is necessary. If the net book value of our wireless reporting unit exceeds its fair value, we perform a second test to measure the amount of impairment loss, if any. To measure the amount of any impairment charge, we determine the implied fair value of goodwill in the same manner as if our wireless reporting unit were being acquired in a business combination.

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SPRINT NEXTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 4. Intangible Assets

Indefinite Lived Intangibles

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(1) During 2007, we recorded additional goodwill of $113 million associated with the premium paid for Northern PCS Services, LLC, a PCS affiliate. Offsetting this increase were net adjustments of $390 million, principally due to an adjustment in the fair value of our FCC licenses and to an adjustment to the net assets of Nextel Partners relating to the dilution of our ownership interest in Nextel Partners prior to our acquisition.

(2) During 2008, we contributed $2.5 billion of FCC licenses to Clearwire and acquired $1.0 billion of FCC licenses in our normal course of business, including our requirements under the Report and Order. In addition, we reduced FCC licenses by $265 million due to the reversal of unrecognized tax benefits. See note 9 for additional information.

Goodwill

Goodwill represents the premium paid over the fair value of the net tangible and intangible assets we have acquired in business combinations. In the fourth quarters of 2008 and 2007, we performed our annual assessments of impairment of goodwill. As a result of these assessments, which are described below, we recorded non-cash goodwill impairment charges of $963 million and $29.6 billion for the years ended December 31, 2008 and 2007, respectively. These charges are presented separately in the statement of operations and relate solely to the Wireless segment. The substantial majority of these charges are not deductible for tax purposes. These charges did not result in a violation of any covenants of any of our debt instruments. As a result of the annual assessments, we no longer have any goodwill on our consolidated balance sheet as of December 31, 2008.

Goodwill Impairment Testing Policy

We review our goodwill for impairment annually in the fourth quarter at the wireless reporting unit level, which is equivalent to our reported Wireless operating segment. We also analyze whether any indicators of impairment exist each quarter. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include a sustained, significant decline in our share price and market capitalization, a decline in our expected future cash flows, a significant adverse change in legal factors or in the business climate, unanticipated competition, the testing for recoverability of our long-lived wireless assets, and/or slower growth rates, among others.

We estimate the fair value of the wireless reporting unit using discounted expected future cash flows, supported by the results of various market approach valuation models. If the fair value of the wireless reporting unit exceeds its net book value, goodwill is not impaired, and no further testing is necessary. If the net book value of our wireless reporting unit exceeds its fair value, we perform a second test to measure the amount of impairment loss, if any. To measure the amount of any impairment charge, we determine the implied fair value of goodwill in the same manner as if our wireless reporting unit were being acquired in a business combination.

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Specifically, we allocate the fair value of the wireless reporting unit to all of the assets and liabilities of that unit, including any unrecognized intangible assets, in a hypothetical calculation that would yield the implied fair value of goodwill. If the implied fair value of goodwill is less than the goodwill recorded on our consolidated balance sheet, we record an impairment charge for the difference.

Methodologies, Estimates, and Assumptions

We performed extensive valuation analyses, utilizing both income and market approaches, in our goodwill assessment process. The following describes the valuation methodologies used to derive the fair value of the wireless reporting unit.

- **Income Approach**: To determine its estimated fair value, we discount the expected cash flows of the wireless reporting unit. We estimate our future cash flows after considering current economic conditions and trends; estimated future operating results, our views of growth rates, anticipated future economic and regulatory conditions; and the availability of necessary technology, network infrastructure, handsets and other devices. The discount rate used represents the estimated weighted average cost of capital, which reflects the overall level of inherent risk involved in our wireless operations and the rate of return an outside investor would expect to earn. To estimate cash flows beyond the final year of our model, we use a terminal value approach. Under this approach, we use estimated operating income before depreciation and amortization in the final year of our model, adjust it to estimate a normalized cash flow, apply a perpetuity growth assumption and discount by a perpetuity discount factor to determine the terminal value. We incorporate the present value of the resulting terminal value into our estimate of fair value.

- **Market-Based Approach**: To corroborate the results of the income approach described above, we estimate the fair value of our wireless reporting unit using several market-based approaches, including the guideline company method, which focuses on comparing our risk profile and growth prospects to select reasonably similar/guideline publicly traded companies.

The determination of estimated fair value of the wireless reporting unit and other assets and liabilities within the wireless reporting unit requires significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, the discount rate, terminal growth rates, operating income before depreciation and amortization, or OIBDA, and capital expenditures forecasts. Due to the inherent uncertainty involved in making those estimates, actual results could differ from those estimates. We evaluate the merits of each significant assumption, both individually and in the aggregate, used to determine the fair value of the wireless reporting unit, as well as the fair values of the corresponding assets and liabilities within the wireless reporting unit, for reasonableness.

Goodwill Assessments

In the fourth quarter 2007, we conducted our annual impairment assessment of our then $30.7 billion of goodwill. Approximately $26.3 billion of our goodwill was recorded in connection with the recent business combinations of Nextel Communications, Inc., Nextel Partners, Inc., and other acquisitions such as certain PCS Affiliates. Approximately $4.4 billion of our goodwill was recorded from acquisitions in previous years. During the fourth quarter 2007, economic conditions began to decline and we experienced a sustained, significant decline in our stock price. The reduced market capitalization reflected the Wireless segment’s lower than expected performance, due in large part to fewer than expected net subscriber additions. In previous periods, we had expected that we would be able to produce net post-paid subscriber additions during 2007. However during that quarter, we reported a loss of 683,000 post-paid subscribers which was the most post-paid subscribers we had ever lost in a quarter at that time.

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We also updated our forecasted cash flows of the wireless reporting unit during the fourth quarter 2007. Several factors led to a reduction in forecasted cash flows, including, among others, our ability to attract and retain subscribers, particularly subscribers of our iDEN based services, in a highly competitive environment; expected reductions in voice revenue per subscriber; the costs of acquiring subscribers; and the costs of operating our wireless networks. Based on the results of our 2007 assessment, the net book value of the wireless reporting unit exceeded its fair value. Through the hypothetical purchase price allocation, we estimated the fair value of our goodwill to be $978 million. The decrease in the fair value of goodwill was due to lower forecasted cash flows of our wireless reporting unit as well as substantial excess of the fair value over book value for customer relationships, FCC licenses and trade names. We consequently reduced goodwill recorded prior to this assessment by $29.6 billion to $978 million as of December 31, 2007.

In the fourth quarter 2008, we conducted our annual assessment of goodwill for impairment. During this quarter, economic conditions significantly deteriorated due, in part, to the ongoing credit crisis in the financial markets. Our consolidated market capitalization continued to be under considerable pressure and the derived fair value of our wireless reporting unit remained below its book value throughout the quarter. We updated our forecasted cash flows of the wireless reporting unit during the fourth quarter 2008. Several factors led to a reduction in the fair value of the wireless reporting unit in the 2008 goodwill impairment analysis as compared to the 2007 goodwill impairment analysis, including, among others, the discount rate, our ability to attract and retain subscribers, particularly post-paid subscribers, expected reductions in average voice revenue per post-paid subscriber, and the costs of operating our wireless networks.

Based on the results of our 2008 assessment, the net book value of the wireless reporting unit exceeded its fair value. We performed the hypothetical purchase price allocation and the fair value of our goodwill was zero. The decrease in the fair value of goodwill was due to lower forecasted cash flows of our wireless reporting unit as well as substantial excess of fair value over book value for FCC licenses and trade names. We consequently reduced goodwill to zero as of December 31, 2008.

Long-lived Assets

In conjunction with our annual assessments of goodwill for impairment, we performed a recoverability test of the wireless long-lived assets. We included cash flow projections from wireless operations along with cash flows associated with the eventual disposition of the long-lived assets, which included estimated proceeds from the assumed sale of FCC licenses, trade names and customer relationships. The undiscounted future cash flows of the wireless long-lived assets exceeded their net book value and, as a result, no impairment charge was recorded. In addition, we re-assessed the remaining useful lives of these long-lived assets and concluded they were appropriate. See note 2 for additional details regarding our long-lived asset impairment testing policies.

Other Indefinite Lived Intangibles

We have also identified FCC licenses and our Sprint and Boost Mobile trademarks as indefinite lived intangible assets, 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. We cultivate and protect the use of our brands, such as Sprint and Boost Mobile. We have no legal, regulatory or contractual limitations associated with our trademarks.

We hold several kinds of FCC licenses to deploy our wireless services: 1.9 GHz personal communications services licenses utilized in our CDMA network, 800 megahertz, or MHz, and 900 MHz licenses utilized in our iDEN network and until November 28, 2008, we held 2.5 GHz licenses which we subsequently contributed to Clearwire. We also hold 1.9 GHz and other FCC licenses that we currently do not utilize in our networks or
operations. As long as we act within the requirements and constraints of the regulatory authorities, the renewal and extension of our licenses is reasonably certain at minimal cost. FCC licenses authorize wireless carriers to use radio frequency spectrum. That spectrum is a renewable, reusable resource that does not deplete or exhaust over time. We are not aware of any technology being developed 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.

In the fourth quarter 2008, we tested other indefinite lived intangibles for impairment by comparing the asset’s respective net book value to estimates of fair value, determined using the direct value method, and concluded that no impairment existed for these assets. Our FCC licenses were combined into two units of accounting, which consisted of our 800 MHz, 900 MHz and 1.9 GHz bands as one unit of accounting and our 2.5 GHz band as another unit of accounting. Our licenses in the 2.5 GHz band were subsequently contributed to Clearwire on November 28, 2008; accordingly, we will only have one unit of accounting in future analyses.

### Definite Lived Intangibles

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<td>(304)</td>
<td>585</td>
</tr>
<tr>
<td>Reacquired rights</td>
<td>9 to 14 years</td>
<td>1,268</td>
<td>(284)</td>
<td>984</td>
</tr>
<tr>
<td>Other</td>
<td>5 to 16 years</td>
<td>95</td>
<td>(30)</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td><strong>$14,472</strong></td>
<td><strong>(10,906)</strong></td>
<td><strong>$3,566</strong></td>
<td><strong>$14,501</strong></td>
</tr>
</tbody>
</table>

Estimated amortization expense

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$1,539</td>
<td>$728</td>
<td>$248</td>
<td>$200</td>
<td>$195</td>
</tr>
</tbody>
</table>

The weighted average amortization period for the acquired definite lived intangibles is ten years for 2008 and eight years for 2007.
As of December 31, 2008, Sprint Nextel, the parent corporation, had about $4.7 billion of debt outstanding, which includes indebtedness under the credit facilities. In addition, $15.8 billion in principal of our long-term debt has been issued by wholly-owned subsidiaries and is guaranteed, with some of this debt fully and unconditionally guaranteed by Sprint Nextel Corporation, including debt of its finance subsidiary, Sprint Capital Corporation. The indentures and financing arrangements of certain of our subsidiaries contain provisions that limit cash dividend payments on subsidiary common stock held by our parent corporation. The transfer of cash in the form of advances from the subsidiaries to our parent corporation is generally not restricted.

As of December 31, 2008, about $895 million of our outstanding debt, comprised of certain secured notes, financing and capital lease obligations and mortgages, is secured by $907 million of gross property, plant and equipment and other assets.

Note 5. Long-Term Debt, Financing and Capital Lease Obligations

<table>
<thead>
<tr>
<th>Interest Rate</th>
<th>Maturities</th>
<th>Balance December 31, 2007 (in millions)</th>
<th>Borrowings</th>
<th>Repayments of Principal and Other Adjustments</th>
<th>Balance December 31, 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior notes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sprint Nextel Corporation</td>
<td>1.87 – 9.25%</td>
<td>2010 – 2022</td>
<td>$ 2,950</td>
<td>$ —</td>
<td>$ —</td>
</tr>
<tr>
<td>Sprint Capital Corporation</td>
<td>6.38 – 8.75%</td>
<td>2009 – 2032</td>
<td>11,707</td>
<td>—</td>
<td>(1,253)</td>
</tr>
<tr>
<td>Nextel Communications, Inc.</td>
<td>5.95 – 7.38%</td>
<td>2013 – 2015</td>
<td>4,780</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>US Unwired, Inc.</td>
<td>6.38 – 8.75%</td>
<td>2012</td>
<td>235</td>
<td>—</td>
<td>(235)</td>
</tr>
<tr>
<td>Alamosa (Delaware), Inc.</td>
<td>5.95 – 7.38%</td>
<td>2012</td>
<td>250</td>
<td>—</td>
<td>(250)</td>
</tr>
<tr>
<td>Variable interest entity (1)</td>
<td>6.00%</td>
<td>2018</td>
<td>121</td>
<td>—</td>
<td>(8)</td>
</tr>
<tr>
<td>Convertible senior notes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nextel Communications, Inc.</td>
<td>5.25%</td>
<td>2010</td>
<td>607</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Credit facilities under Sprint Nextel Corporation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank credit facility</td>
<td>3.25%</td>
<td>2010</td>
<td>—</td>
<td>2,500</td>
<td>(1,500)</td>
</tr>
<tr>
<td>Export Development Canada</td>
<td>6.63%</td>
<td>2012</td>
<td>750</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Commercial paper</td>
<td>NM</td>
<td>2010</td>
<td>379</td>
<td>681</td>
<td>(1,060)</td>
</tr>
<tr>
<td>Financing obligation</td>
<td>9.50%</td>
<td>2028</td>
<td>—</td>
<td>694</td>
<td>4</td>
</tr>
<tr>
<td>Capital lease obligations and other</td>
<td>4.11 – 10.47%</td>
<td>2009 – 2025</td>
<td>106</td>
<td>—</td>
<td>(19)</td>
</tr>
<tr>
<td>Premiums, discounts and fair value hedge adjustments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>245</td>
<td>—</td>
<td>(74)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>22,130</td>
<td>$ 3,875</td>
<td>(4,395)</td>
</tr>
<tr>
<td>Less current portion</td>
<td></td>
<td></td>
<td>(1,661)</td>
<td>(618)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$ 20,469</td>
<td>$ 20,992</td>
<td></td>
</tr>
</tbody>
</table>

(1) Consolidated as a result of our controlling financial interest.
We are currently in compliance with all restrictive and financial covenants associated with all of our borrowings. There is no provision under any of our indebtedness that requires repayment in the event of a downgrade by any rating service.

Senior Notes

As of December 31, 2008, we had $18.9 billion of senior, convertible senior and senior serial redeemable notes after making payments of $1.3 billion, $235 million and $250 million towards the early redemption in June 2008 of our 6.125% senior notes due November 2008, the extinguishment in September 2008 of US Unwired, Inc.’s 10% Second Priority Senior Secured Notes due 2012 and the extinguishment of Alamosa (Delaware), Inc.’s 8.5% Senior Notes due 2012, respectively. The remaining senior notes are unsecured. Cash interest on these notes is payable semiannually in arrears. As of December 31, 2008, approximately $16.8 billion of our notes are redeemable at our discretion at the then applicable redemption price, plus accrued and unpaid interest. The $607 million in aggregate principal amount of our 5.25% notes due 2010 are convertible at any time prior to redemption, repurchase or maturity at the option of the holders into shares of our Series 1 common stock at an effective conversion price of $53.65 per share, plus $11.37 in cash for each $1,000 principal amount.

In 2007, we paid a total of $1.4 billion in cash for early redemptions of senior notes, that we redeemed in their entirety including $150 million of IWO Holdings, Inc.’s Senior Secured Floating Rate Notes due 2012, $420 million of UbiquiTel Operating Company’s 9.875% Senior Notes due 2011, $475 million of Nextel Partners, Inc.’s 8.125% Senior Notes due 2011 and $250 million of Alamosa (Delaware), Inc’s 11% Senior Notes due 2010. Also in 2007, we completed the sale of $750 million in principal amount of floating rate notes due 2010. Cash interest is payable quarterly in arrears on March 28, June 28, September 28 and December 28 of each year, at a rate of three-month London Interbank Offered Rate, or LIBOR, plus 40 basis points. We may not redeem these notes prior to maturity. These notes are senior unsecured obligations and rank equal in right of payment with all our other unsecured senior indebtedness.

In 2006, we completed the sale of $2.0 billion in principal amount of 6.0% senior serial redeemable notes due 2016. Cash interest is payable semiannually in arrears on June 1 and December 1 of each year commencing June 1, 2007, at an annual rate of 6.0%. We may choose to redeem some or all of these notes at any time and from time to time at a redemption price equal to the greater of 100% of the principal amount and the sum of the present values of the remaining scheduled payments of principal and interest discounted to the redemption date, on a semi-annual basis, at a U.S. Treasury note interest rate for the remaining term, plus 30 basis points, plus, in each case, accrued interest. These notes are senior unsecured obligations and rank equal in right of payment with all our other unsecured senior indebtedness.

Our weighted average effective interest rate related to our senior notes was 6.5% in 2008 and 7.0% in 2007. The effective interest rate includes the effect of interest rate swap agreements accounted for currently or previously as fair value hedges. See note 10 for additional information regarding interest rate swaps.

Credit Facilities

In February 2008, we drew down $2.5 billion under our revolving bank credit facility. The proceeds were used to repay $1.7 billion in senior notes during the second and third quarters of 2008. We also repaid $1.5 billion of our revolving bank credit facility in the third and fourth quarters of 2008. As of December 31, 2008, we had $2.1 billion in letters of credit, including a $2.0 billion letter of credit required by the Report and Order to reconfigure the 800 MHz band, outstanding under our $4.5 billion unsecured revolving bank credit facility. As a result of the outstanding borrowings under our revolving bank credit facility and our outstanding letters of credit, each of which directly impacts the availability of our revolving bank credit facility, we had $1.4 billion of borrowing capacity available under our revolving bank credit facility as of December 31, 2008. The terms of this loan provide for an interest rate equal to LIBOR plus a spread that varies depending on our credit ratings.
In March 2007, we entered into a $750 million unsecured loan agreement with Export Development Canada. As of December 31, 2008, we had borrowed all $750 million available under this agreement and this loan will mature in March 2012. The terms of this loan provide for an interest rate equal to LIBOR, plus a spread that varies depending on our credit ratings. We may choose to prepay this loan, in whole or in part, at any time.

**Commercial Paper**

In April 2008, we repaid in full our commercial paper outstanding under our commercial paper program which commenced in 2006. The $2.0 billion program was backed by our revolving credit facility and reduced the amount we could borrow under the facility to the extent of the commercial paper outstanding.

**Financing Obligation**

On September 23, 2008, we closed a transaction with TowerCo Acquisition LLC under which we sold 3,084 cell sites owned by us and subsequently leased the space on those cell sites over a period of ten years with renewal options for an additional 20 years. Due to our continued involvement with the property sold, we accounted for this transaction as a financing transaction and recorded the total proceeds received as a financing obligation and continue to report the cell sites as part of our property, plant and equipment to be depreciated. The $698 million financing obligation includes net cash proceeds of $645 million with approximately $20 million to be received in the first quarter 2009, pursuant to the Unwind Escrow Agreement, along with other adjustments.

**Capital Lease Obligations and Other**

As of December 31, 2008, we had $87 million in capital lease and other obligations, primarily for the use of communication switches.

**Covenants**

As of December 31, 2008, we were in compliance with all restrictive and financial covenants associated with all of our borrowings.

On November 3, 2008, we entered into an agreement to amend the terms and conditions of our revolving bank credit facility giving us greater flexibility regarding our financial covenants. Pursuant to the amendment, the ratio of total indebtedness to trailing four quarters earnings before interest, taxes, depreciation and amortization and certain other non-recurring charges increased from no more than 3.5 to 1.0 to no more than 4.25 to 1.0. As of December 31, 2008, the ratio was 3.0 to 1.0. Certain of our domestic subsidiaries have guaranteed the revolving bank credit facility. Under this revolving bank credit facility, we may not pay cash dividends unless our ratio of total indebtedness is less than 2.5 to 1.0.

The maturity dates of the loans under our credit facilities may accelerate if we do not comply with these covenants. We are also obligated to repay the loans if certain change of control events occur.

The indentures that govern our outstanding senior notes also require that we comply with various covenants, including limitations on the incurrence of indebtedness and liens by us and our subsidiaries. A default under our credit facilities could trigger defaults under our other debt obligations, including our senior notes, which in turn could result in the maturities of certain debt obligations being accelerated.
## Future Maturities of Long-Term Debt, Financing Obligation and Capital Lease Obligations

For the years subsequent to December 31, 2008, scheduled annual principal payments of long-term debt, including our bank credit facility, financing obligation and capital lease obligations outstanding as of December 31, 2008, are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$618</td>
</tr>
<tr>
<td>2010</td>
<td>2,373</td>
</tr>
<tr>
<td>2011</td>
<td>1,667</td>
</tr>
<tr>
<td>2012</td>
<td>2,770</td>
</tr>
<tr>
<td>2013</td>
<td>1,497</td>
</tr>
<tr>
<td>2014 and thereafter</td>
<td>12,514</td>
</tr>
<tr>
<td></td>
<td>21,439</td>
</tr>
<tr>
<td>Add: premiums, discounts and adjustments</td>
<td>171</td>
</tr>
<tr>
<td></td>
<td>$21,610</td>
</tr>
</tbody>
</table>

## Note 6. Supplemental Balance Sheet Information

<table>
<thead>
<tr>
<th>December 31,</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Accounts and notes receivable, net</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>$3,165</td>
<td>$4,150</td>
</tr>
<tr>
<td>Unbilled trade and other</td>
<td>472</td>
<td>438</td>
</tr>
<tr>
<td>Less allowance for doubtful accounts</td>
<td>(276)</td>
<td>(392)</td>
</tr>
<tr>
<td></td>
<td>$3,361</td>
<td>$4,196</td>
</tr>
<tr>
<td><strong>Prepaid expenses and other current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$380</td>
<td>$395</td>
</tr>
<tr>
<td>Deferred charges and other</td>
<td>263</td>
<td>245</td>
</tr>
<tr>
<td></td>
<td>$643</td>
<td>$640</td>
</tr>
<tr>
<td><strong>Property, plant and equipment, net</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>$328</td>
<td>$321</td>
</tr>
<tr>
<td>Network equipment, site costs and software</td>
<td>38,273</td>
<td>35,670</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>4,757</td>
<td>4,694</td>
</tr>
<tr>
<td>Non-network internal use software, office equipment and other</td>
<td>3,268</td>
<td>3,295</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(26,093)</td>
<td>(21,383)</td>
</tr>
<tr>
<td></td>
<td>20,533</td>
<td>22,597</td>
</tr>
<tr>
<td>Network asset inventory and construction in progress</td>
<td>1,840</td>
<td>4,039</td>
</tr>
<tr>
<td></td>
<td>$22,373</td>
<td>$26,636</td>
</tr>
<tr>
<td><strong>Accounts payable</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade</td>
<td>$1,574</td>
<td>$2,750</td>
</tr>
<tr>
<td>Accrued interconnection costs</td>
<td>391</td>
<td>469</td>
</tr>
<tr>
<td>Construction obligations and other</td>
<td>173</td>
<td>262</td>
</tr>
<tr>
<td></td>
<td>$2,138</td>
<td>$3,481</td>
</tr>
</tbody>
</table>
In 2008, total severance, exit costs and asset impairment costs aggregated $817 million compared to $440 million in 2007 and $207 million in 2006.

Severance and Exit Costs Activity

During 2008, we recorded $355 million of severance and lease termination costs related to the separation of employees and continued organizational realignment initiatives. Of these amounts, $235 million of the severance costs and $35 million of the lease exit costs related to our Wireless segment, and $55 million of the severance costs and $7 million of the lease exit costs related to our Wireline segment. The remaining $23 million of severance costs related to our Corporate segment. In 2007, in order to improve our cost structure we reduced our full-time headcount. As a result of these and other terminations, we recorded $159 million and $35 million of expenses to our Wireless and Wireline segments, respectively. In addition, we recorded lease exit costs of $83 million in 2007, including $71 million that related to our Wireless segment and $12 million that related to our Wireline segment.

In 2006, we rationalized our cost structure resulting from the Sprint-Nextel merger and the PCS Affiliates and Nextel Partners acquisitions. Our merger and integration efforts affected many areas of our business and operations, including network, information technology, customer care and general and administrative functions. These activities resulted in $138 million in severance and lease exit costs associated with work force reductions, with $102 million and $36 million recorded to our Wireless and Wireline segments, respectively.

Note 7. Severance, Exit Costs and Asset Impairments

In 2008, total severance, exit costs and asset impairment costs aggregated $817 million compared to $440 million in 2007 and $207 million in 2006.

Severance and Exit Costs Activity

During 2008, we recorded $355 million of severance and lease termination costs related to the separation of employees and continued organizational realignment initiatives. Of these amounts, $235 million of the severance costs and $35 million of the lease exit costs related to our Wireless segment, and $55 million of the severance costs and $7 million of the lease exit costs related to our Wireline segment. The remaining $23 million of severance costs related to our Corporate segment. In 2007, in order to improve our cost structure we reduced our full-time headcount. As a result of these and other terminations, we recorded $159 million and $35 million of expenses to our Wireless and Wireline segments, respectively. In addition, we recorded lease exit costs of $83 million in 2007, including $71 million that related to our Wireless segment and $12 million that related to our Wireline segment.

In 2006, we rationalized our cost structure resulting from the Sprint-Nextel merger and the PCS Affiliates and Nextel Partners acquisitions. Our merger and integration efforts affected many areas of our business and operations, including network, information technology, customer care and general and administrative functions. These activities resulted in $138 million in severance and lease exit costs associated with work force reductions, with $102 million and $36 million recorded to our Wireless and Wireline segments, respectively.
The following tables provide a summary of our severance and exit costs liability, exclusive of exit costs that are associated with business combinations.

### 2008 Activity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expense</td>
<td>Cash Payments and Other</td>
<td>Expense</td>
</tr>
<tr>
<td>Leases terminations</td>
<td>$95</td>
<td>$(36)</td>
<td>$42</td>
</tr>
<tr>
<td>Severance</td>
<td>30</td>
<td>(253)</td>
<td>313</td>
</tr>
<tr>
<td>Total costs</td>
<td>$125</td>
<td>$(289)</td>
<td>$355</td>
</tr>
</tbody>
</table>

### 2007 Activity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expense</td>
<td>Cash Payments and Other</td>
<td>Expense</td>
</tr>
<tr>
<td>Leases terminations</td>
<td>$80</td>
<td>$(68)</td>
<td>$83</td>
</tr>
<tr>
<td>Severance</td>
<td>34</td>
<td>(198)</td>
<td>194</td>
</tr>
<tr>
<td>Total costs</td>
<td>$114</td>
<td>$(266)</td>
<td>$277</td>
</tr>
</tbody>
</table>

### 2006 Activity

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Expense</td>
<td>Cash Payments and Other</td>
<td>Expense</td>
</tr>
<tr>
<td>Leases terminations</td>
<td>$78</td>
<td>$(41)</td>
<td>$43</td>
</tr>
<tr>
<td>Severance</td>
<td></td>
<td>$(61)</td>
<td>95</td>
</tr>
<tr>
<td>Total costs</td>
<td>$78</td>
<td>$(102)</td>
<td>$138</td>
</tr>
</tbody>
</table>

(1) Excluded from the table above are severance and exit costs of $27 million in 2006 that were allocated to our Local segment prior to the spin-off of Embarq, and are included in discontinued operations in the consolidated statement of operations.

**Asset Impairment**

In 2008, we recorded asset impairments of $435 million primarily related to cell site development costs and network asset equipment in our Wireless segment, no longer necessary for management’s strategic plans. In addition, we also recorded losses on disposition of assets of $27 million in 2008. In 2007, we had asset impairments of $163 million, primarily attributable to our Wireless segment, which included the write-off of cell site development costs that we abandoned as the sites would not be used based on management’s strategic network plans, the sale of Velocita Wireless, and the closing of retail stores due to integration efforts. In 2006, we had asset impairments of $69 million related to software applications and abandonment of various assets, including certain cell sites under construction in our Wireless segment.
We carry certain assets and liabilities at fair value with changes in fair value recognized in the consolidated financial statements each period. We make estimates regarding valuation of assets and liabilities measured at fair value in preparing the consolidated financial statements. These assets and liabilities primarily include available-for-sale debt and equity securities accounted for pursuant to SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, interest rate derivatives and stock warrants.

On January 1, 2008, we adopted the provisions of SFAS No. 157, Fair Value Measurements, for all financial and nonfinancial assets and liabilities recognized at fair value in the consolidated financial statements on a recurring basis. The adoption of this statement did not change our previous accounting for financial assets and liabilities. The provisions of SFAS No. 157 will be applied to nonfinancial assets and liabilities that are recognized at fair value in the consolidated financial statements on a nonrecurring basis beginning January 1, 2009. Upon application of the remaining provisions of SFAS No. 157 on January 1, 2009, we will provide additional disclosures regarding our nonrecurring fair value measurements, including our review of indefinite lived intangible assets.

SFAS No. 157 changed the definition of fair value, as defined by previous statements, to the “price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” If market assumptions are not readily available, we use our own assumptions to reflect those that market participants would use in pricing the asset or liability at the measurement date. Our valuation approaches in determining fair value include market, income and/or cost approaches.

SFAS No. 157 also established a hierarchy that classifies the inputs used to measure fair value. This hierarchy prioritizes the use of inputs used in valuation techniques into three levels based on observable and unobservable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of us. Unobservable inputs, which require more judgment, are those inputs described above that reflect our assumptions about the assumptions market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs. If the inputs used to measure fair value fall into different levels, we disclose the item based on the lowest level input that is significant to the fair value measure. We do not have any significant assets or liabilities that utilize unobservable or Level 3 inputs.

The following fair value hierarchy table presents information regarding our assets and liabilities measured at fair value on a recurring basis as of December 31, 2008:

<table>
<thead>
<tr>
<th></th>
<th>Quoted Prices in Active Markets for Identical Assets (Level 1)</th>
<th>Significant Other Observable Inputs (Level 2)</th>
<th>Balance December 31, 2008 (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable debt securities</td>
<td>$ 28</td>
<td>$ —</td>
<td>$ 28</td>
</tr>
<tr>
<td>Marketable equity securities</td>
<td>37</td>
<td>—</td>
<td>37</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>—</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>$ 65</td>
<td>$ 1</td>
<td>$ 66</td>
</tr>
</tbody>
</table>
(1) Level 1—fair value based on quoted prices in active markets for identical assets or liabilities that we have the ability to access. Level 1 inputs generally reflect fair value and are not adjusted. Assets and liabilities utilizing Level 1 inputs include exchange traded equity securities, exchange traded debt securities and U.S. Government securities.

(2) Level 2—fair value based on quoted prices in markets that are not active or in active markets for similar assets or liabilities, inputs other than quoted prices that are observable, and inputs that are not directly observable, but that are corroborated by observable market data. It may be necessary to make adjustments to Level 2 inputs to account for illiquidity or any difference between the asset or liability to which the quote relates and the actual asset or liability being measured at fair value. Assets and liabilities valued utilizing Level 2 inputs include derivative instruments, which are not actively traded.

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

<table>
<thead>
<tr>
<th>Financial Instrument</th>
<th>2008 (in millions)</th>
<th>2007 (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carrying Amount</td>
<td>Estimated Fair Value</td>
<td>Carrying Amount</td>
</tr>
<tr>
<td>Marketable debt and equity securities and nonmarketable equity securities</td>
<td>$92</td>
<td>$92</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Debt, including current portion (2)</td>
<td>21,610</td>
<td>14,449</td>
</tr>
</tbody>
</table>

(1) Cash and cash equivalents, accounts and notes receivable, deposits, accounts payable and accrued expenses and other items have been excluded from the table above, as the carrying amount on the consolidated balance sheets approximate their fair value due to their short term nature.

(2) Estimated fair value of debt is based on available market prices and estimates using available market data information and appropriate valuation methodologies.

Note 9. Income Taxes

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

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax benefit (expense)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$17</td>
<td>$15</td>
<td>$102</td>
</tr>
<tr>
<td>State</td>
<td>(15)</td>
<td>(7)</td>
<td>(119)</td>
</tr>
<tr>
<td>Total current income tax benefit (expense)</td>
<td>2</td>
<td>8</td>
<td>(17)</td>
</tr>
<tr>
<td>Deferred income tax benefit (expense)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>1,110</td>
<td>84</td>
<td>(556)</td>
</tr>
<tr>
<td>State</td>
<td>153</td>
<td>242</td>
<td>88</td>
</tr>
<tr>
<td>Total deferred income tax benefit (expense)</td>
<td>1,263</td>
<td>326</td>
<td>(468)</td>
</tr>
<tr>
<td>Foreign income tax expense</td>
<td>(1)</td>
<td>(3)</td>
<td>(3)</td>
</tr>
<tr>
<td>Total income tax benefit (expense)</td>
<td>$1,264</td>
<td>$331</td>
<td>($488)</td>
</tr>
</tbody>
</table>
The differences that caused our 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>Year Ended December 31,</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income tax benefit (expense) at the federal statutory rate</td>
<td>$1,421</td>
<td>$10,421</td>
<td>$(519)</td>
</tr>
</tbody>
</table>

Effect of:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill impairment</td>
<td>(278)</td>
<td>(10,237)</td>
<td>—</td>
</tr>
<tr>
<td>State income taxes, net of federal income tax effect</td>
<td>58</td>
<td>48</td>
<td>(47)</td>
</tr>
<tr>
<td>State law changes, net of federal income tax effect</td>
<td>32</td>
<td>105</td>
<td>27</td>
</tr>
<tr>
<td>Tax audit settlements</td>
<td>—</td>
<td>—</td>
<td>42</td>
</tr>
<tr>
<td>Other, net</td>
<td>31</td>
<td>(6)</td>
<td>9</td>
</tr>
<tr>
<td>Income tax benefit (expense)</td>
<td>$1,264</td>
<td>$331</td>
<td>$(488)</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>31.1%</td>
<td>1.1%</td>
<td>32.9%</td>
</tr>
</tbody>
</table>

Income tax benefit (expense) allocated to other items was as follows:

<table>
<thead>
<tr>
<th>Discontinued operations</th>
<th>2008</th>
<th>2007</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognized net periodic pension and postretirement benefit cost</td>
<td>—</td>
<td>—</td>
<td>$(234)</td>
</tr>
<tr>
<td>Unrealized gains (losses) on securities</td>
<td>234</td>
<td>(10)</td>
<td>4</td>
</tr>
<tr>
<td>Unrealized gains (losses) on qualifying cash flow hedges</td>
<td>11</td>
<td>(3)</td>
<td>48</td>
</tr>
<tr>
<td>Stock ownership, purchase and option arrangements</td>
<td>(64)</td>
<td>(15)</td>
<td>1</td>
</tr>
<tr>
<td>Cumulative effect of adoption of SAB No. 108—leases</td>
<td>—</td>
<td>—</td>
<td>31</td>
</tr>
<tr>
<td>Gain on deconsolidation of net assets contributed to Clearwire</td>
<td>(260)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Goodwill, reduction of valuation allowance on acquired assets</td>
<td>—</td>
<td>93</td>
<td>68</td>
</tr>
<tr>
<td>Identifiable intangible assets</td>
<td>190</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

(1) These amounts have been recorded directly to shareholders’ equity—accumulated other comprehensive loss on the consolidated balance sheets.
(2) These amounts have been recorded directly to shareholders’ equity—paid-in capital on the consolidated balance sheets.
(3) This amount has been recorded directly to shareholders’ equity—retained earnings on the consolidated balance sheet.
We recognize deferred income taxes for the temporary differences between the carrying amounts of our assets and liabilities for financial statement purposes and their tax bases. Deferred tax assets are also recorded for operating loss, capital loss and tax credit carryforwards. The sources of the differences that give rise to the deferred income tax assets and liabilities at December 31, 2008 and 2007, along with the income tax effect of each, were as follows:

<table>
<thead>
<tr>
<th>Deferred tax assets</th>
<th>December 31, 2008</th>
<th>December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating loss carryforwards</td>
<td>$ —</td>
<td>$ 1,929</td>
</tr>
<tr>
<td>Capital loss carryforwards</td>
<td>—</td>
<td>74</td>
</tr>
<tr>
<td>Accruals and other liabilities</td>
<td>261</td>
<td>839</td>
</tr>
<tr>
<td>Tax credit carryforwards</td>
<td>—</td>
<td>650</td>
</tr>
<tr>
<td>Pension and other postretirement benefits</td>
<td>—</td>
<td>329</td>
</tr>
<tr>
<td>Valuation allowance</td>
<td>(46)</td>
<td>(665)</td>
</tr>
<tr>
<td>Current deferred tax asset</td>
<td>215</td>
<td>3,156</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deferred tax liabilities</th>
<th>December 31, 2008</th>
<th>December 31, 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property, plant and equipment</td>
<td>—</td>
<td>2,495</td>
</tr>
<tr>
<td>Intangibles</td>
<td>—</td>
<td>6,754</td>
</tr>
<tr>
<td>Investments</td>
<td>—</td>
<td>974</td>
</tr>
<tr>
<td>Other</td>
<td>122</td>
<td>129</td>
</tr>
<tr>
<td>Current deferred tax asset</td>
<td>$ 122</td>
<td>$ 10,352</td>
</tr>
</tbody>
</table>

| Long-term deferred tax liability           | $ 93              | $ 7,196           |
|                                           | $ 122             | $ 10,946          |

During 2008, we incurred $55 million of foreign loss which is included in (loss) income from continuing operations. During 2007 and 2006, we had $132 million and $52 million, respectively, of foreign income included in (loss) income from continuing operations. We have no material unremitted earnings of foreign subsidiaries.

In 1998, we acquired $229 million of potential tax benefits related to net operating loss carryforwards in the controlling interest acquisition of our wireless joint venture, which we call the PCS Restructuring. The benefits acquired in the PCS Restructuring are subject to certain realization restrictions under various tax laws. We are required to reimburse the former cable company partners of the joint venture for net operating loss and tax credit carryforward benefits generated before the PCS Restructuring if realization by us produces a cash benefit that would not otherwise have been realized. The reimbursement will equal 60% of the net cash benefit received by us and will be made to the former cable company partners in shares of our stock. As of December 31, 2008, the unexpired carryforward benefits subject to this requirement total $183 million and we maintained a valuation allowance on the entire amount of these tax benefits.

As of December 31, 2008, we had federal operating loss carryforwards of $4.0 billion and state operating loss carryforwards of $11.4 billion. Related to these loss carryforwards are federal tax benefits of $1.4 billion and state tax benefits of $780 million. Approximately $300 million of the federal operating loss carryforwards expire prior to 2013 and the remaining $3.7 billion expire in varying amounts between 2018 and 2028. The state operating loss carryforwards expire in varying amounts through 2028.
In addition, we had available, for income tax purposes, federal alternative minimum tax net operating loss carryforwards of $3.7 billion and state alternative minimum tax net operating loss carryforwards of $814 million. The loss carryforwards expire in varying amounts through 2028. We also had available capital loss carryforwards of $211 million. Related to these capital loss carryforwards are tax benefits of $74 million. Capital loss carryforwards of $129 million expire in 2009 and the remaining $82 million expire in 2013.

We also had available $650 million of federal and state income tax credit carryforwards as of December 31, 2008. Included in this amount are $124 million of income tax credits which expire prior to 2013 and $240 million which expire in varying amounts between 2013 and 2028. The remaining $286 million do not expire.

The valuation allowance related to deferred income tax assets decreased $12 million in 2008 and $230 million in 2007. The 2008 decrease is primarily related to the utilization or expiration of income tax carryforwards and a reclassification to deferred tax liabilities. The 2007 decrease is primarily related to a reclassification to other liabilities in accordance with the adoption of FIN 48 and the use of a capital loss on which a valuation allowance had been previously provided.

We believe 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. When we evaluated these and other qualitative factors and uncertainties concerning our company and industry, we found that they provide continuing evidence requiring the valuation allowance which we currently recognize related to the realization of the tax benefit of our net operating loss and tax credit carryforwards as of December 31, 2008.

**FASB Interpretation No. 48**

We adopted the provisions of FIN 48 on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The cumulative effect of adopting FIN 48 generally is recorded directly to retained earnings. However, to the extent the adoption of FIN 48 resulted in a revaluation of uncertain tax positions acquired in any purchase business combination, the cumulative effect was recorded as an adjustment to the goodwill remaining from the corresponding purchase business combination.

As a result of the adoption of FIN 48, we recognized a $20 million increase in the liability for unrecognized tax benefits, which was accounted for as a $24 million increase to goodwill and a $4 million increase to retained earnings as of January 1, 2007. The total unrecognized tax benefits attributable to uncertain tax positions as of January 1, 2007 were $606 million. Upon adoption of FIN 48, we reclassified the majority of our liability for unrecognized tax benefits from deferred tax liabilities to other liabilities with the remainder being netted against our deferred tax assets. Upon adoption, the total unrecognized tax benefits included items that would favorably affect the income tax provision by $89 million, if recognized. The total unrecognized tax benefits attributable to uncertain tax positions as of December 31, 2008 and December 31, 2007 were $449 million and $654 million, respectively. At December 31, 2008, the total unrecognized tax benefits included items that would favorably affect the income tax provision by $336 million, if recognized.
We recognize interest related to unrecognized tax benefits in interest expense or interest income. We recognize penalties as additional income tax expense. As of December 31, 2008 and December 31, 2007, the accrued liability for income tax related interest was $40 million and $71 million, respectively. The accrued liability for penalties was $13 million as of December 31, 2008 and 2007.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2008 (in millions)</th>
<th>2007 (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at January 1</td>
<td>654</td>
<td>606</td>
</tr>
<tr>
<td>Additions based on current year tax positions</td>
<td>9</td>
<td>44</td>
</tr>
<tr>
<td>Additions based on prior year tax positions</td>
<td>38</td>
<td>18</td>
</tr>
<tr>
<td>Reductions for prior year tax positions</td>
<td>(18)</td>
<td>(11)</td>
</tr>
<tr>
<td>Reductions for settlements</td>
<td>(109)</td>
<td>(3)</td>
</tr>
<tr>
<td>Reductions for lapse of statute of limitations</td>
<td>(125)</td>
<td>—</td>
</tr>
<tr>
<td>Balance at December 31</td>
<td>449</td>
<td>654</td>
</tr>
</tbody>
</table>

The 2008 reduction in unrecognized tax benefits was principally attributable to income tax settlements and lapses of statute of limitations in various tax jurisdictions. As the majority of these unrecognized tax benefits were originally acquired in purchase business combinations, intangible assets were reduced.

We file income tax returns in the U.S. federal jurisdiction and each state jurisdiction which imposes an income tax. We also file income tax returns in a number of foreign jurisdictions. However, our foreign income tax activity has been immaterial. The Internal Revenue Service, or IRS, has effectively completed the examination of our consolidated returns related to years prior to 2007. We have reached settlement agreements with the Appeals division of the IRS for our examination issues in dispute for years prior to 2003. The unresolved disputed issues from the 2003-2006 IRS examinations are in various stages of consideration by the Appeals division of the IRS; however, they are immaterial to our consolidated financial position. The IRS has also completed their examination of the 2001 through pre-merger 2005 consolidated income tax returns of our subsidiary, Nextel Communications, Inc. The disputed issues from this pre-merger Nextel examination are awaiting consideration by the Appeals division and are immaterial to our consolidated financial position. In addition, we are involved in multiple state income tax examinations related to various years beginning with 1996, which are in various stages of the examination, administrative review or appellate process. Based on our current knowledge of the examinations, administrative reviews and appellate processes, we believe it is reasonably possible many of our uncertain tax positions may be resolved during the next twelve months which could result in a reduction of up to approximately $200 million in our unrecognized tax benefits.
Note 10. Derivative Instruments and Hedging Activities

Our derivative instruments typically include interest rate swaps, stock warrants, option contracts, and foreign currency forward and option contracts. We primarily use derivative instruments to hedge our exposure to the market risks associated with unfavorable movements in interest rates, equity prices and foreign currencies. Our board of directors has authorized us to enter into derivative transactions, and all transactions comply with our risk management policies.

Interest Rate Derivatives

As of December 31, 2008, we did not hold any interest rate swaps. As of December 31, 2007, the fair value of interest rate swaps was $7 million. These swaps were entered into as hedges of the fair value of a portion of our senior notes and met all the required criteria under SFAS No. 133, as amended. We recognize all changes in the fair values of the interest rate swaps as a gain or loss within other (expense) income on the consolidated statements of operations, in accordance with SFAS No. 133, as amended. Under the shortcut method, these changes in the fair value of the hedging instrument are offset by an equal change in the fair value of the underlying debt, with no net impact on earnings.

During the fourth quarter 2005, we entered into a series of interest rate collars associated with the issuance of debt by Embarq at the time of its spin-off on May 17, 2006. These derivative instruments did not qualify for hedge accounting treatment in our consolidated financial statements, and changes in the fair value of these instruments were recognized in earnings from discontinued operations during the period of change. During 2006, the fair value of these derivatives increased, resulting in a $43 million gain, after tax. These derivatives were settled upon completion of the spin-off.

Equity Derivatives

In 2005, we entered into a series of option contracts associated with our investment in NII Holdings designed to hedge our exposure to the risk of unfavorable changes in the price of NII Holdings’ common shares. The first contract was written for 1.7 million common shares of NII Holdings and was not designated as a hedging instrument. Therefore, changes in the fair value of the derivative instrument were recognized in earnings during the period of change prior to settlement. We settled the first option contract on March 31, 2006 in conjunction with the sale of 1.7 million common shares of NII Holdings. We recognized a gain of $37 million from the sale of the underlying shares, partially offset by a loss of $23 million from the change in fair value of the option contract during 2006, resulting in a net gain of $14 million recorded to other income.

The remaining option contracts were written for a total of about 13 million common shares of NII Holdings related to the forecasted sale of those shares in the fourth quarter 2006 and were designated and effective as cash flow hedges of a forecasted transaction. In the fourth quarter 2006, we sold our remaining investment of about 13 million common shares of NII Holdings and settled the remaining option contracts using common shares of NII Holdings borrowed under stock loan agreements. We recognized a gain of $396 million from the sale of the underlying shares, partially offset by a realized loss of $251 million from the change in fair value of the option contracts, resulting in a net gain of $145 million recorded to other income. We also recorded $53 million of income tax expense in the fourth quarter 2006 relating to this transaction as a result of the sale of the NII Holdings shares and the settlement of the option contracts, as well as the reversal of a deferred tax liability relating to the NII Holdings shares. The use of borrowed shares to settle the option contracts was accounted for as a collateralized borrowing, resulting in an increase of $866 million to prepaid expenses and other current assets and accrued expenses and other current liabilities for the fair value of the underlying shares. In 2006, we recognized a financing cash inflow of $866 million related to the borrowing and an equal investing cash outflow related to collateral posted for the borrowed shares. The collateralized borrowing was terminated in January 2007.
Note 11. Shareholders’ Equity

Our articles of incorporation authorize 6,620,000,000 shares of capital stock as follows:

- 6,000,000,000 shares of Series 1 voting common stock, par value $2.00 per share;
- 500,000,000 shares of Series 2 voting common stock, par value $2.00 per share;
- 100,000,000 shares of non-voting common stock, par value $0.01 per share; and
- 20,000,000 shares of preferred stock, no par value per share.

Classes of Common Stock

Series 1 Common Stock

The holders of our Series 1 common stock are entitled to one vote per share on all matters submitted for action by the shareholders. There were about 2.8 billion shares of Series 1 common stock outstanding as of December 31, 2008.

Series 2 Common Stock

The holders of our Series 2 common stock are entitled to 10% of one vote per share, but otherwise have rights that are substantially identical to those of the Series 1 common stock. There were about 75 million shares of Series 2 common stock outstanding as of December 31, 2008.

Non-Voting Common Stock

About 38 million shares of our non-voting common stock were issued in the Sprint-Nextel merger in August 2005 to Motorola and its subsidiary, the only holders of non-voting common shares. In December 2006, Motorola and its subsidiary exercised their right to convert the non-voting common shares into an equal number of shares of our Series 1 common stock, resulting in a $623 million decrease in paid-in capital and a reduction in treasury shares, as shown in the consolidated statements of shareholders’ equity.

Dividends

We did not declare any dividends on our common shares in 2008. We declared and paid a dividend of $0.025 per share on the Series 1 common stock and the Series 2 common stock in each of the quarters of 2007 and 2006 and a dividend of $0.025 per share on the non-voting common stock in each of the quarters of 2006.

Share Repurchase Program

On July 25, 2006, our board of directors authorized a program for the purchase of up to $6.0 billion of our Series 1 common stock through open market purchases. We did not repurchase any shares under this program during 2008, and the program has expired. We repurchased 185 million shares of our Series 1 common stock for $3.5 billion at an average price of $18.77 per share during 2006 and 2007.
Common Stock Reserved for Future Grants

As of December 31, 2008, Series 1 common stock reserved for future grants under plans providing for the grant of stock options and other equity-based awards, future grants under the employees stock purchase plan or future issuances under various other arrangements included:

<table>
<thead>
<tr>
<th>Shares (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees stock purchase plan</td>
</tr>
<tr>
<td>Officer and key employees’ and directors’ stock options and other equity-based awards</td>
</tr>
<tr>
<td>5.25% convertible debt conversion rights</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss are as follows:

<table>
<thead>
<tr>
<th>As of December 31, 2008 (in millions)</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrecognized net periodic pension and postretirement benefit cost</td>
<td>$ (537)</td>
<td>$ (158)</td>
</tr>
<tr>
<td>Unrealized net (losses) gains related to investments</td>
<td>(6)</td>
<td>11</td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>19</td>
<td>36</td>
</tr>
<tr>
<td><strong>Accumulated other comprehensive loss</strong></td>
<td><strong>$ (524)</strong></td>
<td><strong>$ (111)</strong></td>
</tr>
</tbody>
</table>

Note 12. Share-Based Compensation

As of December 31, 2008, we sponsored four equity incentive plans, the 2007 Omnibus Incentive Plan, or 2007 Plan; the 1997 Long-Term Incentive Program, or the 1997 Program; the Nextel Incentive Equity Plan, or the Nextel Plan; and the Management Incentive Stock Option Plan, or the MISOP, as well as our Employees Stock Purchase Plan, or ESPP. On May 8, 2007, our shareholders approved the 2007 Plan, under which we may grant stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other equity-based and cash awards to our employees, outside directors and certain other service providers. Options are generally granted with an exercise price equal to the market value of the underlying shares on the grant date, generally vest on an annual basis over three years, and generally have a contractual term of ten years. Employees and directors who are granted restricted stock units are not required to pay for the shares but generally must remain employed with us, or continue to serve as a member of our board of directors, until the restrictions lapse, which is typically three years for employees and one year for directors. The Compensation Committee of our board of directors, or one or more executive officers should the Compensation Committee so authorize, as provided in the 2007 Plan, will determine the terms of each equity-based award. On February 11, 2008 and November 5, 2008, we made certain amendments to the 2007 Plan to comply with new tax regulations, including new regulations under Section 409A of the Internal Revenue Code. No new grants can be made under the 1997 Program, the Nextel Plan or the MISOP.

During 2008, the number of shares available under the 2007 Plan increased by about 27 million, as the number of shares available under the 2007 Plan is increased by any shares originally granted under the 1997 Program, the Nextel Plan, or the MISOP that are forfeited, expired, or otherwise terminated. As of December 31, 2008, about 177 million common shares were available under the 2007 Plan.
SPRINT NEXTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Under the 1997 Program, we previously had the authority to grant options, restricted shares, restricted stock units and other equity-based awards to directors and employees. As of December 31, 2008, awards to acquire about 65 million shares were outstanding under the 1997 Program. Under the 1997 Program, options generally were granted with an exercise price equal to the market value of the underlying shares on the grant date. Options granted in 2008, 2007 and 2006 generally vest on an annual basis over three years and have a contractual term of ten years. Restricted stock units granted in 2008, 2007 and 2006 generally have both performance and service requirements with vesting periods ranging from one to three years. Furthermore, restricted stock units granted after the second quarter 2008 included quarterly performance targets. These awards, however, were not granted until after the performance targets had been met. Therefore, at the grant date these awards only had a remaining service requirement and vest six months following the last day of the applicable quarter.

Under the Nextel Plan, outstanding Nextel deferred shares, or nonvested shares, which constitute an agreement to deliver shares upon the performance of service over a defined period of time, and grants of options to purchase Nextel common shares were converted at the time of the Sprint-Nextel merger into our nonvested shares or options to purchase a number of our common shares. As of December 31, 2008, awards to acquire 33 million common shares were outstanding under the Nextel Plan. Options were granted prior to the Sprint-Nextel merger with an exercise price equal to the market value of the underlying shares on the grant date. These options vest on a monthly basis over periods of up to four years, and have a contractual term of ten years. Employees are not required to pay for the nonvested shares; however, they must remain employed with us until the restrictions on the shares lapse. The nonvested shares generally vest over a service period ranging from several months to four years. An accelerated vesting schedule may be triggered in the event of a change in control. Accelerated vesting was triggered with respect to certain deferred shares and options granted prior to the Sprint-Nextel merger as a result of the Sprint-Nextel merger.

Under the MISOP, we 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 our annual incentive compensation plans. The options generally became exercisable on December 31 of the year granted and have a maximum contractual term of ten years. Under the MISOP, we also granted stock options to executives in lieu of long-term incentive compensation, or LTIP-MISOP options. The LTIP-MISOP options generally became exercisable on the third December 31 following the grant date and have a maximum term of ten years. MISOP options were granted with exercise prices equal to the market price of the underlying common stock on the grant date. As of December 31, 2008, options to buy about 26 million common shares were outstanding under the MISOP.

In connection with the Sprint-Nextel merger, the vesting of certain equity-based awards issued under the 1997 Program, the MISOP and the Nextel Plan was accelerated following the termination of employment of certain award recipients. In January 2005, we adopted a retention program designed to retain our senior executives and other key personnel through completion of the Sprint-Nextel merger and for the one-year period following the merger. Under this program, if we terminated the employment of a program participant other than for cause within one year of the Sprint-Nextel merger, certain unvested equity-based awards held by that participant vested automatically. Under the Nextel Plan, if, within one year of the Sprint-Nextel merger, we terminated other than for cause the employment of a holder of an equity-based award granted under the plan, or in the case of specified executives, the holder terminated his or her employment with good reason, as defined in the plan, then that holder’s unvested equity-based awards vested automatically.

Under our ESPP, eligible employees may subscribe quarterly to purchase shares of our Series 1 common stock through payroll deductions of up to 20% of eligible compensation. The purchase price is equal to 90% of the market value on the last trading day of each quarterly offering period. The aggregate number of shares purchased by an employee may not exceed 9,000 shares or $25,000 of fair market value in any calendar year.
subject to limitations imposed by Section 423 of the Internal Revenue Code. As of December 31, 2008, the ESPP authorized for purchase about 11 million shares, which is net of elections made in 2008 by employees participating in the fourth quarter 2008 offering period under the ESPP to purchase about 4 million of our common shares, which were issued in the first quarter 2009. Employees purchased these shares for $1.67 per share.

Currently, we use treasury shares to satisfy share-based awards or new shares if no treasury shares are available.

Adoption of SFAS No. 123R

Effective January 1, 2006, we adopted SFAS No. 123R, which supersedes SFAS No. 123, *Accounting for Stock-Based Compensation*. SFAS No. 123R requires us to measure the cost of employee services received in exchange for an award of equity-based securities using the fair value of the award on the date of grant, and we recognize that cost over the period that the award recipient is required to provide service to us in exchange for the award. Any awards of liability instruments to employees would be remeasured at fair value at each reporting date through settlement.

Pre-tax share-based compensation charges included in net (loss) income from our share-based award plans was $272 million for 2008, $265 million for 2007 and $361 million for 2006. Pre-tax share-based compensation cost charges included in income from continuing operations from our share-based award plans was $272 million for 2008, $265 million for 2007 and $338 million for 2006.

The total income tax benefit recognized in the consolidated financial statements for share-based award compensation was $101 million for 2008, $96 million for 2007 and $138 million for 2006. The total income tax benefit recognized in the statement of operations related to continuing operations for share-based award compensation was $101 million in 2008, $96 million in 2007 and $129 million for 2006.

As of December 31, 2008, there was $129 million of total unrecognized compensation cost related to our share-based award plans that is expected to be recognized over a weighted average period of 1.41 years. Cash received from exercise under all share-based payment arrangements, net of shares surrendered for employee tax obligations, was $57 million for 2008, $344 million for 2007 and $405 million for 2006. The actual tax benefit realized for the tax deductions from exercise of the share-based payment arrangements was less than $1 million for 2008, totaled $4 million for 2007 and $6 million for 2006.

Under our share-based payment plans, we had options and restricted stock units outstanding as of December 31, 2008. Forfeitures were estimated for share-based awards using a 6.5% weighted average annual rate.

Options

The fair value of each option award is estimated on the grant date using the Black-Scholes option valuation model. The risk-free rate used in 2008, 2007 and 2006 is based on the zero-coupon U.S. Treasury bond with a term equal to the expected term of the options. The volatility used is the implied volatility from traded options on our common shares. The expected dividend yield used is estimated based on our historical dividend yield and other factors. The expected term of options granted is estimated using the simplified method, defined as the average of the vesting term and the contractual term. Options outstanding as of December 31, 2008 include options granted under the 2007 Plan, the 1997 Program, the Nextel Plan and the MISOP, as discussed above.
A summary of the status of the options under our option plans as of December 31, 2008, and changes during the year ended December 31, 2008, is presented below:

<table>
<thead>
<tr>
<th>Weighted average grant date fair value</th>
<th>2008</th>
<th>2007</th>
<th>2006 (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$4.59</td>
<td>6.05</td>
<td>6.97</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Risk free interest rate</th>
<th>2.76% – 3.30%</th>
<th>3.70% – 5.12%</th>
<th>4.53% – 5.21%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected volatility (2)</td>
<td>69.7% – 98.5%</td>
<td>26.6% – 38.3%</td>
<td>22.5% – 27.9%</td>
</tr>
<tr>
<td>Weighted average expected volatility (2)</td>
<td>77.3%</td>
<td>29.0%</td>
<td>24.7%</td>
</tr>
<tr>
<td>Expected dividend yield</td>
<td>0.00% – 0.72%</td>
<td>0.46% – 0.72%</td>
<td>0.44% – 0.58%</td>
</tr>
<tr>
<td>Weighted average expected dividend yield</td>
<td>0.00%</td>
<td>0.56%</td>
<td>0.46%</td>
</tr>
<tr>
<td>Expected term (years)</td>
<td>6.0 – 6.5</td>
<td>6.0</td>
<td>6.0</td>
</tr>
<tr>
<td>Options granted (millions)</td>
<td>8</td>
<td>17</td>
<td>14</td>
</tr>
</tbody>
</table>

(1) Values, other than the risk free interest rate and the expected term, have been adjusted for the spin-off of Embarq based on the 1.0955 conversion rate.

(2) We based our estimate of expected volatility on the implied volatility of exchange traded options, consistent with the guidance in SAB No. 107, Share-Based Payment.

As of December 31, 2008, there was $61 million of total unrecognized compensation cost related to unvested options and that cost is expected to be recognized over a weighted-average period of 1.50 years. The total intrinsic value of options exercised was $9 million during 2008, $150 million during 2007 and $264 million during 2006.
Restricted Stock Units

The fair value of each restricted stock unit award is calculated using the share price at the date of grant. Restricted stock units consist of those units granted under the 2007 Plan and the 1997 Program, as discussed above.

As of December 31, 2008, there was $68 million of total unrecognized compensation cost related to restricted stock units that is expected to be recognized over a weighted-average period of 1.33 years. The total fair value of restricted stock units vested was $41 million during 2008, $78 million during 2007 and $49 million during 2006. The weighted-average grant date fair value of restricted stock units granted during 2008 was $6.03 per unit, compared with $18.43 per unit for 2007 and $24.04 per unit for 2006.

Most restricted stock units outstanding as of December 31, 2008 are entitled to dividend equivalents paid in cash, but performance-based restricted stock units are not entitled to dividend equivalent payments until the applicable performance period has been completed. Dividend equivalents paid on restricted stock units are charged to accumulated deficit when paid.

Note 13. Segments

We have two reportable segments: Wireless and Wireline. These segments are organized by products and services. Until May 2006, we operated a third reportable segment, our local communications business, that provided local and long distance voice and data services and is classified as discontinued operations. See note 16 for more information.
Our chief executive officer uses segment earnings as the primary measure to evaluate segment performance and make resource allocation decisions. We define segment earnings as wireless or wireline operating (loss) income before other segment expenses such as depreciation, amortization, severance, exit costs, goodwill and asset impairments, other and merger and integration expenses solely and directly attributable to the segment. Expenses and income items excluded from segment earnings are managed at the corporate level.

Our Wireless segment includes revenue from a wide array of wireless mobile telephone and wireless data transmission services and the sale of wireless equipment. Through our Wireless segment, we, together with the remaining third-party PCS Affiliates, offer digital wireless service in all 50 states, Puerto Rico and the U.S. Virgin Islands.

Our Wireline segment includes revenue from domestic and international wireline voice and data communication services and services to the cable multiple systems operators that resell our local and long distance services and/or use our back office systems and network assets in support of their telephone services provided over cable facilities.

We generally account for transactions between segments based on fully distributed costs, which we believe approximate fair value. In certain transactions related to commercial services, pricing is set using market rates. Segment financial information is as follows:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2008 Net operating revenues</td>
<td>$ 30,427</td>
<td>$ 5,208</td>
<td>$</td>
<td>$ 35,635</td>
</tr>
<tr>
<td>Inter-segment revenues</td>
<td>—</td>
<td>1,124</td>
<td>(1,124)</td>
<td>—</td>
</tr>
<tr>
<td>Total segment operating expenses</td>
<td>(23,651)</td>
<td>(5,157)</td>
<td>837</td>
<td>(27,971)</td>
</tr>
<tr>
<td>Segment earnings</td>
<td>$ 6,776</td>
<td>$ 1,175</td>
<td>(287)</td>
<td>7,664</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(5,953)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>(2,443)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance, exit costs and asset impairments</td>
<td>(817)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>(963)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merger and integration expenses</td>
<td>(130)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td>(2,642)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,362)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>97</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in losses of unconsolidated affiliates and other, net</td>
<td>(129)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized loss on sale or exchange of investments, net</td>
<td>(24)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from continuing operations before income taxes</td>
<td>$ (4,060)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

F-44
### Statement of Operations Information

<table>
<thead>
<tr>
<th></th>
<th>Wireless</th>
<th>Wireline</th>
<th>Corporate, Other and Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$34,698</td>
<td>$5,479</td>
<td>$(31)</td>
<td>$40,146</td>
</tr>
<tr>
<td>Inter-segment revenues (1)</td>
<td>2</td>
<td>984</td>
<td>(986)</td>
<td>—</td>
</tr>
<tr>
<td>Total segment operating expenses (2)</td>
<td>(24,786)</td>
<td>(5,389)</td>
<td>829</td>
<td>(29,346)</td>
</tr>
<tr>
<td>Segment earnings</td>
<td>$9,914</td>
<td>$1,074</td>
<td>$(188)</td>
<td>10,800</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(5,621)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>(3,312)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance, exit costs and asset impairments (3)</td>
<td>(440)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>(29,649)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merger and integration expenses (4)</td>
<td>(516)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>(2)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating loss</td>
<td>(28,740)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,433)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>151</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in losses of unconsolidated affiliates and other, net</td>
<td>(6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gain on sale or exchange of investments, net</td>
<td>253</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss from continuing operations before income taxes</td>
<td>$(29,775)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Wireless</th>
<th>Wireline</th>
<th>Corporate, Other and Eliminations</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2006</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues (5)</td>
<td>$35,097</td>
<td>$5,819</td>
<td>$87</td>
<td>$41,003</td>
</tr>
<tr>
<td>Inter-segment revenues (1)</td>
<td>4</td>
<td>741</td>
<td>(745)</td>
<td>—</td>
</tr>
<tr>
<td>Total segment operating expenses (5)</td>
<td>(23,423)</td>
<td>(5,569)</td>
<td>689</td>
<td>(28,303)</td>
</tr>
<tr>
<td>Segment earnings</td>
<td>$11,678</td>
<td>$991</td>
<td>$31</td>
<td>12,700</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>(5,738)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>(3,854)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Severance, exit costs and asset impairments (3)</td>
<td>(207)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill impairment</td>
<td>(29,649)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Merger and integration expenses (4)</td>
<td>(413)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other, net</td>
<td>(4)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income</td>
<td>2,484</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest expense</td>
<td>(1,533)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest income</td>
<td>301</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity in losses of unconsolidated affiliates and other, net</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized gain on sale or exchange of investments, net</td>
<td>205</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income from continuing operations before income taxes</td>
<td>$1,483</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Other Information

<table>
<thead>
<tr>
<th></th>
<th>Wireless</th>
<th>Wireline</th>
<th>Corporate, Other and Eliminations (in millions)</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2008</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures (6)</td>
<td>$2,386</td>
<td>$522</td>
<td>$974</td>
<td>$3,882</td>
</tr>
<tr>
<td>Total assets (6)</td>
<td>46,977</td>
<td>3,494</td>
<td>7,781</td>
<td>58,252</td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures (6)</td>
<td>$5,067</td>
<td>$567</td>
<td>$688</td>
<td>$6,322</td>
</tr>
<tr>
<td>Total assets (6)</td>
<td>55,065</td>
<td>3,629</td>
<td>5,601</td>
<td>64,295</td>
</tr>
<tr>
<td><strong>2006</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital expenditures (6)</td>
<td>$5,944</td>
<td>$828</td>
<td>$784</td>
<td>$7,556</td>
</tr>
<tr>
<td>Total assets (6)</td>
<td>90,884</td>
<td>3,548</td>
<td>2,729</td>
<td>97,161</td>
</tr>
</tbody>
</table>

(1) Inter-segment revenues consist primarily of long distance services provided to the Wireless segment for resale to wireless subscribers.

(2) Included in the corporate results are operating expenses related to our planned deployment of a next-generation broadband wireless network. That network was contributed to Clearwire in a transaction that closed on November 28, 2008. Refer to note 3 for more information.

(3) See note 7 for additional information on severance, exit costs and asset impairments.

(4) Merger and integration expenses are generally non-recurring in nature and primarily include costs for the launch of common customer interfacing systems, processes and other integration and planning activities. In 2007, these costs also included certain costs to provide wireless devices that operate seamlessly between the CDMA and iDEN networks, certain customer care costs, costs to retain employees, costs related to re-branding and other integration costs.

(5) Included in the 2006 corporate results are the historical net revenues and related operating costs of certain consumer wireline subscribers transferred to Embarq in connection with the spin-off. These operating results were previously reported in our Local segment and reflect activity through the date of the spin-off. These operating results have not been reflected as discontinued operations due to our continuing involvement with these consumer wireline subscribers under a wholesale long distance agreement with Embarq. This agreement became effective as of the date of the spin-off.

(6) Corporate assets are not allocated to the operating segments and consist primarily of cash and cash equivalents, the corporate headquarters campus, our equity method investment in Clearwire, other assets managed at a corporate level and assets that were related to our 4G wireless broadband business that was subsequently contributed to Clearwire. Refer to note 3 for more information. Corporate capital expenditures include various administrative assets and assets that were contributed to Clearwire. Operating expenses related to corporate assets are allocated to each segment.
Net operating revenues by service and products were as follows:

<table>
<thead>
<tr>
<th></th>
<th>Wireless</th>
<th>Wireline</th>
<th>Eliminations (1)(2)</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(in millions)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2008</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireless services</td>
<td>27,492</td>
<td>—</td>
<td>—</td>
<td>27,492</td>
</tr>
<tr>
<td>Wireless equipment</td>
<td>1,992</td>
<td>—</td>
<td>(2)</td>
<td>1,990</td>
</tr>
<tr>
<td>Voice</td>
<td>—</td>
<td>3,079</td>
<td>(804)</td>
<td>2,275</td>
</tr>
<tr>
<td>Data</td>
<td>—</td>
<td>959</td>
<td>(127)</td>
<td>832</td>
</tr>
<tr>
<td>Internet</td>
<td>—</td>
<td>2,148</td>
<td>(192)</td>
<td>1,956</td>
</tr>
<tr>
<td>Other</td>
<td>943</td>
<td>146</td>
<td>1</td>
<td>1,090</td>
</tr>
<tr>
<td><strong>Total net operating revenues</strong></td>
<td><strong>30,427</strong></td>
<td><strong>6,332</strong></td>
<td><strong>(1,124)</strong></td>
<td><strong>35,635</strong></td>
</tr>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireless services</td>
<td>31,044</td>
<td>—</td>
<td>—</td>
<td>31,044</td>
</tr>
<tr>
<td>Wireless equipment</td>
<td>2,595</td>
<td>—</td>
<td>(36)</td>
<td>2,559</td>
</tr>
<tr>
<td>Voice</td>
<td>—</td>
<td>3,509</td>
<td>(820)</td>
<td>2,689</td>
</tr>
<tr>
<td>Data</td>
<td>—</td>
<td>1,210</td>
<td>(92)</td>
<td>1,118</td>
</tr>
<tr>
<td>Internet</td>
<td>—</td>
<td>1,215</td>
<td>(71)</td>
<td>1,504</td>
</tr>
<tr>
<td>Other</td>
<td>1,061</td>
<td>169</td>
<td>2</td>
<td>1,232</td>
</tr>
<tr>
<td><strong>Total net operating revenues</strong></td>
<td><strong>34,700</strong></td>
<td><strong>6,463</strong></td>
<td><strong>(1,017)</strong></td>
<td><strong>40,146</strong></td>
</tr>
<tr>
<td><strong>2006</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wireless services</td>
<td>31,059</td>
<td>—</td>
<td>—</td>
<td>31,059</td>
</tr>
<tr>
<td>Wireless equipment</td>
<td>3,172</td>
<td>—</td>
<td>—</td>
<td>3,172</td>
</tr>
<tr>
<td>Voice</td>
<td>—</td>
<td>3,769</td>
<td>(638)</td>
<td>3,131</td>
</tr>
<tr>
<td>Data</td>
<td>—</td>
<td>1,432</td>
<td>(73)</td>
<td>1,359</td>
</tr>
<tr>
<td>Internet</td>
<td>—</td>
<td>1,143</td>
<td>(27)</td>
<td>1,116</td>
</tr>
<tr>
<td>Other</td>
<td>870</td>
<td>216</td>
<td>80</td>
<td>1,166</td>
</tr>
<tr>
<td><strong>Total net operating revenues</strong></td>
<td><strong>35,101</strong></td>
<td><strong>6,560</strong></td>
<td><strong>(658)</strong></td>
<td><strong>41,003</strong></td>
</tr>
</tbody>
</table>

(1) Revenues eliminated in consolidation consist primarily of long distance services provided to the Wireless segment for resale to wireless subscribers.

(2) Included in the 2006 corporate results are the historical net revenues of certain consumer wireline subscribers transferred to Embarq in connection with the spin-off. These revenues were previously reported in our Local segment and reflect activity through the date of the spin-off. These revenues have not been reflected as discontinued operations due to our continuing involvement with these consumer wireline subscribers under a wholesale long distance agreement with Embarq. This agreement became effective as of the date of the spin-off.
SPRINT NEXTEL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Note 14. Commitments and Contingencies

A number of cases that allege Sprint Communications Company L.P. failed to obtain easements from property owners during the installation of its fiber optic network in the 1980’s have been filed in various courts. Several of these cases sought certification of nationwide classes, and in one case, a nationwide class was certified. In 2003, a nationwide settlement of these claims was approved by the U.S. District Court for the Northern District of Illinois, but objectors appealed the preliminary approval order to the Seventh Circuit Court of Appeals, which overturned the settlement and remanded the case to the trial court for further proceedings. The parties proceeded with litigation and/or settlement negotiations on a state by state basis, and settlement negotiations have been coordinated in all cases but those pending in Louisiana and Tennessee. The Louisiana claims have been separately settled for an amount not material to the company, and that settlement was given final approval by the Court, and the time to appeal that approval has expired. We have reached an agreement in principle to settle the claims in all the other states, excluding Tennessee, for an amount not material to us. The Court issued its preliminary approval of the settlement on July 17, 2008, and the Court is in the process of considering objections to the settlement.

In September 2004, the U.S. District Court for the District of Kansas denied a motion to dismiss a shareholder lawsuit alleging that our 2001 and 2002 proxy statements were false and misleading in violation of federal securities laws to the extent they described new employment agreements with certain senior executives without disclosing that, according to the allegations, replacement of those executives was inevitable. These allegations, made in an amended complaint in a lawsuit originally filed in 2003, are asserted against us and certain current and former officers and directors, and seek to recover any decline in the value of our tracking stocks during the class period. The parties have stipulated that the case can proceed as a class action. All defendants have denied plaintiffs’ allegations and intend to defend this matter vigorously. Allegations in the original complaint, which asserted claims against the same defendants and our former independent auditor, were dismissed by the Court in April 2004. Our motion to dismiss the amended complaint was denied, and the parties are engaged in discovery.

In connection with the Sprint-Nextel merger in 2005, we disclosed that several PCS Affiliates had filed lawsuits in various courts, alleging that the Sprint-Nextel merger would result in breaches of exclusivity provisions in their commercial affiliation agreements with our subsidiaries. With the exception of iPCS Wireless, Inc., or iPCS, all such suits have been disposed of. On September 24, 2008, the Illinois Supreme Court denied our petition for appeal in a contract dispute with iPCS. As a result, the Illinois Circuit Court decision from August 2006 holding that Sprint’s merger with Nextel breached Sprint’s agreement with iPCS was upheld. The judge in that case entered an order requiring Sprint to cease owning, operating or managing the iDEN network in parts of certain Midwestern states (Illinois, Iowa, Michigan, Missouri, Nebraska, Wisconsin and a small portion of Indiana) that make up the iPCS territory. On October 15, 2008, we filed a motion asking the Illinois Supreme Court to reconsider its decision not to hear the appeal, on grounds that the Circuit Court decision infringed upon the FCC’s authority to determine the ownership and use of telecommunications licenses, and on grounds that the injunction entered by the Circuit Court violates Illinois public policy. The Illinois Supreme Court declined to hear the appeal but increased the time for compliance with the order to 360 days, which began to run on January 30, 2009. We have also filed a motion asking the Circuit Court to reconsider its decision in light of newly-discovered evidence that was not produced by iPCS in the earlier Circuit Court proceeding. The Circuit Court denied that motion, and we have appealed that denial. We continue to believe the Circuit Court injunction is erroneous and contrary to public policy, and will continue to oppose it vigorously. If we are unsuccessful in our efforts to challenge the injunction, we may have to depreciate our iDEN assets in the iPCS markets on an accelerated basis and/or pursue other strategic alternatives.
Various other suits, proceedings and claims, including purported class actions typical for a large business enterprise, are pending against us or our subsidiaries. While it is not possible to determine the ultimate disposition of each of these proceedings and whether they will be resolved consistent with our beliefs, we expect that the outcome of such proceedings, individually or in the aggregate, will not have a material adverse effect on our financial condition or results of operations.

**Spectrum Reconfiguration Obligations**

In 2004, the FCC adopted a Report and Order that included new rules regarding interference in the 800 MHz band and a comprehensive plan to reconfigure the 800 MHz band. The interference is believed to have been caused as a result of the operations of commercial mobile radio service providers operating on frequencies adjacent to a number of public safety communication systems in the same geographic area. We assumed the obligations inherent in the Report and Order in August 2005 when we merged with Nextel Communications, Inc.

The Report and Order provides for the exchange of a portion of our 800 MHz FCC spectrum licenses, and requires us to fund the cost incurred by public safety systems and other incumbent licensees to reconfigure the 800 MHz spectrum band. In addition, we received licenses for 10 MHz of nationwide spectrum in the 1.9 GHz band; however, we are required to relocate and reimburse the incumbent licensees in this band for their costs of relocation to another band designated by the FCC.

The Report and Order requires us to make a payment to the U.S. Treasury at the conclusion of the band reconfiguration process to the extent that the value of the 1.9 GHz spectrum we received exceeds the total of the value of licenses for spectrum in the 700 MHz and 800 MHz bands that we surrendered under the decision plus the actual costs, or qualifying costs, that we incur to retune incumbents and our own facilities under the Report and Order. The FCC determined under the Report and Order that, for purposes of calculating that payment amount, the value of the 1.9 GHz spectrum is about $4.9 billion and the aggregate value of the 700 MHz spectrum and the 800 MHz spectrum surrendered, net of 800 MHz spectrum received as part of the exchange, is about $2.1 billion, which, because of the potential payment to the U.S. Treasury, results in minimum cash obligation of about $2.8 billion by us under the Report and Order. We are, however, obligated to pay the full amount of the costs relating to the reconfiguration plan, even if those costs exceed $2.8 billion.

The following table represents payments directly attributable to our performance under the Report and Order from the inception of the program:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FCC licenses</td>
<td>$ 732</td>
<td>$ 645</td>
<td>$ 1,377</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>148</td>
<td>2</td>
<td>150</td>
</tr>
<tr>
<td>Costs not benefiting our infrastructure or spectrum positions</td>
<td>234</td>
<td>4</td>
<td>238</td>
</tr>
<tr>
<td></td>
<td><strong>$1,114</strong></td>
<td><strong>$651</strong></td>
<td><strong>$1,765</strong></td>
</tr>
</tbody>
</table>

Excluded from the table above are estimated reconfiguration costs incurred to date that are included in property, plant and equipment on our consolidated balance sheet, which are based on allocations between reconfiguration activities and our normal network improvements. The methodology with which we have calculated these costs has not been approved by the Transition Administrator, or TA. As a result, the amount allocated to reconfiguration activity is subject to change based on additional assessments made over the course of the reconfiguration program.
From the inception of the program through December 31, 2008, we have incurred approximately $1.8 billion of costs directly attributable to the spectrum reconfiguration program. When expended, these costs are generally accounted for either as property, plant and equipment or as additions to the FCC licenses intangible asset. We estimate, based on our experience to date with the reconfiguration program and on information currently available, that our total direct costs attributable to complete the spectrum reconfigurations will range between $3.2 and $3.6 billion. Neither the actual amounts incurred through December 31, 2008, nor the range of total direct costs estimated to complete spectrum reconfigurations, includes any of our internal network costs that we have preliminarily allocated to the reconfiguration program for capacity sites and modifications for which we may request credit under the reconfiguration program. This estimate is dependent on significant assumptions including the final licensee costs and costs associated with relocating licensees in the Canadian border region under the border plan that was adopted by the FCC and the Mexican border region for which there is currently no approved border plan. In addition, we are entitled to receive reimbursement from the mobile-satellite service licensees for their pro rata portion of our costs of clearing a portion of the 1.9 GHz spectrum. Those licensees may be unable or unwilling to reimburse us for their share of the costs, which we estimate to be approximately $200 million. Accordingly, we believe that it is unlikely that we will be required to make a payment to the U.S. Treasury. The FCC has designated the independent TA to monitor, facilitate and review our expenditures for the 800 MHz band reconfiguration.

As required under the terms of the Report and Order, we delivered a $2.5 billion letter of credit to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. The Report and Order provides for the possibility of periodic reductions in the amount of the letter of credit. During 2008, we determined based on the information available to us, that the total cost of reconfiguring the incumbent users of the 800 MHz are likely to be less than $2.5 billion. The TA reviewed our forecasts and recommended to the FCC $529 million in reductions in the letter of credit based on costs incurred through June 30, 2008. The FCC concurred with the TA’s requests and the letter of credit has been reduced to $2.0 billion.

With respect to timing, the Report and Order required the completion of the 800 MHz band reconfiguration within a 36-month period ending June 26, 2008, with an exception made with respect to markets that border Mexico and Canada. On October 30, 2008, the FCC released an Order granting us relief we had previously requested with respect to the June 26, 2008 completion date whereby a staged, milestone-based reduction will be used for the interleaved spectrum that we would otherwise have been required to surrender by June 26, 2008. In addition to defining progress benchmarks, which will determine the amount of spectrum we relinquish on a region-by-region basis, the FCC adopted a deadline of March 31, 2010, at which time we may be required to relinquish portions of our 800 MHz interleaved spectrum in advance of completion of rebanding and receipt of remaining replacement spectrum. This Order alleviates the spectrum constraints we may have faced as a result of the original June 26, 2008 completion date. The exception with respect to markets that border Canada was clarified on May 9, 2008, when the FCC issued the Canadian border plans which included a 30-month deadline for completion.

Operating Leases

We lease various equipment, office facilities, retail outlets and kiosks, switching facilities, transmitter and receiver sites under operating leases. The non-cancelable portion of these leases ranges from monthly up to 25 years. These leases, with few exceptions, provide for automatic renewal options and escalations that are either fixed or based on the consumer price index. Any rent abatements, along with rent escalations, are included in the computation of rent expense calculated on a straight-line basis over the lease term. Our lease term for most leases includes the initial non-cancelable term plus at least one renewal period, as the exercise of the related renewal option or options is reasonably assured. Our cell site leases generally provide for an initial non-cancelable term of five to seven years with up to five renewal options for five years each.

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As of December 31, 2008, our rental commitments for operating leases, including lease renewals that are reasonably assured, consisted mainly of leases for cell and switch sites, real estate, information technology and network equipment and office space. These commitments in future years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Commitments (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$1,732</td>
</tr>
<tr>
<td>2010</td>
<td>$1,741</td>
</tr>
<tr>
<td>2011</td>
<td>$1,595</td>
</tr>
<tr>
<td>2012</td>
<td>$1,469</td>
</tr>
<tr>
<td>2013</td>
<td>$1,338</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$10,003</td>
</tr>
</tbody>
</table>

Total rental expense was $1.8 billion in 2008, $2.0 billion in 2007 and $1.8 billion in 2006.

Commitments

We are a party to other commitments, which includes service, spectrum, network capacity and other executory contracts in connection with conducting our business. As of December 31, 2008, the minimum amounts due under these commitments were as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Commitments (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$6,315</td>
</tr>
<tr>
<td>2010</td>
<td>$1,816</td>
</tr>
<tr>
<td>2011</td>
<td>$974</td>
</tr>
<tr>
<td>2012</td>
<td>$663</td>
</tr>
<tr>
<td>2013</td>
<td>$519</td>
</tr>
<tr>
<td>Thereafter</td>
<td>$261</td>
</tr>
</tbody>
</table>

Amounts actually paid under some of these agreements will likely be higher due to variable components of these agreements. The more significant variable components that determine the ultimate obligation owed include such items as hours contracted, subscribers and other factors. In addition, we are a party to various arrangements that are conditional in nature and obligate us to make payments only upon the occurrence of certain events, such as the delivery of functioning software or a product.

Environmental Compliance

Environmental compliance and remediation expenditures result mainly from the operation of standby power generators for our telecommunications equipment. These expenditures arise in connection with standards compliance, permits or occasional remediation, which are usually related to generators, batteries or fuel storage. In light of the FCC’s desire that carriers increase their use of generators and batteries at cell sites, installation costs likely will increase. However, we cannot assess with certainty the impact of any future compliance and remediation obligations and we do not believe that future environmental compliance and remediation expenditures will have a material adverse effect on our financial condition or results of operations.

We have identified seven former manufactured gas plant sites in Nebraska, not currently owned or operated by us, that may have been owned or operated by entities acquired by Centel Corporation, formerly a subsidiary of ours and now a subsidiary of Embarq. We and Embarq have agreed to share the environmental liabilities arising from these former manufactured gas plant sites. Three of the sites are part of ongoing settlement negotiations and
administrative consent orders with the Environmental Protection Agency, or EPA. Two of the sites have had initial site assessments conducted by the Nebraska Department of Environmental Quality, or NDEQ, but no regulatory actions have followed. The two remaining sites have had no regulatory action by the EPA or the NDEQ. Centel has entered into agreements with other potentially responsible parties to share costs in connection with five of the seven sites. We are working to assess the scope and nature of these sites and our potential responsibility, which are not expected to be material.

Note 15. 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>2008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$9,334</td>
<td>$9,055</td>
<td>$8,816</td>
<td>$8,430</td>
</tr>
<tr>
<td>Operating loss (1)</td>
<td>(498)</td>
<td>(210)</td>
<td>(205)</td>
<td>(1,729)</td>
</tr>
<tr>
<td>Net loss (1)</td>
<td>(505)</td>
<td>(344)</td>
<td>(326)</td>
<td>(1,621)</td>
</tr>
<tr>
<td>Basic and diluted loss per common share (3)</td>
<td>(0.18)</td>
<td>(0.12)</td>
<td>(0.11)</td>
<td>(0.57)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quarter</th>
<th>1st</th>
<th>2nd</th>
<th>3rd</th>
<th>4th</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net operating revenues</td>
<td>$10,092</td>
<td>$10,163</td>
<td>$10,044</td>
<td>$9,847</td>
</tr>
<tr>
<td>Operating income (loss) (2)</td>
<td>1</td>
<td>316</td>
<td>398</td>
<td>(29,455)</td>
</tr>
<tr>
<td>Net (loss) income (2)</td>
<td>(211)</td>
<td>19</td>
<td>64</td>
<td>(29,316)</td>
</tr>
<tr>
<td>Basic and diluted (loss) earnings per common share (2)(3)</td>
<td>(0.07)</td>
<td>0.01</td>
<td>0.02</td>
<td>(10.31)</td>
</tr>
</tbody>
</table>

(1) In the fourth quarter 2008, we performed our annual goodwill analysis and recorded a non-cash goodwill impairment charge of $963 million. In addition, we recorded asset impairments, losses on dispositions of assets and lease exit costs of $511 million.

(2) In the fourth quarter 2007, we performed our annual goodwill analysis and recorded a non-cash goodwill impairment charge of $29.649 billion.

(3) The sum of the quarterly earnings per share amounts may not equal the annual amounts because of the changes in the weighted average number of shares outstanding during the year.

Note 16. Discontinued Operations

On May 17, 2006, we completed the spin-off of our local communications business, which is now known as Embarq Corporation. Embarq offers regulated local communications services as an incumbent local exchange carrier and provides a suite of communications services, consisting of local and long distance voice and data services, including high-speed Internet access. As required by SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, and as permitted by SFAS No. 95, Statement of Cash Flows, the results of operations and cash flows from operating activities of this business are presented as discontinued operations for all periods presented.

In the spin-off, we distributed pro rata to our shareholders one share of Embarq common stock for every 20 shares held of our voting and non-voting common stock, or about 149 million shares of Embarq common stock. Cash was paid for fractional shares. The distribution of Embarq common stock is considered a tax free transaction for us and for our shareholders, except for cash payments made in lieu of fractional shares, which are generally taxable.
In connection with the spin-off, Embarq transferred to our parent company $2.1 billion in cash and about $4.5 billion of Embarq senior notes in partial consideration for, and as a condition to, our transfer to Embarq of the local communications business. Embarq also retained about $665 million in debt obligations of its subsidiaries. Our parent company transferred the cash and senior notes to our finance subsidiary, Sprint Capital Corporation, in satisfaction of indebtedness owed by our parent company to Sprint Capital. On May 19, 2006, Sprint Capital sold the Embarq senior notes to the public, and received about $4.4 billion in net proceeds.

Also, in connection with the spin-off, we entered into a separation and distribution agreement and related agreements with Embarq, which provide that generally each party will be responsible for its respective assets, liabilities and businesses following the spin-off and that we and Embarq will provide each other with certain transition services relating to our respective businesses for specified periods at cost-based prices. The transition services primarily include billing, field support, information technology and real estate services. We also entered into agreements pursuant to which we and Embarq will provide each other with specified services at commercial rates.

At the time of the spin-off, all outstanding options to purchase our common stock held by employees of Embarq were cancelled and replaced with options to purchase Embarq common stock. Outstanding options to purchase our common stock held by our directors and employees who remained with us were adjusted by multiplying the number of shares subject to the options by 1.0955 and dividing the exercise price by the same number in order to account for the impact of the spin-off on the value of our shares at the time the spin-off was completed.

Generally, restricted stock units awarded pursuant to our equity incentive plans and held by our employees at the time of the spin-off (including those held by those of our employees who became employees of Embarq) were treated in a manner similar to the treatment of outstanding shares of our common stock in the spin-off. Holders of these restricted stock units received one Embarq restricted stock unit for every 20 restricted stock units held. Outstanding deferred shares granted under the Nextel Plan, which represent the right to receive shares of our common stock, were adjusted by multiplying the number of deferred shares by 1.0955. Cash was paid to the holders of deferred shares in lieu of fractional shares. The results of operations of the local communications business were as follows:

<table>
<thead>
<tr>
<th>Period Ended May 17, 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net operating revenue</td>
</tr>
<tr>
<td>Income before income taxes</td>
</tr>
<tr>
<td>Income tax expense</td>
</tr>
<tr>
<td>Income from discontinued operations</td>
</tr>
</tbody>
</table>

Note 17. Subsequent Events

In January 2009, we announced in response to the anticipated pressure on subscribers, revenues and profitability in 2009 that we intend to further align our cost structure with the reduced revenues expected from fewer subscribers. Our cost reduction program is designed to reduce our labor and other costs through a workforce reduction of about 8,000 positions. We expect this workforce reduction to be largely completed by the end of the first quarter 2009, and we will record a charge in excess of $300 million for associated severance and related costs at that time. The reduction in workforce will be completed using a combination of involuntary and voluntary separation plans.
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SPRINT NEXTEL CORPORATION
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
Years Ended December 31, 2008, 2007 and 2006

<table>
<thead>
<tr>
<th></th>
<th>Balance Beginning</th>
<th>Additions</th>
<th>Balance End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>of Year</td>
<td>Charged to Income</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Loss)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Charged to Other Accounts</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(in millions)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Other Deductions</td>
<td></td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>$ 392</td>
<td>$ 652</td>
<td>$ (826) (2)</td>
</tr>
<tr>
<td>Valuation allowance-deferred income tax assets</td>
<td>$ 723</td>
<td>$ 61</td>
<td>(73) (7)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>$ 383</td>
<td>$ 920</td>
<td>$ (952) (2)</td>
</tr>
<tr>
<td>Valuation allowance-deferred income tax assets</td>
<td>$ 816 (5)</td>
<td>$ 14</td>
<td>(127) (4)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>$ 291</td>
<td>$ 656</td>
<td>$ (625) (2)</td>
</tr>
<tr>
<td>Valuation allowance-deferred income tax assets</td>
<td>$ 1,070</td>
<td>$ 10</td>
<td>(158) (4)</td>
</tr>
</tbody>
</table>

The schedule above only reflects continuing operations.

(1) Amounts charged to other accounts consist of receivable reserves for billing and collection services we provide for certain PCS Affiliates. Uncollectible accounts are recovered from affiliates. In 2006, the amounts include the allowance recorded in the merger of Nextel and the PCS Affiliates and Nextel Partners acquisitions.

(2) Accounts written off, net of recoveries.

(3) Amount represents increases in the valuation allowance for deferred tax assets related primarily to the purchase price allocations in the Sprint-Nextel merger and the PCS Affiliates and Nextel Partners acquisitions.

(4) Amount represents valuation allowances no longer required due to the utilization or expiration of income tax carryforwards.

(5) Amount includes a beginning balance adjustment for reclassification of valuation allowance to other liabilities in accordance with the adoption of FIN 48.

(6) Amount represents increases in the valuation allowance for deferred tax assets related to the purchase price allocation in the PCS Affiliate acquisitions.

(7) Amount represents the utilization or expiration of income tax carryforwards and a reclassification to deferred tax liabilities.

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Section 1. Purpose. The purposes of the Sprint Nextel 1997 Long-Term Stock Incentive Program (the “Plan”) are to encourage Directors of Sprint Nextel Corporation (the “Company”) and officers and selected key employees of the Company and its Affiliates to acquire a proprietary and vested interest in the growth and performance of the Company, to generate an increased incentive to contribute to the Company’s future success and prosperity, thus enhancing the value of the Company for the benefit of stockholders, and to enhance the ability of the Company and its Affiliates to attract and retain individuals of exceptional talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends. The portion of any Award that would provide for a “deferral of compensation” (as such term is defined under Code Section 409A), but for the fact that such Award is earned and vested under the Plan prior to January 1, 2005 (the “Grandfathered Award”), if any, shall be governed by the terms of the Plan and applicable Award Agreement as in effect on October 3, 2004, and as subsequently amended on October 11, 2004 and August 12, 2005. Amendments made effective October 11, 2004 and August 12, 2005 did not result in a material modification of the Plan as in effect on October 3, 2004. Nothing in this amended Plan document shall affect deferred amounts under the Plan that were earned and vested prior to January 1, 2005. It is intended that Grandfathered Awards be grandfathered from the application of Code Section 409A. The determination of whether a portion of an Award is earned and vested under the Plan prior to January 1, 2005 shall be made in accordance with Code Section 409A and the guidance and Treasury regulations issued thereunder. The portion of any Award that provides for a “deferral of compensation” (as such term is defined under Code Section 409A) that is earned and vested under the Plan after December 31, 2004 (the “Non-Grandfathered Award”) shall be subject to the application of Code Section 409A and the guidance and Treasury regulations issued thereunder, to the extent applicable.

Section 2. Definitions. As used in the Plan, the following terms shall have the meanings set forth below:

(a) “Affiliate” shall mean (i) any Person that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company or (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.

(b) “Award” shall mean any Option, Restricted Stock Award, Performance Share, Performance Unit, Dividend Equivalent, Other Stock Unit Award, or any other right, interest, or option relating to Shares granted pursuant to the provisions of the Plan.
(c) “Award Agreement” shall mean any written agreement, contract, or other instrument or document evidencing any Award granted hereunder and signed by both the Company and the Participant.

(d) “Board” shall mean the Board of Directors of the Company.

(e) “Code” shall mean the Internal Revenue Code of 1986, as amended from time to time.

(f) “Committee” means the Compensation Committee of the Board, composed of not less than two directors each of whom is a Non-Employee Director.

(g) “Company” shall mean Sprint Nextel Corporation.

(h) “Dividend Equivalent” shall mean any right granted pursuant to Section 14(h) hereof.

(i) “Employee” shall mean any employee of the Company or of any Affiliate.

(j) “Exchange Act” means the Securities Exchange Act of 1934, as amended from time to time and as interpreted and implemented by the rules and regulations issued thereunder.

(k) “Executive Officer” shall mean an officer of the Company that is subject to the liability provisions of Section 16 of the Exchange Act.

(l) “Fair Market Value” shall mean, with respect to any property, the market value of such property determined by such methods or procedures as shall be established from time to time by the Committee; except that the “Fair Market Value” of a share of common stock of the Company for purposes of Section 6 and Section 11 shall mean the average of the high and low prices of the common stock for composite transactions, as published by major newspapers, for the date in question or, if no trade of the common stock shall have been made on that date, the next preceding date on which there was a trade of common stock.

(m) “Grant Date” shall mean the date as of which an Award is made to a Participant. For an Option, the Grant Date cannot be a date earlier than the date of the action granting the Option.

(n) “Incentive Stock Option” shall mean an Option granted under Section 6 hereof that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

(o) “Non-Employee Director” shall have the meaning provided for in Rule 16b-3(b)(3) under the Exchange Act, 17 CFR §240.16b-3(b)(3), as amended.

(p) “Non-Qualified Stock Option” shall mean an Option granted to a Participant under Section 6 hereof that is not intended to be an Incentive Stock Option.

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(q) “Normal Retirement” with respect to any Employee, shall mean Retirement at or later than an age qualifying as “normal retirement” under the Company’s defined benefit pension plan, whether or not the person is a participant in that plan and, with respect to any Outside Director, shall mean Separation From Service as an Outside Director at the mandatory retirement age or term limit for members of the Board under its policies, as amended from time to time.

(r) “Option” shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.

(s) “Other Stock Unit Award” shall mean any right granted to a Participant by the Committee pursuant to Section 9 hereof.

(t) “Outside Director” shall mean a member of the Board who is not an Employee of the Company or of any Affiliate.

(u) “Participant” shall mean an Employee or Outside Director who is selected to receive an Award under the Plan.

(v) “Performance Award” shall mean any Award of Performance Shares or Performance Units pursuant to Section 8 hereof.

(w) “Performance Period” shall mean that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

(x) “Performance Share” shall mean any grant pursuant to Section 8 hereof of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(y) “Performance Unit” shall mean any grant pursuant to Section 8 hereof of a unit valued by reference to a designated amount of property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

(z) “Person” shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, or government or political subdivision thereof.

(aa) “Resignation with Good Reason” shall mean a Separation From Service resulting from a resignation of a Participant after a Change in Control for the reasons specified in the Participant’s employment agreement, or in the event a
Participant is an Employee but has no employment agreement, or the employment agreement has no provision for resignation with good reason following a Change in Control, “Resignation with Good Reason” shall mean a Separation From Service resulting from a resignation of a Participant following the occurrence, after a Change in Control, of any one or more of the following events or circumstances without that Participant’s prior written consent unless each of the events or circumstances are corrected in all material respects:

(i) a substantial adverse change in the nature or status of the Participant’s duties from those in effect immediately before the Change in Control, any reduction in job grade or any substantial adverse alteration of the Participant’s title from that in effect immediately before the Change in Control;

(ii) a reduction in the Participant’s base salary as in effect immediately before the Change in Control, 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, without the Participant’s consent, to pay to the Participant any portion of the Participant’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 the Participant 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 Participant’s present business travel obligations; or (C) the Company’s requiring the Participant to travel to an extent substantially inconsistent with the Participant’s business travel obligations as in effect immediately before the Change in Control;

(v) a substantial and involuntary change in the physical conditions under or in which the Participant is expected to perform the Participant’s duties, other than a change 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 the Participant participated immediately before the Change in Control and that is material to the Participant’s total compensation, including but not limited to the Management 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 terminated plan, or the Company’s failure to continue the Participant’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 the Participant’s participation relative to other Participants, as existed at the time of the Change in Control;

(vii) the Company’s failure to continue to provide the Participant with benefits substantially similar in the aggregate to those the Participant enjoyed under any of the Company’s benefit plans in which the
participants 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 the participant of any material fringe benefit enjoyed by participant at the time of the change in control; or the failure by the company to provide the participant with the number of paid vacation days to which the participant 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 in this clause (viii), 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 any employment agreement between the participant and the company in effect at the time of the change in control; or

(ix) the company’s attempt to terminate the participant’s employment without complying with the procedures set forth in any employment agreement between the participant and the company in effect as of the change in control.

(bb) “restricted stock” shall mean any share issued with restrictions on the holder’s right to sell, transfer, pledge, or assign such share and with such other restrictions as the committee, in its sole discretion, may impose (including, without limitation, any restriction on the right to vote such share, and the right to receive any cash dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the committee may deem appropriate.

(cc) “restricted stock award” shall mean an award of restricted stock under section 7 hereof.

(dd) “retirement” shall mean, in the case of an employee, termination of employment by an employee who is entitled to receive payment of pension benefits in accordance with the sprint retirement pension plan or the employee’s employer’s defined benefit pension plan, if any, immediately after the employee’s termination date and, in the case of an outside director, separation from service as an outside director after five years of service as an outside director.

(ee) “seasoned shares” means with respect to any person, shares of common stock of the company (i) acquired by such person from the company and owned by such person for a period of at least six months; or (ii) acquired by such person other than from the company.

(ff) “separation from service” means a “separation from service” as such term is defined under code section 409a and the treasury regulations issued thereunder. except as otherwise required to comply with code section 409a, an employee shall be considered not to have had a separation from service where the level of bona fide services performed continues at a level that is at

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least 21 percent or more of the average level of service performed by the employee during the immediately preceding 36-month period (or if providing services for less than 36 months, such lesser period) after taking into account any services that the employee provided prior to such date or that the Company and the employee reasonably anticipate the employee may provide (whether as an employee or independent contractor) after such date.

For purposes of the determination of whether a Participant has had a “separation from service” as described under Code Section 409A and the guidance and Treasury regulations issued thereunder, the terms “Sprint Nextel,” “employer” and “service recipient” mean Sprint Nextel Corporation and any affiliate with which Sprint Nextel Corporation would be considered a single employer under Code Section 414(b) or 414(c), provided that in applying Code Sections 1563(a) (1), (2), and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language “at least 50 percent” is used instead of “at least 80 percent”, each place it appears in Code Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2.

(gg) “Shares” shall mean shares of Series 1 common stock, $2.00 par value, and such other securities of the Company as the Committee may from time to time determine.

(hh) “Stockholders Meeting” shall mean the annual meeting of stockholders of the Company in each year.

(ii) “Termination Date” shall mean (i) with respect to any Employee, the date on which the Employee ceases to be employed by the Company, or any Affiliate, and ceases to receive severance benefits under any applicable plan for the payment of severance benefits by the employing entity, or (ii) with respect to any Outside Director, the date of the Outside Director’s Separation From Service.

(jj) “Termination for Cause” shall mean, in the case of an Employee, an involuntary termination of employment because (i) the Employee has materially breached the Company’s Code of Ethics, or the code of ethics of the employer; (ii) the Employee has materially breached the Sprint Employee Agreement Regarding Property Rights and Business Practices (as it may be amended and renamed from time to time); (iii) the Employee has engaged in acts or omissions constituting dishonesty, intentional breach of a fiduciary obligation, or intentional acts of wrongdoing or misfeasance; or (iv) the Employee has acted intentionally and in bad faith in a manner that results in a material detriment to the assets, business, or prospects of the employer.

In determining whether any particular Employee was Terminated for Cause, the characterization of the reason for termination used for purposes of other employee benefit plans of the Company or the Employee’s employer shall apply to this Plan.
In the case of an Outside Director, “Termination for Cause” means removal for cause from service as a director.

(kk) “Total Disability” shall mean, in the case of an Employee, Separation From Service, under circumstances that would make the Employee eligible to receive benefits under the employer’s long-term disability plan and, in the case of Outside Directors, Separation From Service as an Outside Director resulting from circumstances that would make the Outside Director eligible to receive Social Security disability benefits.

(ll) “1989 Plan” shall mean the Long-Term Stock Incentive Program adopted by the Company’s stockholders in 1989, as amended.

(mm) “total outstanding Shares” means, the total shares outstanding of Series 1 and Series 2 common stock.

Section 3. Administration. The Plan shall be administered by the Committee. The Committee shall have full power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Participants to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Awards to be granted to each Participant hereunder; (iii) determine the number of Shares to be covered by each Award granted hereunder; provided, however, that Shares subject to Options granted to any individual Participant during any calendar year shall not exceed a total of 7,500,000 Shares; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder; (v) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property, or canceled or suspended; (vi) determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant, provided that no Option shall be deferred; (vii) interpret and administer the Plan and any instrument or agreement entered into under the Plan; (viii) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (ix) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan. Decisions of the Committee shall be final, conclusive and binding upon all persons, including the Company, any Participant, any stockholder, and any employee of the Company or of any Affiliate.

The Corporate Secretary shall have the discretion and authority to establish any and all procedures, forms, and rules of a ministerial nature that the Corporate Secretary considers necessary or desirable for the orderly administration of the Plan and shall have other administrative responsibilities as set forth elsewhere in the Plan.

The Committee shall appoint an administrator of the Plan for purposes of interpreting and administering the provisions of Section 11 of the Plan.

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For purposes of this section, shares granted pursuant to the last sentence of Section 4(a) shall be counted in the year granted, not in the year first exercisable.

Section 4. Shares Subject to the Plan.

(a) Subject to adjustment as provided in Section 4(b), the total number of Shares available for grant under the Plan in a calendar year shall be nine tenths of one percent (0.9%) of the total outstanding Shares as of the first day of calendar year 1997, plus a number of Shares equal to the number of Shares available for grant under the 1989 Plan as of the close of business on the date of the 1997 Stockholders Meeting, for calendar year 1997, and one and one-half percent (1.5%) of the total outstanding Shares as of the first day of each such year for which the Plan is in effect beginning with calendar year 1998 and ending with calendar year 2007 plus 10,000,000 Shares; provided that such number shall be increased in any year by the number of Shares available for grant hereunder in previous years but not covered by Awards granted hereunder in such years; and provided further, that no more than 10,000,000 Shares shall be cumulatively available for the grant of Incentive Stock Options under the Plan. In addition, any Shares issued by the Company through the assumption or substitution of outstanding grants from an acquired company shall not reduce the shares available for grants under the Plan. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares. If any Shares subject to any Award granted hereunder or the Award itself are forfeited, cancelled, expired, or otherwise terminated without the issuance of such Shares or of other consideration in lieu of such Shares pursuant to the terms of the Award, the Shares subject to such Award, to the extent of any such forfeiture, cancellation, expiration, or termination, shall again be available for grant under the Plan. The number of shares with respect to which Options are granted in any calendar year may exceed the total number of Shares available for grant under the Plan in such year (taking into account all other Awards granted in such year), provided that the terms of the Options provide that they may only be exercised to the extent of the number of Shares available for grant at the time of exercise, and provided further that this sentence shall not be construed to increase the total number of shares reserved for issuance pursuant to the Plan.

(b) 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 which 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, in the number, class and option price of Shares subject to outstanding Options granted under the Plan, and in the value of, or number or class of Shares subject to, Awards 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 Award shall always be a whole number and provided further, that any Option, as so adjusted, shall be exempt from, or compliant with, the requirements of Code Section 409A and the Treasury regulations issued thereunder. In the case of an adjustment with respect to an Option, (i) the
excess of the aggregate value of the shares subject to an Option immediately after the adjustment over the aggregate exercise price of such shares cannot exceed the excess of the aggregate value of the shares subject to the Option immediately before the adjustment over the aggregate exercise price of such shares, and (ii) the ratio of the exercise price to the market value of the shares subject to the Option immediately after the adjustment cannot be more favorable to the optionee than the ratio of the exercise price to the value of the shares subject to the Option immediately before the adjustment.

Section 5. Eligibility. Any Employee or Outside Director shall be eligible to be selected as a Participant.

Section 6. Stock Options. Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Any Option granted to a Participant under the Plan shall be evidenced by an Award Agreement in such form as the Committee may from time to time approve. Any such Option shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

(a) Exercise Price. The exercise price per Share purchasable under an Option shall be determined by the Committee in its sole discretion; provided that such exercise price shall not be less than the Fair Market Value of the Share on the date of the grant of the Option.

(b) Option Period. The term of each Option shall be fixed by the Committee in its sole discretion; provided that no Incentive Stock Option shall be exercisable after the expiration of ten years from the date the Option is granted.

(c) Exercisability. Options shall be exercisable at such time or times as determined by the Committee at or subsequent to grant. Unless otherwise determined by the Committee at or subsequent to grant, no Incentive Stock Option shall be exercisable until the first anniversary date of the granting of the Incentive Stock Option.

(d) Method of Exercise. Subject to the other provisions of the Plan and any applicable Award Agreement, any Option may be exercised by the Participant in whole or in part at such time or times, and the Participant may pay the exercise price in such form or forms, including, without limitation, payment by delivery of cash, Shares or other consideration (including, where permitted by law and the Committee, Awards) having a Fair Market Value on the exercise date equal to the total exercise price, or by any combination of cash, Shares and other consideration, as the Committee may permit.

(e) Incentive Stock Options. In accordance with rules and procedures established by the Committee, the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options held by any Participant that are exercisable for the first time by such Participant during any calendar year under the Plan (and under any other benefit plans of the Company or of any parent or subsidiary corporation of the Company) shall

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not exceed $100,000 or, if different, the maximum limitation in effect at the time of grant under Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder. The terms of any Incentive Stock Option granted hereunder shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder.

(f) Form of Settlement. In its sole discretion, the Committee may provide, at the time of grant, that the shares to be issued upon an Option’s exercise shall be in the form of Restricted Stock or other similar securities, or may reserve the right so to provide after the time of grant.

(g) Standard Terms of Options. Unless the Committee, or an Executive Officer or committee of Executive Officers under Section 14(i), specifies otherwise, the terms set forth in this Section 6(g) shall apply to all Options granted under this Plan. Any Option Award Agreement that incorporates the terms of the Plan by reference shall be deemed to have incorporated the terms set forth in this Section 6(g) to the extent that these terms are not in conflict with those terms explicitly set forth in the Option Award Agreement.

(i) Each Option shall be a Non-Qualified Stock Option.

(ii) The Grant Date of each Option shall be the date of the Committee’s action granting the Option, or the date of the action by the Executive Officer or committee of Executive Officers under Section 14(i).

(iii) The Exercise Price of each Option shall be the Fair Market Value of one Share of the class of common stock subject to the Option on the Grant Date.

(iv) The Option Period of each Option shall end on the close of business on the tenth anniversary of the Option’s Grant Date. The Option shall not be exercisable after its Option Period.

(v) Each Option shall become exercisable with respect to 25% of the number of Shares subject to the Option on each of the first four anniversaries of the Grant Date if, on such anniversary date, the Participant shall have been continuously employed by the Company or an Affiliate, or continuously served as an Outside Director, from the Grant Date.

(vi) Each Option may be exercised after the Participant’s Termination Date only with respect to the number of Shares that were exercisable on the Participant’s Termination Date (including Options exercisable under Section 6(g)(vii)). A Participant may exercise an Option before the expiration of the Option Period with respect to those shares during a limited period beginning on the Participant’s Termination Date and ending (1) on the fifth anniversary of the Participant’s Termination Date, if the Participant’s service as an Outside Director or employment terminated by reason of the Participant’s Retirement or Total Disability; (2) on the first anniversary of the Participant’s Termination Date if the Participant’s employment or service as an Outside Director terminated by reason of the Participant’s death; (3) on the day three months following the Participant’s Termination Date if the Participant terminated employment or service as an Outside Director voluntarily, for a reason other than Retirement, or involuntarily for a reason not constituting Termination for Cause.
If a Participant’s employment or service as an Outside Director has been Terminated for Cause, the Participant shall forfeit all outstanding Options immediately on the Participant’s Termination Date.

An Option granted pursuant to the last sentence of Section 4(a) that was not exercisable on the Participant’s Termination Date solely because the number of shares covered by the Option exceeded the number of shares available for issuance may be exercised during the period described above to the extent that shares become available for issuance during such period.

(vii) Each Option shall become exercisable immediately following the Participant’s Termination Date if the reason for termination was the Participant’s
(1) death or Total Disability; or (2) Normal Retirement and, for Participants other than Outside Directors, the Option’s Grant Date was at least one year before the Participant’s Termination Date.

(viii) Except with respect to Options granted to Executive Officers, each Option shall become immediately exercisable in full upon a Change in Control if (1) the Change in Control occurs at least one year after the Option’s Grant Date and (2) the Participant has been an Outside Director or Employee continuously from the Option’s Grant Date to the date of the Change in Control.

With respect to Options granted to Executive Officers, each Option shall become immediately exercisable in full upon the Executive Officer’s involuntary termination that is not a Termination for Cause, or upon the Executive Officer’s Resignation with Good Reason, following a Change in Control if (1) the Change in Control occurs at least one year after the Option’s Grant Date and (2) the Participant has been an Employee continuously from the Option’s Grant Date to the date of the Change in Control.

If the acceleration of exercisability under this Section 6(g)(viii), together with all other payments or benefits contingent on the Change in Control within the meaning of Code Section 280G, results in any portion of such payments or benefits not being deductible by the Company as a result of the application of Code Section 280G, the 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 or other Awards, or portions thereof, in the order determined by the Committee, first, that are not permitted to be valued under Treasury Regulation Section 1.280G-1 Q/A – 24(c) (or any successor provision thereto) and second, of Options or other Awards, or portions thereof, that are permitted to be valued under Treasury Regulation Section 1.280G, Q&A 24(c).

(ix) Upon the death of a Participant, all Options held by the Participant on the Participant’s date of death, to the extent exercisable under their terms, may be exercised by (i) the executor or administrator of the Participant’s estate, (ii) the Person or Persons to whom the Participant’s rights under the Options pass by the Participant’s will or the laws of descent and distribution, or (iii) the beneficiary or beneficiaries designated by the Participant in accordance with Section 14(a).
Section 7. Restricted Stock.

(a) Issuance. Restricted Stock Awards may be issued hereunder to Participants, for such consideration as the Committee may determine, not less than the minimum consideration required by applicable law, either alone or in addition to other Awards granted under the Plan. The provisions of Restricted Stock Awards need not be the same with respect to each recipient.

(b) Registration. Any Restricted Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock awarded under the Plan, such certificate shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award or shall be held in escrow by the Company until all restrictions on the Restricted Stock have lapsed.

(c) Forfeiture. Except as otherwise determined by the Committee at the time of grant, upon termination of employment for any reason during the restriction period, all shares of Restricted Stock still subject to restriction shall be forfeited by the Participant and reacquired by the Company; provided that in the event of a Participant’s retirement, permanent disability, other termination of employment or death, or in cases of special circumstances, the Committee may, in its sole discretion, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to such Participant’s shares of Restricted Stock.

(d) Standard Terms of Restricted Stock. Unless the Committee, or an Executive Officer or committee of Executive Officers under Section 14(i), specifies otherwise, the terms set forth in this Section 7(d) shall apply to all shares of Restricted Stock granted under this Plan. Any Award Agreement relating to a grant of Restricted Stock that incorporates the terms of the Plan by reference shall be deemed to have incorporated the terms set forth in this Section 7(d) to the extent that these terms are not in conflict with those terms explicitly set forth in the Award Agreement.

(i) The Grant Date of each share of Restricted Stock shall be the date of the Committee’s action granting the shares, or the date of the action by the Executive Officer or committee of Executive Officers under Section 14(i).

(ii) Except as provided in Section 7(d)(iii), no Restricted Stock shall become free of restrictions before the first anniversary date of the granting of the Restricted Stock.

(iii) The restrictions on each share of Restricted Stock shall lapse immediately following the Participant’s Termination Date if the reason for termination was the Participant’s death or Total Disability.

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For grants of Restricted Stock to Employees, restrictions on each share shall also lapse immediately following (1) the date on which the Employee attains age 65, but only if the Restricted Stock has been outstanding for at least one year, or (2) the first anniversary of the Grant Date for the Employee is age 65 or older on that anniversary date. For grants of Restricted Stock to Outside Directors, restrictions on each share shall also lapse immediately upon a Change in Control if (1) the Change in Control occurs at least one year after the Share’s Grant Date and (2) the Participant has been an Outside Director or Employee continuously from the Share’s Grant Date to the date of the Change in Control.

If the acceleration of vesting under this Section 7(d)(iv), together with all other payments or benefits contingent on the Change in Control within the meaning of Code Section 280G, results in any portion of such payments or benefits not being deductible by the Company as a result of the application of Code Section 280G, the benefits shall be reduced until the entire amount of the benefits is deductible. The reduction shall be effected by the exclusion of grants of shares of Restricted Stock or other Awards, or portions thereof, in the order determined by the Committee, first, that are not permitted to be valued under Treasury Regulation Section 1.280G-1 Q/A – 24(c) (or any successor provision thereto) and second, of Restricted Stock or other Awards, or portions thereof, that are permitted to be valued under Treasury Regulation Section 1.280G, Q&A 24(c).

If cash dividends are paid on Restricted Stock, Participants who hold Restricted Stock on the dividend record date will receive, on the dividend payment date, the cash dividend. If non-cash dividends are paid on the Restricted Stock, and the Participant holds the Restricted Stock on the dividend record date, the Participant’s vesting date of the non-cash dividend will be the same as the Restricted Stock to which the non-cash dividend was attributable.
Section 8. Performance Awards.

Performance Awards may be issued hereunder to Participants, for such consideration as the Committee may determine, not less than the minimum consideration required by applicable law, either alone or in addition to other Awards granted under the Plan. The performance criteria to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award. Except as provided in Section 12, Performance Awards will be paid only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, other property or any combination thereof, in the sole discretion of the Committee at the time of payment. The performance levels to be achieved for each Performance Period and the amount of the Award to be distributed shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis.

Section 9. Other Stock Unit Awards.

(a) Stock and Administration. Other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property (“Other Stock Unit Awards”) may be granted hereunder to Participants, either alone or in addition to other Awards granted under the Plan. Other Stock Unit Awards may be paid in Shares, cash or any other form of property as the Committee shall determine. Subject to the provisions of the Plan, the Committee shall, subject to Section 3, have sole and complete authority to determine the Employees or Outside Directors to whom and the time or times at which such Awards shall be made, the number of Shares to be granted pursuant to such Awards, and all other conditions of the Awards. The provisions of Other Stock Unit Awards need not be the same with respect to each recipient.

(b) Terms and Conditions. Subject to the provisions of this Plan and any applicable Award Agreement, Shares subject to Awards made under this Section 9 may not be sold, assigned, transferred, pledged or otherwise encumbered prior to the date on which the Shares are issued, or, if later, the date on which any applicable restriction, performance or deferral period lapses. Shares granted under this Section 9 may be issued for such consideration as the Committee may determine, not less than the minimum consideration required by applicable law.

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Shares purchased pursuant to a purchase right awarded under this Section 9 shall be purchased for such consideration as the Committee shall in its sole discretion determine, which shall not be less than the Fair Market Value of such Shares as of the date such purchase right is awarded.

(c) Standard Terms of Other Stock Unit Awards. Unless the Committee, or an Executive Officer or committee of Executive Officers under Section 14(i), specifies otherwise, the terms set forth in this Section 9(c) shall apply to all shares of Other Stock Unit Awards granted under this Plan. Any Award Agreement relating to a grant of Other Stock Unit Awards that incorporates the terms of the Plan by reference shall be deemed to have incorporated the terms set forth in this Section 9(c) to the extent that these terms are not in conflict with those terms explicitly set forth in the Award Agreement.

(i) The Grant Date of each Other Stock Unit Award shall be the date of the Committee’s action granting the Award, or the date of the action by the Executive Officer or committee of Executive Officers under Section 14(i).

(ii) The Company will deliver the shares of stock underlying the Other Stock Unit Award on a delivery date elected by the Participant, which may only be on or after the vesting date. Except as provided in Section 9(c)(iii), no Other Stock Unit Award shall vest before the first anniversary date of the granting of the Other Stock Unit Award. Notwithstanding any other provision of the Plan or any Award Agreement to the contrary, Other Stock Unit Awards will be settled no later than two and one-half months after the end of the calendar year in which such Award vests, provided that if any Other Stock Unit Award is subject to Code Section 409A, such Award will be settled on the delivery date elected by the Participant.

(iii) The vesting date for Other Stock Unit Awards shall accelerate immediately following the Participant’s Termination Date if the reason for termination was the Participant’s death or Total Disability. For grants of Other Stock Unit Awards to Employees, the vesting date shall accelerate immediately following (1) the date on which the Employee attains age 65, but only if the Other Stock Unit Award has been outstanding for at least one year, or (2) the first anniversary of the Grant Date if the Employee is age 65 or older on that anniversary date. For grants of Other Stock Unit Awards to Outside Directors, the vesting date shall accelerate immediately following the date the Outside Director fails to be elected or fails to be re-nominated to the Board, or the date of the Outside Director’s Normal Retirement. If the Participant’s delivery date is the same as the original vesting date, the delivery date will also accelerate to that date. If the Participant has elected a delivery date that is not the same as the original vesting date, the delivery date will be the date specified in the applicable Award Agreement.

(iv) Except with respect to Other Stock Unit Award granted to Executive Officers, the Award shall vest immediately upon a Change in Control if (1) the Change in Control occurs at least one year after the Grant Date for the Award and (2) the Participant has been an Outside Director.
Director or Employee continuously from the Award’s Grant Date through the date of the Change in Control. If the Participant’s delivery date is the same as the original vesting date, the delivery date will also accelerate to that date. If the Participant’s Other Stock Unit Award is considered a “deferral of compensation” (as such term is defined under Code Section 409A), delivery of such Award to the Participant shall occur within 30 days after a Change in Control, provided that such Change in Control may be treated as a change in ownership of the Company, a change in the effective control of the Company or a change in the ownership of a substantial portion of the Company’s assets as described in Treasury regulations issued under Code Section 409A (each a “Code Section 409A Change in Control”). If the Change in Control is not a Code Section 409A Change in Control, and the conditions specified in (1) and (2) above are satisfied, the delivery of such Award to the Participant shall be made on the earlier of (x) the date of the Participant’s Separation From Service and (y) the date specified in the applicable Award Agreement. With respect to shares of Other Stock Unit Award granted to Executive Officers, the Award shall vest immediately upon the Executive Officer’s involuntary termination that is not a Termination for Cause, or upon the Executive Officer’s Resignation with Good Reason, following a Change in Control if (1) the Change in Control occurs at least one year after the Award’s Grant Date and (2) the Participant has been an Employee continuously from the Award’s Grant Date to the date of the Change in Control. If the Participant’s delivery date is the same as the original vesting date, the delivery date will also accelerate to that date. If the Executive Officer’s vested Other Stock Unit Award is considered a “deferral of compensation” (as such term is defined under Code Section 409A), delivery of such vested Award to the Executive Officer shall occur within 30 days after the Executive Officer’s Separation From Service following a Change in Control if (1) the Change in Control occurs at least one year after the Award’s Grant Date and (2) the Participant has been an Employee continuously from the Award’s Grant Date to the date of the Change in Control.

If the acceleration of vesting under this Section 9(c)(iv), together with all other payments or benefits contingent on the Change in Control within the meaning of Code Section 280G, results in any portion of such payments or benefits not being deductible by the Company as a result of the application of Code Section 280G, the benefits shall be reduced until the entire amount of the benefits is deductible. The reduction shall be effected by the exclusion of grants of Other Stock Unit Awards or other Awards, or portions thereof, in the order determined by the Committee, first, that are not permitted to be valued under Treasury Regulation Section 1.280G-1 Q/A – 24(c) (or any successor provision thereto) and second, of Other Stock Unit Awards or other Awards, or portions thereof, that are permitted to be valued under Treasury Regulation Section 1.280G, Q&A 24(c).

(v) If cash dividends are paid on the underlying class of stock attributable to an Other Stock Unit Award, Participants who hold Other Stock...
Section 11. Outside Directors’ Shares

Outside Directors may elect, on an annual basis, to purchase shares of any class of common stock of the Company from the Company in lieu of receiving all or part (in 10% increments) of their annual retainer, meeting fees and committee meeting fees in cash. The purchase price of such shares shall be the Fair Market Value of the stock for the last trading day of the quarter in which the retainer, meeting fees, and committee meeting fees are earned.

Commencing May 1, 1997, the annual retainer and meeting fees, including Board, committee and other meetings that may be compensable under policies approved from time to time by the Board or a committee of the Board, payable to each Outside Director for service on the Board may, at the election of the Outside Director (the “Annual Election”), be payable to a trust in shares of any class of common stock of the Company. The Annual Election: (i) shall be irrevocable in respect of the annual retainer and meeting fees earned during the period to which it pertains (the “Plan Year”) and shall specify the applicable percentage (in increments of 10%) of such annual retainer and meeting fees that such Outside Director wishes to direct to the trust; (ii) must be received in writing by the administrator of the Plan by the established enrollment deadline of any Plan Year which must be no later than the last business day of the calendar year immediately preceding the calendar year in which that Plan Year commences, in order to cause that Plan Year’s annual retainer and fees to be
subject to the provisions of this Plan; and (iii) must specify whether the ultimate distribution of the shares of common stock to the Outside Director will be paid, following the Outside Director’s death or termination of Board service, in a lump sum or in equal annual payments over a period of two to twenty years. The 2005 Plan Year will be the eight month period commencing May 1, 2005 and ending December 31, 2005, and all subsequent Plan Years will be twelve month periods commencing January 1 of a year and ending on December 31 of the same year.

The shares shall be purchased from the Company at the Fair Market Value of the stock for the last trading day of the quarter in which the fees are earned and shall be credited by the trustee to the account of the Outside Director. The certificates for common stock shall be issued in the name of the trustee of the trust and shall be held by such trustee in trust for the benefit of the Outside Directors; provided, however, that each Outside Director shall be entitled to vote the shares. The trustee shall retain all dividends (which shall be reinvested in shares of the same class of common stock) and other distributions paid or made with respect thereto in the trust. The shares credited to the account of an Outside Director shall remain subject to the claims of the Company’s creditors, and the interests of the Outside Director in the trust may not be sold, hypothecated or transferred (including, without limitation, transferred by gift or donation) while such shares are held in the trust.

If the Outside Director elects to receive a lump sum distribution, the trustee of the trust shall distribute such shares of common stock free of restrictions within 60 days after the Outside Director’s Separation From Service or a later date elected by the Outside Director (no later than the mandatory retirement age of the Outside Director). If the Outside Director elects to receive a lump sum distribution, the Outside Director may, by delivering notice in writing to the administrator of the Plan no later than December 31 of the year before the year in which the Outside Director incurs a Separation From Service, elect to receive any portion or all of the common stock in the form of cash determined by reference to the Fair Market Value of the common stock as of the termination date. Any such notice to the administrator must specify whether the distribution will be entirely in cash or whether the distribution will be in a combination of common stock and cash (in which case the applicable percentage must be specified). In the case of the Outside Director’s Separation From Service as a result of his death, payment of the Outside Director’s account shall be in shares of common stock and not in cash. If an Outside Director elects to receive payments in installments, the distribution will commence within 60 days after the Outside Director’s Separation From Service and will be made in shares of common stock and not in cash. Notwithstanding anything to the contrary contained herein, any fractional shares of common stock shall be distributed in cash to the Outside Director.

Section 12. Change in Control.
(a) In order to maintain the Participants’ rights in the event of any Change in Control of the Company, as hereinafter defined, the Committee may, in its sole discretion, as to any Award, either at the time an Award is made hereunder or

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any time thereafter, take any one or more of the following actions: (i) provide for the acceleration of any time periods relating to the exercise or realization of any such Award so that such Award may be exercised or realized in full on or before a date fixed by the Committee; (ii) provide for the purchase of any such Award, upon the Participant’s request, for an amount of cash equal to the excess of the Fair Market Value of the property that could have been received upon the exercise of such Award or realization of the Participant’s rights had such Award been currently exercisable or payable over the amount which would have been paid, if any, by the Participant for such property; (iii) make such adjustment to any such Award then outstanding as the Committee deems appropriate to reflect such Change in Control, provided that any Option, as so adjusted, shall be exempt from, or compliant with, the requirements of Code Section 409A and the Treasury regulations issued thereunder; or (iv) cause any such Award then outstanding to be assumed, or new rights substituted therefor, by the acquiring or surviving corporation after such Change in Control. The Committee may, in its discretion, include such further provisions and limitations in any agreement documenting such Awards as it deems equitable and in the best interests of the Company.

(b) Unless the Committee determines otherwise with respect to any Award, a “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 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 the Company that represent 30% or more of the combined voting power of the Company’s then outstanding voting securities, other than

A. the acquisition by a trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company or by any employee benefit plan (or related trust) sponsored or maintained by the Company or any person controlled by the Company, or

B. an acquisition of voting securities by the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of the stock of the Company, 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 the Company to be directors that meet one or more of the following descriptions:

A. a director who has been a director of the Company for a continuous period of at least 24 months, or

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(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 the Company’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 the Company (whether directly involving the Company or indirectly involving the Company 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 the Company’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 the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company 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
For purposes of clarification, (x) a change in the voting power of the Company voting securities based on the relative trading values of the Company’s then outstanding securities as determined pursuant to the Company’s Articles of Incorporation or (y) an acquisition of the Company securities by the Company that, in either case, by itself (or in combination only with the other event listed in this sentence) causes the Company’s voting securities beneficially owned by a person or group to represent 30% or more of the combined voting power of the Company’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, the Company makes the calculation of voting power as if the date of the acquisition were a record date for a vote of the Company’s shareholders, and for purposes of clause (iii) above, the Company makes the calculation of voting power as if the date of the consummation of the transaction were a record date for a vote of the Company’s shareholders.

(c) If an Award provides for acceleration under Section 12(a), the provisions of Section 6(g)(viii), Section 7(d)(iv), or Section 9(c)(iv), as the case may be, shall apply to the Award.

Section 13. Amendments and Termination. The Board may amend, alter or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of a Participant under an Award theretofore granted, without the Participant’s consent, or that without the approval of the Stockholders would, except as is provided in Section 4(b) of the Plan, increase the total number of Shares reserved for the purposes of the Plan. Notwithstanding the foregoing, the Board may terminate the Plan even if the effect would be to cancel unexercisable Options granted pursuant to the last sentence of Section 4(a) for which shares have not, at the time of such termination, become available for grant.

The Committee may amend the terms of any Award theretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without the Participant’s consent. The Committee may also substitute new Awards for Awards previously granted to Participants, but it may not substitute new Options having a lower exercise price for previously granted Options having a higher exercise price.


(a) No Award shall be assignable or transferable by a Participant otherwise than by will or by the laws of descent and distribution, except that Restricted Stock may be used in payment of the exercise price of a stock option issued by the Company and may be otherwise transferred in a manner that protects the interests of the Company as the Committee may determine; provided that, if so determined by the Committee, each Participant may, in the manner established
by the Committee, designate a beneficiary to exercise the rights of the Participant with respect to any Award upon the death of the Participant and to receive the Shares or other property issued upon such exercise.

(b) The term of each Award shall be for such period from the date of its grant as may be determined by the Committee; provided that in no event shall the term of any Incentive Stock Option exceed a period of ten (10) years from the date of its grant.

(c) No Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Participants under the Plan.

(d) The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a fully executed copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

(e) The Committee shall be authorized to make adjustments in performance award criteria or in the terms and conditions of other Awards in recognition of unusual or nonrecurring events affecting the Company or its financial statements or changes in applicable laws, regulations or accounting principles. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry it into effect. In the event the Company shall assume outstanding employee benefit awards or the right or obligation to make future such awards in connection with the acquisition of another corporation or business entity, the Committee may, in its discretion, make such adjustments in the terms of Awards under the Plan as it shall deem appropriate. In the case of an adjustment with respect to an Option, (i) the excess of the aggregate value of the shares subject to an Option immediately after the adjustment over the aggregate exercise price of such shares cannot exceed the excess of the aggregate value of the shares subject to the Option immediately before the adjustment over the aggregate exercise price of such shares, and (ii) the ratio of the exercise price to the market value of the shares subject to the Option immediately after the adjustment cannot be more favorable to the optionee than the ratio of the exercise price to the value of the shares subject to the Option immediately before the adjustment. Notwithstanding the foregoing, any Option, as so adjusted, shall be exempt from, or compliant with, the requirements of Code Section 409A and the Treasury regulations issued thereunder.

(f) The Committee shall have full power and authority to determine whether, to what extent and under what circumstances any Award shall be canceled or suspended. In particular, but without limitation, except for Other Stock Unit Awards granted with the standard term described in Section 9(c)(ii), all outstanding Awards to any Participant shall be canceled if the Participant, without the consent of the Committee, while employed by the Company or an Affiliate or after termination of such employment, becomes associated with,
employed by, renders services to, or owns any interest in (other than any nonsubstantial interest, as determined by the Committee), any business that is in competition with the Company or with any business in which the Company has a substantial interest as determined by the Committee or any one or more Executive Officers or committee of Executive Officers to whom the authority to make such determination is delegated by the Committee under Section 14(i).

(g) All certificates for Shares delivered under the Plan pursuant to any Award 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.

(h) Subject to the provisions of this Plan and any Award Agreement, the recipient of an Award (other than an Option) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, interest or dividends, or interest or dividend equivalents, with respect to the number of shares covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested. The recipient of an Option shall not be entitled to receive, currently or on a deferred basis, interest, dividends, or dividend equivalents with respect to such Award.

(i) Except as otherwise required in any applicable Award Agreement or by the terms of the Plan, recipients of Awards under the Plan shall not be required to make any payment or provide consideration other than the rendering of services.

(j) The Committee may delegate to one or more Executive Officers or a committee of Executive Officers the right to grant Awards to Employees who are not Executive Officers or Directors of the Company and to cancel or suspend Awards to Employees who are not Executive Officers or Directors of the Company.

(k) The Company shall be authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due with respect to an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Company shall also be authorized to accept the delivery of Shares by a Participant in payment for the withholding of taxes.

(l) Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.
The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Kansas and applicable Federal law.

If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

Section 15. Time and Form of Settlement. The time and form of settlement of the Participant’s Award shall be made in accordance with the provisions of the Plan and the applicable Award Agreement, provided that if a Participant receives settlement of an Award upon termination of employment for reasons other than death, the payment at such time can be characterized as a “short-term deferral” for purposes of Code Section 409A or as otherwise exempt from the provisions of Code Section 409A, or if any portion of the payment cannot be so characterized, and the Participant is a “specified employee” under Code Section 409A, such portion of the payment shall be delayed until the earlier to occur of the Participant’s death or the date that is six months and one day following the Participant’s termination of employment (the “Delay Period”). Upon the expiration of the Delay Period, all payments delayed pursuant to this Section 15 shall be paid to the Participant in a lump sum, and any remaining payments due under the applicable Award Agreement, shall be payable at the same time and form as such amounts would have been paid in accordance with their original payment schedule under such Award Agreement.

Section 16. Prohibition on Acceleration of Payments. The time or schedule of any settlement or amount scheduled to be paid pursuant to the terms of the Plan and any Award Agreement, may not be accelerated except as otherwise permitted under Code Section 409A and the guidance and Treasury regulations issued thereunder.

Section 17. Code Section 409A. Notwithstanding any other provision of the Plan or an Award Agreement to the contrary, to the extent that the Committee determines that any Award granted under the Plan is subject to Section 409A of the Code, it is the intent of the parties to the applicable Award Agreement that such Award Agreement incorporate the terms and conditions necessary to avoid the consequences specified in Section 409A(a)(1) of the Code and that such Award Agreement and the terms of the Plan as applicable to such Award be interpreted and construed in compliance with Section 409A of the Code and the Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding the foregoing, the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company and the Committee intend to administer the Plan so that it will comply with the requirements of Code Section 409A, neither the Company nor the Committee represents or warrants that the Plan will comply with Code Section 409A or any other provision of federal, state, local, or non-United States law.
Neither the Company, its subsidiaries, nor their respective directors, officers, employees or advisers shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant may owe as a result of participation in the Plan, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect any Participant from the obligation to pay any taxes pursuant to Code Section 409A.

Section 18. Effective Date of Plan. The Plan shall be effective as of April 15, 1997.

Section 19. Term of Plan. No Award shall be granted pursuant to the Plan after April 15, 2007, but any Award granted on or before such date may extend beyond that date.

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MANAGEMENT INCENTIVE STOCK OPTION PLAN
(As Amended April 18, 1995, August 8, 1995,
November 5, 2008)

1. Purpose. Sprint Nextel Corporation (the “Company”) maintains this Management Incentive Stock Option Plan (the “Plan”) 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. As approved by 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 granted 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 granted under the Plan, the Committee may determine when the option may become exercisable whenever, in the judgment of the Committee, doing so would be in the best interest of the Company. 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 be different 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(j).

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 1,250,000 shares of FON 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 prices 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.

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,
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.

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. 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. 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.

j. 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 and provided further that any option, as so adjusted, shall be exempt from, or compliant with, the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”), and the Treasury regulations issued thereunder.

k. 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. 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

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6. Transfer of Options to Grantor Trust. A grantee may transfer an option 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, provided that 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, (2) that the terms of the trust provide that upon the earlier termination of the trust for whatever reason, ownership of such option shall revert to the grantee or to the Company, (3) that the trustee of such trust may not sell, transfer, assign, pledge, or otherwise encumber or dispose of such option except to the Company or to the grantee, subject to the restrictions provided for in this Plan, and (4) that the trustee is not authorized to incur liabilities on behalf of the trust, other than to the beneficiaries of the trust.

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 the Company or one of its subsidiaries;
(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 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 (with respect to any grantee, the disposition of shares by the grantee in which the grantee remains the sole beneficial owner or a disposition upon death of the grantee). 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 (the date on which such exercise occurs 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;
requesting the Company to withhold from those shares that would otherwise be received upon exercise of the option 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, the option shall (subject to the 280G limitations applicable under the 1997
      Long-Term Stock Incentive Program) become exercisable in full 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 1997 Long-Term Stock Incentive Program, 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, as approved by the Company’s stockholders, shall be effective as of February 18, 1995.
   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(j) 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.

11. Code Section 409A. The Plan and the options granted hereunder are intended to qualify for an exemption from Code Section 409A, provided, however, that if the Plan and the options granted under the Plan are not so exempt, they are intended to comply with Code Section 409A to the extent applicable thereto. Notwithstanding any provision of the Plan to the contrary, the Plan shall be interpreted and construed consistent with this intent. Notwithstanding the foregoing, the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company and the Committee intend to administer the Plan so that the Plan and the options granted hereunder qualify for an exemption from Code Section 409A, if the Plan and the options granted under the Plan are not so exempt, neither the Company nor the Committee represents or warrants that the Plan or the options granted hereunder will comply with Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its subsidiaries, nor its respective directors, officers, employees or advisers shall be liable to any grantee (or any other individual claiming a benefit through the grantee) for any tax, interest, or penalties the grantee may owe as a result of participation in the Plan, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect any grantee from the obligation to pay any taxes pursuant to Code Section 409A.
AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of December 31, 2008 and amends and restates the Employment Agreement (the “Original Employment Agreement”), originally entered into as of May 1, 2008 (the “Effective Date”), by and between Sprint Nextel Corporation, a Kansas corporation (the “Company”) on behalf of itself and any of its subsidiaries, affiliates and related entities, and Robert Brust (the “Executive”) (the Company and the Executive, collectively, the “Parties,” and each, a “Party”). Certain capitalized terms are defined in Section 29.

WITNESSETH:

WHEREAS, the Executive serves as Chief Financial Officer; and

WHEREAS, the Executive and the Company desire to amend and restate the Original Employment Agreement as provided herein.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Company and the Executive hereby amend and restate the Original Employment Agreement as follows:

1. Employment.
   (a) The Company will continue to employ the Executive and the Executive will continue to be employed by the Company upon the terms and conditions set forth herein.

   (b) The employment relationship between the Company and the Executive shall be governed by the general employment policies and practices of the Company, including without limitation, those relating to the Company’s Code of Conduct, confidential information and avoidance of conflicts, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. Term. Subject to termination under Section 9, the Executive’s employment shall be for an initial term of 24 months commencing on the Effective Date and shall continue through the second anniversary of the Effective Date (the “Initial Employment Term”). At the end of the Initial Employment Term and on each succeeding anniversary of the Effective Date, the Employment Term will be automatically extended by an additional 12 months (each, a “Renewal Term”), unless, not less than 90 days prior to the end of the Initial Employment Term or any Renewal Term, either the Executive or the Company has given the other written notice (in accordance with Section 20) of nonrenewal. The Executive shall provide the Company with written notice of his intent to terminate employment with the Company at least 30 days prior to the effective date of such termination.
3. Position and Duties of the Executive.

(a) The Executive serves as Chief Financial Officer of the Company, and agrees to serve as an officer of any enterprise and/or agrees to be an employee of any Subsidiary as may be requested from time to time by the Board of Directors of the Company (the “Board”), any committee or person delegated by the Board or the Chief Executive Officer of the Company (the “Chief Executive Officer”). In such capacity, the Executive shall report directly to the Chief Executive Officer of the Company. The Executive shall have such duties, responsibility and authority as may be assigned to the Executive from time to time by the Chief Executive Officer, the Board or such other officer of the Company as may be designated by the Chief Executive Officer or the Board.

(b) During the Employment Term, the Executive shall, except as may from time to time be otherwise agreed to in writing by the Company, during reasonable vacations (as set forth in Section 7 hereof) and authorized leave and except as may from time to time otherwise be permitted pursuant to Section 3(c), devote his best efforts, full attention and energies during his normal working time to the business of the Company, any duties as may be delineated in the Company’s Bylaws for the Executive’s position and title and such other related duties and responsibilities as may from time to time be reasonably prescribed by the Board, any committee or person designated by the Board, or the Chief Executive Officer, in each case, within the framework of the Company’s policies and objectives.

(c) During the Employment Term, and provided that such activities do not contravene the provisions of Section 3(a) or Sections 10, 11, 12 or 13 hereof and, provided further, the Executive does not engage in any other substantial business activity for gain, profit or other pecuniary advantage which materially interferes with the performance of his duties hereunder, the Executive may participate in any governmental, educational, charitable or other community affairs and, subject to the prior approval of the Chief Executive Officer, serve as a member of the governing board of any such organization. Without the prior approval of the Board, the Executive shall not serve in any executive capacity or as a member of the governing board of any private or public for-profit company. The Executive has resigned from the board of directors of any public for-profit company on which he served except for the boards set forth on Exhibit A hereto.


(a) Base Salary. During the Employment Term, the Company shall pay to the Executive an annual base salary of $1,000,000 (the “Base Salary”), which Base Salary shall be payable at the times and in the manner consistent with the Company’s general policies regarding compensation of the Company’s senior executives. The Base Salary will be reviewed periodically by the Compensation Committee and may be increased (but not decreased, except for across-the-board reductions generally applicable to the Company’s senior executives) from time to time in the Compensation Committee’s sole discretion.

(b) Incentive Compensation. The Executive will continue to be eligible to participate in any short-term and long-term incentive compensation plans, annual bonus plans and such other management incentive programs or arrangements of the Company approved by
the Board that are generally available to the Company’s senior executives, including, but not limited to, the STIP and the LTSIP. Incentive compensation shall be paid in accordance with the terms and conditions of the applicable plans, programs and arrangements.

(i) **Annual Performance Bonus.** During the Employment Term, the Executive shall continue to be entitled to participate in the STIP, with such opportunities as may be determined by the Compensation Committee in its sole discretion (“Target Bonuses”); provided, however, that for the bonus year ending December 31, 2008, a Target Bonus opportunity of 130% of the Executive’s Base Salary will be pro-rated for the period from the Effective Date to December 31, 2008, and thereafter during the Employment Term the Executive will participate at an annual Target Bonus opportunity of 130% of his Base Salary, (as may be increased but not decreased, except for across-the-board reductions generally applicable to the Company’s senior executives from time to time), and the Executive shall be entitled to receive full payment of any award under the STIP, determined pursuant to the STIP (a “Bonus Award”).

(ii) **Long-Term Performance Bonus.** During the Employment Term, the Executive shall continue to be entitled to participate in the LTSIP with such opportunities, if any, as may be determined by the Compensation Committee (“LTSIP Target Award Opportunities”); provided, however, that the Executive shall not be eligible for any award under the LTSIP in 2008 (except for the sign-on awards under Section 4(d)) or 2009.

(iii) Incentive bonuses, if earned, shall be paid when incentive compensation is customarily paid to the Company’s senior executives in accordance with the terms of the applicable plans, programs or arrangements.

(iv) Pursuant to the Company’s applicable incentive or bonus plans as in effect from time to time, the Executive’s incentive compensation during the term of this Agreement may be determined according to criteria intended to qualify as performance-based compensation under Section 162(m) of the Code.

(c) **Equity Compensation.** The Executive shall continue to be eligible to participate in such equity incentive compensation plans and programs as the Company generally provides to its senior executives, including, but not limited to, the LTSIP. During the Employment Term, the Compensation Committee may, in its sole discretion, grant equity awards to the Executive, which would be subject to the terms of the respective award agreements evidencing such grants and the applicable plan or program.

(d) **Sign-On Compensation.**

(i) **Sign-On Cash Bonus Award.** The Company will pay the Executive a cash sign-on bonus in the amount of $1,650,000 on the following payment schedule: (1) $250,000 not later than 30 days after the Effective Date, provided, however, that if the Executive does not remain employed by the Company through the first anniversary of the Effective Date, the Executive will...

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repay the Company this amount upon his termination of employment unless the Executive’s employment is terminated by the Company without Cause; (2) $700,000 as soon as administratively practicable after December 31, 2008 (but not later than 30 days after such date); provided, however, that if the Executive has a termination of employment before December 31, 2008 for any reason other than for cause, he shall receive a prorated bonus based on a fraction, the numerator of which is the number of days from the Effective Date to his termination of employment and the denominator is the number of days from the Effective Date to December 31, 2008; and (3) $700,000 as soon as administratively practicable after December 31, 2008 (but not later than 30 days after such date); provided, however, that if the Executive has a termination of employment after December 31, 2008 and before December 31, 2009 for any reason other than for cause, he shall receive a prorated bonus based on a fraction, the numerator of which is the number of days from January 1, 2009 to his termination of employment and the denominator is 365. If the Executive is terminated for Cause before the payment of a bonus payment to be made under this Section 4(d)(i), the Executive will not be entitled to such unpaid bonus payment.

(ii) **Sign-On Option Award.** On the Effective Date the Compensation Committee granted to the Executive an option to purchase 677,201 shares of the Company’s Common Stock under the LTSIP (the “Sign-On Option Award”). The Sign-On Option Award will be subject to terms and conditions of the option agreement attached hereto as Exhibit B. Except as otherwise provided in the Executive’s Option Agreement evidencing the Sign-On Option Award, the Sign-on Option Award will be governed by provisions of the LTSIP.

(iii) **Sign-On RSU Award.** On the Effective Date the Compensation Committee granted to the Executive 469,484 restricted stock units under the LTSIP (the “Sign-On RSU Award”). The Sign-On RSU Award will be subject to the terms and conditions of the restricted stock unit agreement evidencing such grant attached as Exhibit C. Except as otherwise provided in the Executive’s award agreement evidencing the Sign-On RSU Award, the Sign-On RSU Award will be governed by provisions of the LTSIP.

5. **Benefits.**

(a) During the Employment Term, the Company shall make available to the Executive, subject to the terms and conditions of the applicable plans, participation for the Executive and his eligible dependents in: (i) Company-sponsored group health, major medical, dental, vision, pension and profit sharing, 401(k) and employee welfare benefit plans, programs and arrangements (the “Employee Plans”) and such other usual and customary benefits in which senior executives of the Company participate from time to time, and (ii) such fringe benefits and perquisites as may be made available to senior executives of the Company as a group. The Executive shall be entitled to indemnification on terms and conditions no less favorable than those made available generally to the senior officers as such indemnification arrangements shall be in effect from time to time.
(b) The Executive acknowledges that the Company may change its benefit programs from time to time, which may result in certain benefit programs being amended or terminated for its senior executives generally.

6. Expenses. The Company shall pay or reimburse the Executive for reasonable and necessary business expenses incurred by the Executive in connection with his duties on behalf of the Company in accordance with the Company’s Enterprise Financial Services—Employee Travel and Expense Policy, as may be amended from time to time, or any successor policy, plan, program or arrangement thereto and any other of its expense policies applicable to senior executives of the Company, following submission by the Executive of reimbursement expense forms in a form consistent with such expense policies.

7. Vacation. In addition to such holidays, sick leave, personal leave and other paid leave as is allowed under the Company’s policies applicable to senior executives generally, the Executive shall be entitled to participate in the Company’s vacation policy in accordance with the Company’s policy generally applicable to senior executives. The duration of such vacations and the time or times when they shall be taken will be determined by the Executive in consultation with the Company.

8. Place of Performance. In connection with his employment by the Company, the Executive shall be based at the principal executive offices of the Company in the vicinity of Overland Park, Kansas (the “Place of Performance”), except for travel reasonably required for Company business. If the Company relocates the Executive’s place of work more than 50 miles from his place of work prior to such relocation, the Executive shall relocate to a secondary residence within (a) 50 miles of such relocated executive offices or (b) such total miles that does not exceed the total number of miles the Executive commuted to his place of work prior to relocation of the Executive’s place of work. To the extent the Executive relocates his secondary residence as provided in this Section 8, the Company will pay or reimburse the Executive’s relocation expenses in accordance with the Company’s relocation policy applicable to senior executives. The Executive established, no later than July 1, 2008, a secondary residence in the area surrounding the Executive’s Place of Performance.

For each year during the Initial Employment Term, the Executive will be entitled to receive up to 35 round-trip personal domestic flights on either, at the Company’s discretion, Company aircraft or charter aircraft.

   (a) Termination by the Company for Cause or Resignation by the Executive Without Good Reason. If, during the Employment Term, the Executive’s employment is terminated by the Company for Cause, or if the Executive resigns without Good Reason, the Executive shall not be eligible to receive Base Salary or to participate in any Employee Plans with respect to future periods after the date of such termination or resignation except for the right to receive accrued but unpaid cash compensation and vested benefits under any Employee Plan in accordance with the terms of such Employee Plan and applicable law.

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(b) Termination by the Company Without Cause or Resignation by the Executive for Good Reason outside of the CIC Severance Protection Period. If, during the Employment Term, the Executive’s employment is terminated by the Company without Cause or the Executive terminates for Good Reason prior to or following expiration of the CIC Severance Protection Period and such termination constitutes a Separation from Service or the Executive is entitled to severance compensation and benefits under this Section 9(b) pursuant to the provisions of Section 9(c), the Executive shall be entitled to receive from the Company: (1) the Executive’s accrued, but unpaid, Base Salary through the date of termination of employment, payable in accordance with the Company’s normal payroll practices, and (2) conditioned upon the Executive executing a Release within the Release Consideration Period and delivering it to the Company with the Release Revocation Period expired without revocation, and in full satisfaction of the Executive’s rights and any benefits the Executive might be entitled to under the Separation Plan and this Agreement, unless otherwise specified herein:

(i) periodic payments equal to his Base Salary in effect prior to the termination of his employment, which payments shall be paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for the Payment Period, except that (A) if the Release Consideration and Revocation Period ends on or after December 15th of the calendar year of the Executive’s Separation from Service, such installments that are otherwise payable in the calendar year of the Executive’s Separation from Service shall be paid in a lump sum on the first business day of the following calendar year or (B) if the Executive is a Specified Employee, with respect to any amount payable by reason of the Separation from Service that constitutes deferred compensation within the meaning of Section 409A of the Code, such installments shall not commence until after the end of the six continuous month period following the date of the Executive’s Separation from Service, in which case, the Executive shall be paid a lump-sum cash payment equal to the aggregate amount of missed installments during such period on the first day of the seventh month following the date of the Executive’s Separation from Service;

(ii) receive a Bonus Award for the remainder of the Employment Term (pro rated for any period of less than twelve months), and computed at the lesser of his Target Bonus for such period or actual performance, and such payment shall be payable in accordance with the provisions of the STIP in the calendar year in which the Bonus Award is determined, and in all events, not later than December 31st of the year in which such award is determined;

(iii) from the date of Separation from Service continue participation in the Company’s group health plans at then-existing participation and coverage levels for the number of months equal to the period of continuation coverage the Executive would be entitled to pursuant to Section 4980B of the Code, in accordance with Section 409A of the Code, but not beyond the end of the Employment Term, comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment.
requirements and the Company shall deduct from each payment payable to the Executive pursuant to Section 9(b)(i), the amount of any employee contributions necessary to maintain such coverage for such period, except that (A) subject to Section 9(b)(iv), following such period, the Executive shall retain any rights to continue coverage under the Company’s group health plans under the benefits continuation provisions pursuant to Section 4980B of the Code by paying the applicable premiums of such plans; and (B) the Executive shall no longer be eligible to receive the benefits otherwise receivable pursuant to this Section 9(b)(iii) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer; and

(iv) continue participation at the Executive’s sole cost in the Company’s group health plans at then-existing participation and coverage levels for the remainder, if any, of the Employment Term following the period of continuation coverage the Executive would be entitled to, if any, pursuant to Section 9(b)(iii) above, comparable to the terms in effect from time to time for the Company’s senior executives, but only to the extent that the Executive makes a payment to the Company in an amount equal to the monthly premium payments (both the employee and employer portions) required to maintain such comparable coverage on or before the first day of each calendar month commencing with the first calendar month of such period following the period of continuation coverage specified in Section 9(b)(iii), and the Company shall reimburse the Executive, in accordance with the terms of Section 6 hereof, for the amount of such premiums, if any, in excess of any employee contributions necessary to maintain such coverage, except that (A) following such period, the Executive shall retain any rights to continue coverage under the Company’s group health plans under the benefits continuation provisions pursuant to Section 4980B of the Code by paying the applicable premiums of such plans; and (B) the Executive shall no longer be eligible to receive the benefits otherwise receivable pursuant to this Section 9(b)(iv) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer; and

(v) continue participation in the Company’s employee life insurance plans at then-existing participation and coverage levels for the remainder of the Employment Term, comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements and the Company shall deduct from each payment payable to the Executive pursuant to Section 9(b)(i), the amount of any employee contributions necessary to maintain such coverage for such period, except that the Executive shall no longer be eligible to receive the benefits otherwise receivable pursuant to this Section 9(b)(v) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer.

Notwithstanding anything in this Section 9(b) to the contrary, to the extent the Executive has not executed the Release within the Release Consideration Period and delivered it to the Company, or has revoked the executed Release within the Release Revocation Period, as determined at the end of such Release Revocation Period, the Executive will forfeit any right to receive the payments and benefits specified in this Section 9(b).
(c) Termination by the Company Without Cause or Resignation by the Executive for Good Reason During the CIC Severance Protection Period. Subject to (i)-(iv) below, if the Executive’s employment is terminated by the Company without Cause, or the Executive terminates employment for Good Reason, before the Employment Term expires and during the CIC Severance Protection Period, and the termination constitutes a Separation from Service, subject to the terms of the CIC Severance Plan, the Executive will become entitled to severance compensation and benefits under the CIC Severance Plan as of (x) the date the Separation from Service occurs, or (y) in the event of a Pre-CIC Termination, the date the Change in Control occurs, as of which date all rights to severance benefits under this Agreement will cease.

(i) The CIC Severance Plan will not apply and the Executive will be entitled to severance compensation and benefits under Section 9(b) of this Agreement, as modified below if applicable, if (x) as of his Separation from Service, the Executive is not a Participant in, or (y) the Executive is otherwise not entitled to severance compensation and benefits under, the CIC Severance Plan.

(ii) If the Executive is entitled to severance benefits under the CIC Severance Plan as a result of a Pre-CIC Termination, any benefits payable before the Change in Control will be paid under this Agreement and any additional benefits payable after the Change in Control will be paid under the CIC Severance Plan.

(iii) In no event may there be duplication of benefits under this Agreement and the CIC Severance Plan.

(iv) The terms “Change in Control” and “Pre-CIC Termination” are defined in the CIC Severance Plan.

To the extent that the Executive is not a Participant in the CIC Severance Plan at the time of Separation from Service, the Executive shall be entitled to severance compensation and benefits pursuant to the terms of Section 9(b), except that a Bonus Award for the remainder of the Employment Term (pro rated for any period of less than twelve months), will be computed at his Target Bonus for such period, and paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for the Payment Period except that if (A) the Release Consideration and Revocation Period ends on or after December 15th of the calendar year of the Executive’s Separation from Service shall be paid in a lump sum on the first business day of the following calendar year or (B) the Executive is a Specified Employee, with respect to any amount payable by reason of Separation from Service that constitutes deferred compensation within the meaning of Section 409A of the Code, such installments shall not commence until after the end of the six continuous month period following the date of the Executive’s Separation from Service, in which case, the Executive shall be paid a lump sum cash payment equal to the aggregate amount of the missed installments during such period on the first day of the seventh month following the date of the Executive’s Separation from Service.

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(d) **Termination by Death.** If the Executive dies during the Employment Term, the Executive’s employment will terminate and the Executive’s beneficiary or if none, the Executive’s estate, shall be entitled to receive from the Company, the Executive’s accrued, but unpaid, Base Salary through the date of termination of employment and any vested benefits under any Employee Plan in accordance with the terms of such Employee Plan and applicable law.

(e) **Termination by Disability.** If the Executive becomes Disabled, prior to the expiration of the Employment Term, the Executive’s employment will terminate, and provided that such termination constitutes a Separation from Service, the Executive shall be entitled to:

(i) receive periodic payments equal to his Base Salary in effect prior to the termination of his employment, which payments shall be paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for the lesser of 12 months or the remainder of the Employment Term (reduced by any amounts paid under a long-term disability plan (“LTD Plan”) now or hereafter sponsored by the Company (calculated on a monthly basis)) commencing on the Separation from Service date; provided, however, that in the event that the Executive is a Specified Employee, any such payments that constitutes deferred compensation within the meaning of Section 409A of the Code will not commence until earliest to occur of (A) the first business day of the seventh month following the date of the Executive’s Separation from Service or (B) death, except that the Executive on such date will be paid a lump-sum cash payment equal to the aggregate amount of any such payments that constitutes deferred compensation within the meaning of Section 409A of the Code that the Executive would have been entitled to receive during the six-month period following the Executive’s Separation from Service, and the Executive shall receive the remaining payments payable in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement commencing on the first business day of the seventh month following the date of the Executive’s “Separation from Service;” and

(ii) continue participation in the Company’s group health plans at then-existing participation and coverage levels for the lesser of 12 months (measured from the Executive’s Separation from Service) or the remainder of the Employment Term comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements.

(f) **No Mitigation Obligation.** No amounts paid under Section 9 will be reduced by any earnings that the Executive may receive from any other source. The Executive’s coverage under the Company’s medical, dental, vision and employee life
insurance plans will terminate as of the date that the Executive is eligible for comparable benefits from a new employer. The Executive shall notify the Company within 30 days after becoming eligible for coverage of any such benefits.

(g) Forfeiture. Notwithstanding the foregoing, any right of the Executive to receive termination payments and benefits hereunder shall be forfeited to the extent of any amounts payable after any breach of Section 10, 11, 12, 13 or 15 by the Executive.

10. Confidential Information; Statements to Third Parties.

(a) During the Employment Term and on a permanent basis upon and following termination of the Executive’s employment, the Executive acknowledges that:

(i) all information, whether or not reduced to writing (or in a form from which information can be obtained, translated, or derived into reasonably usable form) or maintained in the mind or memory of the Executive and whether compiled or created by the Company, any of its Subsidiaries or any affiliates of the Company or its Subsidiaries (collectively, the “Company Group”), which derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from the disclosure or use of such information, of a proprietary, private, secret or confidential (including, without exception, inventions, products, processes, methods, techniques, formulas, compositions, compounds, projects, developments, sales strategies, plans, research data, clinical data, financial data, personnel data, computer programs, customer and supplier lists, trademarks, service marks, copyrights (whether registered or unregistered), artwork, and contacts at or knowledge of customers or prospective customers) nature concerning the Company Group’s business, business relationships or financial affairs (collectively, “Proprietary Information”) shall be the exclusive property of the Company Group;

(ii) the Proprietary Information of the Company Group gained by the Executive during the Executive’s association with the Company Group was or will be developed by and/or for the Company Group through substantial expenditure of time, effort and money and constitutes valuable and unique property of the Company Group;

(iii) reasonable efforts have been put forth by the Company Group to maintain the secrecy of its Proprietary Information;

(iv) such Proprietary Information is and will remain the sole property of the Company Group; and

(v) any retention or use by the Executive of Proprietary Information after the termination of the Executive’s services for the Company Group will constitute a misappropriation of the Company Group’s Proprietary Information.
(b) The Executive further acknowledges and agrees that he will take all affirmative steps reasonably necessary or required by the Company to protect the Proprietary Information from inappropriate disclosure during and after his employment with the Company.

(c) The Executive further agrees that all files, letters, memoranda, reports, records, data, sketches, drawings, laboratory notebooks, program listings, or other written, photographic, electronic, or other tangible material containing or constituting Proprietary Information, whether created by the Executive or others, which shall come into his custody or possession, regardless of medium, shall be and are the exclusive property of the Company to be used by him/her only in the performance of his duties for the Company. All such materials or copies thereof and all tangible things and other property of the Company Group in the Executive’s custody or possession shall be delivered to the Company (to the extent the Executive has not already returned) in good condition, on or before five business days subsequent to the earlier of: (i) a request by the Company or (ii) the Executive’s termination of employment for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive. After such delivery, the Executive shall not retain any such materials or portions or copies thereof or any such tangible things and other property and shall execute any statements or affirmations of compliance under oath that the Company may require.

(d) The Executive further agrees that his obligation not to disclose or to use information and materials of the types set forth in Sections 10(a), 10(b) and 10(c) above, and his obligation to return materials and tangible property, set forth in Section 10(c) above, also extends to such types of information, materials and tangible property of customers of the Company Group, consultants for the Company Group, suppliers to the Company Group, or other third parties who may have disclosed or entrusted the same to the Company Group or to the Executive.

(e) The Executive further acknowledges and agrees that he will continue to keep in strict confidence, and will not, directly or indirectly, at any time, disclose, furnish, disseminate, make available, use or suffer to be used in any manner any Proprietary Information of the Company Group without limitation as to when or how the Executive may have acquired such Proprietary Information and that he will not disclose any Proprietary Information to any person or entity other than appropriate employees of the Company or use the same for any purposes (other than in the performance of his duties as an employee of the Company) without written approval of the Board, either during or after his employment with the Company.

(f) Further the Executive acknowledges that his obligation of confidentiality will survive, regardless of any other breach of this Agreement or any other agreement, by any party hereto, until and unless such Proprietary Information of the Company Group has become, through no fault of the Executive, generally known to the public. In the event that the Executive is required by law, regulation, or court order to disclose any of the Company Group’s Proprietary Information, the Executive will promptly notify the Company prior to making any such disclosure to facilitate the Company seeking a protective order or other appropriate remedy from the proper authority. The Executive further agrees to cooperate.

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with the Company in seeking such order or other remedy and that, if the Company is not successful in precluding the requesting legal body from requiring the disclosure of the Proprietary Information, the Executive will furnish only that portion of the Proprietary Information that is legally required, and the Executive will exercise all legal efforts to obtain reliable assurances that confidential treatment will be accorded to the Proprietary Information.

(g) The Executive’s obligations under this Section 10 are in addition to, and not in limitation of, all other obligations of confidentiality under the Company’s policies, general legal or equitable principles or statutes.

(h) During the Employment Term and following his termination of employment:

(i) the Executive shall not, directly or indirectly, make or cause to be made any statements, including but not limited to, comments in books or printed media, to any third parties criticizing or disparaging the Company Group or commenting on the character or business reputation of the Company Group. Without the prior written consent of the Board, unless otherwise required by law, the Executive shall not (A) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of the business of the Company Group or (B) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of any existing, threatened or potential claims or litigation involving the Company Group;

(ii) the Company shall comply with its policies regarding public statements with respect to the Executive and any such statements shall be deemed to be made by the Company only if made or authorized by a member of the Board or a senior executive officer of the Company; and

(iii) nothing herein precludes honest and good faith reporting by the Executive to appropriate Company or legal enforcement authorities.

(i) The Executive acknowledges and agrees that a violation of the foregoing provisions of this Section 10 would cause irreparable harm to the Company Group, and that the Company’s remedy at law for any such violation would be inadequate. In recognition of the foregoing, the Executive agrees that, in addition to any other relief afforded by law or this Agreement, including damages sustained by a breach of this Agreement and any forfeitures under Section 9(g), and without the necessity or proof of actual damages, the Company shall have the right to enforce this Agreement by specific remedies, which shall include, among other things, temporary and permanent injunctions, it being the understanding of the undersigned parties hereto that damages, the forfeitures described above and injunctions shall all be proper modes of relief and are not to be considered as alternative remedies.

11. Non-Competition. In consideration of the Company entering into this Agreement, for a period commencing on the Effective Date and ending on the expiration of the Restricted Period:

(a) The Executive covenants and agrees that the Executive will not, directly or indirectly, engage in any activities on behalf of or have an interest in any Competitor of the Company Group, whether as an owner, investor, executive, manager, employee, independent consultant, contractor, advisor, or otherwise. The Executive’s ownership of less than one percent (1%) of any class of stock in a publicly traded corporation shall not be a breach of this paragraph.

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A “Competitor” is any entity doing business directly or indirectly (e.g., as an owner, investor, provider of capital or otherwise) in the United States including any territory of the United States (the “Territory”) that provides products and/or services that are the same or similar to the products and/or services that are currently being provided at the time of Executive’s termination or that were provided by the Company Group during the two-year period prior to the Executive’s separation from service with the Company Group.

(c) The Executive acknowledges and agrees that due to the continually evolving nature of the Company Group’s industry, the scope of its business and/or the identities of Competitors may change over time. The Executive further acknowledges and agrees that the Company Group markets its products and services on a nationwide basis, encompassing the Territory and that the restrictions imposed by this covenant, including the geographic scope, are reasonably necessary to protect the Company Group’s legitimate interests.

(d) The Executive covenants and agrees that should a court at any time determine that any restriction or limitation in this Section 11 is unreasonable or unenforceable, it will be deemed amended so as to provide the maximum protection to the Company Group and be deemed reasonable and enforceable by the court.

12. Non-Solicitation. In consideration of the Company entering into this Agreement, for a period commencing on the Effective Date and ending on the expiration of the Restricted Period, the Executive hereby covenants and agrees that he shall not, directly or indirectly, individually or on behalf of any other person or entity do or suffer any of the following:

(a) hire or employ or assist in hiring or employing any person who was at any time during the last 18 months of the Executive’s employment an employee, representative or agent of any member of the Company Group or solicit, aid, induce or attempt to solicit, aid, induce or persuade, directly or indirectly, any person who is an employee, representative, or agent of any member of the Company Group to leave his or her employment with any member of the Company Group to accept employment with any other person or entity;

(b) induce any person who is an employee, officer or agent of the Company Group, or any of its affiliated, related or subsidiary entities to terminate such relationship;

(c) solicit any customer of the Company Group, or any person or entity whose business the Company Group had solicited during the 180-day period prior to termination of the Executive’s employment for purposes of business which is competitive to the Company Group within the Territory; or
(d) solicit, aid, induce, persuade or attempt to solicit, aid, induce or persuade any person or entity to take any action that would result in a Change in Control of the Company or to seek to control the Board in a material manner.

(e) For purposes of this Section 12, the term “solicit or persuade” includes, but is not limited to, (i) initiating communications with an employee of the Company Group relating to possible employment, (ii) offering bonuses or additional compensation to encourage an employee of the Company Group to terminate his employment, (iii) referring employees of the Company Group to personnel or agents employed by competitors, suppliers or customers of the Company Group, and (iv) initiating communications with any person or entity relating to a possible Change in Control.


(a) The Executive acknowledges and agrees that he will make full and prompt disclosure to the Company of all inventions, improvements, discoveries, methods, developments, software, mask works, and works of authorship, whether patentable or copyrightable or not, (i) which relate to the Company’s business and have heretofore been created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others, and not assigned to prior employers, or (ii) which have utility in or relate to the Company’s business and are created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others during his employment with the Company, whether or not during normal working hours or on the premises of the Company (all of the foregoing of which are collectively referred to in this Agreement as “Developments”).

(b) The Executive further agrees to assign and does hereby assign to the Company (or any person or entity designated by the Company) all of the Executive’s rights, title and interest worldwide in and to all Developments and all related patents, patent applications, copyrights and copyright applications, and any other applications for registration of a proprietary right. This Section 13(b) shall not apply to Developments that the Executive developed entirely on his own time without using the Company’s equipment, supplies, facilities, or Proprietary Information and that does not, at the time of conception or reduction to practice, have utility in or relate to the Company’s business, or actual or demonstrably anticipated research or development. The Executive understands that, to the extent this Agreement shall be construed in accordance with the laws of any Territory which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this Section 13(b) shall be interpreted not to apply to any invention which a court rules or the Company agrees falls within such classes.

(c) The Executive further agrees to cooperate fully with the Company, both during and after his employment with the Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and other countries) relating to Developments. The Executive shall not be required to incur or pay any costs or expenses in connection with the rendering of such cooperation. The Executive will sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, and do all things that the Company may reasonably deem necessary or desirable in order to protect its rights and interests in any Development.

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(d) The Executive further acknowledges and agrees that if the Company is unable, after reasonable effort, to secure the Executive’s signature on any such papers, any executive officer of the Company shall be entitled to execute any such papers as the Executive’s agent and attorney-in-fact, and the Executive hereby irrevocably designates and appoints each executive officer of the Company as his agent and attorney-in-fact to execute any such papers on the Executive’s behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Development, under the conditions described in this sentence.

14. Remedies. The Executive and the Company agree that the covenants contained in Sections 10, 11, 12 and 13 are reasonable under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction any such covenant is not reasonable in any respect, such court will have the right, power and authority to sever or modify any provision or provisions of such covenants as to the court will appear not reasonable and to enforce the remainder of the covenants as so amended. The Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of the Executive’s obligations under Sections 10, 11, 12 and 13 would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, the Executive acknowledges, consents and agrees that, in addition to any other rights or remedies that the Company may have at law, in equity or under this Agreement, upon adequate proof of the Executive’s violation of any such provision of this Agreement, the Company will be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach, without the necessity of proof of actual damage. Without limiting the applicability of this Section 14 or in any way affecting the right of the Company to seek equitable remedies hereunder, in the event that the Executive breaches any of the provisions of Sections 10, 11, 12 or 13 or engages in any activity that would constitute a breach save for the Executive’s action being in a state where any of the provisions of Sections 10, 11, 12, 13 or this Section 14 is not enforceable as a matter of law, then the Company’s obligation to pay any remaining severance compensation and benefits that has not already been paid to Executive pursuant to Section 9 shall be terminated and within ten days of notice of such termination of payment, the Executive shall return all severance compensation and the value of such benefits, or profits derived or received from such benefits.

15. Continued Availability and Cooperation.

(a) Following termination of the Executive’s employment, the Executive shall cooperate fully with the Company and with the Company’s counsel in connection with any present and future actual or threatened litigation, administrative proceeding or investigation involving the Company that relates to events, occurrences or conduct occurring (or claimed to have occurred) during the period of the Executive’s employment by the Company. Cooperation will include, but is not limited to:

(i) making himself reasonably available for interviews and discussions with the Company’s counsel as well as for depositions and trial testimony;

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(ii) if depositions or trial testimony are to occur, making himself reasonably available and cooperating in the preparation therefore, as and to the extent that the Company or the Company’s counsel reasonably requests;

(iii) refraining from impeding in any way the Company’s prosecution or defense of such litigation or administrative proceeding; and

(iv) cooperating fully in the development and presentation of the Company’s prosecution or defense of such litigation or administrative proceeding.

(b) The Company will reimburse the Executive for reasonable travel, lodging, telephone and similar expenses, as well as reasonable attorneys’ fees (if independent legal counsel is necessary), incurred in connection with any cooperation, consultation and advice rendered under this Agreement after the Executive’s termination of employment.

16. Dispute Resolution.

(a) In the event that the Parties are unable to resolve any controversy or claim arising out of or in connection with this Agreement or breach thereof, either Party shall refer the dispute to binding arbitration, which shall be the exclusive forum for resolving such claims. Such arbitration will be administered by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) pursuant to its Employment Arbitration Rules and Procedures and governed by Kansas law. The arbitration shall be conducted by a single arbitrator selected by the Parties according to the rules of JAMS. In the event that the Parties fail to agree on the selection of the arbitrator within 30 days after either Party’s request for arbitration, the arbitrator will be chosen by JAMS. The arbitration proceeding shall commence on a mutually agreeable date within 90 days after the request for arbitration, unless otherwise agreed by the Parties, and in the location where the Executive worked during the six months immediately prior to the request for arbitration if that location is in Kansas or Virginia, and if not, the location will be Kansas, unless the Parties agree otherwise.

(b) The Parties agree that each will bear their own costs and attorneys’ fees. The arbitrator shall not have authority to award attorneys’ fees or costs to any Party.

(c) The arbitrator shall have no power or authority to make awards or orders granting relief that would not be available to a Party in a court of law. The arbitrator’s award is limited by and must comply with this Agreement and applicable federal, state, and local laws. The decision of the arbitrator shall be final and binding on the Parties.

(d) Notwithstanding the foregoing, no claim or controversy for injunctive or equitable relief contemplated by or allowed under applicable law pursuant to Sections 10, 11, 12 and 13 of this Agreement will be subject to arbitration under this Section 16, but will instead be subject to determination in a court of competent jurisdiction in Kansas, which court shall apply Kansas law consistent with Section 21 of this Agreement, where either Party may seek injunctive or equitable relief.
17. **Other Agreements**. No agreements (other than the agreements evidencing any grants of equity awards) 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. Each party to this Agreement acknowledges that no representations, inducements, promises, or other agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, pertaining to the subject matter hereof, which are not embodied herein, and that no prior and/or contemporaneous agreement, statement or promise pertaining to the subject matter hereof that is not contained in this Agreement shall be valid or binding on either party.

18. **Withholding of Taxes**. The Company will withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.

19. **Successors and Binding Agreement**.

   (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the “Company” for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company, except that the Company may assign and transfer this Agreement and delegate its duties thereunder to a wholly owned Subsidiary.

   (b) This Agreement will inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

   (c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 19(a) and 19(b). Without limiting the generality or effect of the foregoing, the Executive’s right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive’s will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 19(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.
20. Notices. All communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as Federal Express or UPS, addressed to the Company (to the attention of the General Counsel of the Company) at its principal executive offices and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

   (a) This Agreement will be construed and enforced according to the laws of the State of Kansas, without giving effect to the conflict of laws principles thereof.

   (b) To the extent not otherwise provided for by Section 16 of this Agreement, the Executive and the Company consent to the jurisdiction of all state and federal courts located in Overland Park, Johnson County, Kansas, as well as to the jurisdiction of all courts of which an appeal may be taken from such courts, for the purpose of any suit, action, or other proceeding arising out of, or in connection with, this Agreement or that otherwise arise out of the employment relationship. Each party hereby expressly waives any and all rights to bring any suit, action, or other proceeding in or before any court or tribunal other than the courts described above and covenants that it shall not seek in any manner to resolve any dispute other than as set forth in this paragraph. Further, the Executive and the Company hereby expressly waive any and all objections either may have to venue, including, without limitation, the inconvenience of such forum, in any of such courts. In addition, each of the parties consents to the service of process by personal service or any manner in which notices may be delivered hereunder in accordance with this Agreement.

22. Validity/Severability. If any provision of this Agreement or the application of any provision is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal. To the extent any provisions held to be invalid, unenforceable or otherwise illegal cannot be reformed, such provisions are to be stricken herefrom and the remainder of this Agreement will be binding on the parties and their successors and assigns as if such invalid or illegal provisions were never included in this Agreement from the first instance.

23. Survival of Provisions. Notwithstanding any other provision of this Agreement, the parties’ respective rights and obligations under Sections 10, 11, 12, 13, 14, 15, 16, 18, 22 and 26 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment.
24. Representations and Acknowledgements.

(a) The Executive hereby represents that he is not subject to any restriction of any nature whatsoever on his ability to enter into this Agreement or to perform his duties and responsibilities hereunder, including, but not limited to, any covenant not to compete with any former employer, any covenant not to disclose or use any non-public information acquired during the course of any former employment or any covenant not to solicit any customer of any former employer.

(b) The Executive hereby represents that, except as he has disclosed in writing to the Company, he is not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of the Executive’s employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party.

(c) The Executive further represents that, to the best of his knowledge, his performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement with another party, including without limitation any agreement to keep in confidence proprietary information, knowledge or data the Executive acquired in confidence or in trust prior to his employment with the Company, and that he will not knowingly disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

(d) The Executive acknowledges that he will not be entitled to any consideration or reimbursement of legal fees in connection with execution of this Agreement.

(e) The Executive hereby represents and agrees that, during the Restricted Period, if the Executive is offered employment or the opportunity to enter into any business activity, whether as owner, investor, executive, manager, employee, independent consultant, contractor, advisor or otherwise, the Executive will inform the offeror of the existence of Sections 10, 11, 12 and 13 of this Agreement and provide the offeror a copy thereof. The Executive authorizes the Company to provide a copy of the relevant provisions of this Agreement to any of the persons or entities described in this Section 24(e) and to make such persons aware of the Executive’s obligations under this Agreement.

25. Compliance with Code Section 409A. With respect to reimbursements or in-kind benefits provided under this Agreement: (a) the Company will not provide for cash in lieu of a right to reimbursement or in-kind benefits to which the Executive has a right under this Agreement, (b) any reimbursement or provision of in-kind benefits made during the Executive’s lifetime (or such shorter period prescribed by a specific provision of this Agreement) shall be made not later than December 31 of the year following the year in which the Executive incurs the expense, and (c) in no event will the amount of expenses so reimbursed, or in-kind benefits provided, by the Company in one year affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Each payment, reimbursement or in-kind benefit made pursuant to the provisions of this Agreement shall be regarded as a separate payment and not one of a series of payments for purposes of Section 409A of the Code. It is
intended that any amounts payable under this Agreement and the Company’s and the Executive’s exercise of authority or discretion hereunder shall comply with the provisions of Section 409A of the Code and the treasury regulations relating thereto so as not to subject the Executive to the payment of the additional tax, interest and any tax penalty which may be imposed under Code Section 409A. In furtherance of this interest, to the extent that any provision hereof would result in the Executive being subject to payment of the additional tax, interest and tax penalty under Code Section 409A, the parties agree to amend this Agreement in order to bring this Agreement into compliance with Code Section 409A; and thereafter interpret its provisions in a manner that complies with Section 409A of the Code. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of Treasury or the Internal Revenue Service. Notwithstanding the foregoing, no particular tax result for the Executive with respect to any income recognized by the Executive in connection with the Agreement is guaranteed, and the Executive shall be responsible for any taxes, penalties and interest imposed on him under or as a result of Section 409A of the Code in connection with the Agreement.

26. Amendment; Waiver. Except as otherwise provided herein, this Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by both Parties hereto. No waiver by either Party at any time of any breach by the other Party hereto or compliance with any condition or provision of this Agreement to be performed by such other Party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

27. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

28. Headings. Unless otherwise noted, the headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

29. Defined Terms.
   (a) “Agreement” has the meaning set forth in the preamble.
   (b) “Base Salary” has the meaning set forth in Section 4(a).
   (c) “Board” has the meaning set forth in Section 3(a).
   (d) “Bonus Award” has the meaning set forth in Section 4(b)(i).
   (e) “Bylaws” means the Amended and Restated Sprint Nextel Corporation Bylaws, as may be amended from time to time.
   (f) “Cause” shall mean:
      (i) any act or omission constituting a material breach by the Executive of any provisions of this Agreement;

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(ii) the willful failure by the Executive to perform his duties hereunder (other than any such failure resulting from the Executive’s Disability), after demand for performance is delivered by the Company that identifies the manner in which the Company believes the Executive has not performed his duties, if, within 30 days of such demand, the Executive fails to cure any such failure capable of being cured;

(iii) any intentional act or misconduct materially injurious to the Company or any Subsidiary, financial or otherwise, or including, but not limited to, misappropriation, fraud including with respect to the Company’s accounting and financial statements, embezzlement or conversion by the Executive of the Company’s or any of its Subsidiary’s property in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(iv) the conviction (or plea of no contest) of the Executive for any felony or the indictment of the Executive for any felony including, but not limited to, any felony involving fraud, moral turpitude, embezzlement or theft in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(v) the commission of any intentional or knowing violation of any antifraud provision of the federal or state securities laws;

(vi) the Board reasonably believes in its good faith judgment that the Executive has committed any of the acts referred to in this Section 29(f) (v);

(vii) there is a final, non-appealable order in a proceeding before a court of competent jurisdiction or a final order in an administrative proceeding finding that the Executive committed any willful misconduct or criminal activity (excluding minor traffic violations or other minor offenses) which commission is materially inimical to the interests of the Company or any Subsidiary, whether for his personal benefit or in connection with his duties for the Company or any Subsidiary;

(viii) current alcohol or prescription drug abuse affecting work performance;

(ix) current illegal use of drugs; or

(x) violation of the Company’s Code of Conduct, with written notice of termination by the Company for Cause in each case provided under this Section 29(f).

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed “intentional” if it was due primarily to an error in judgment or negligence, but shall
to be deemed “intentional” only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company.

(g) “Change in Control” has the meaning set forth in the CIC Severance Plan.

(h) “Chief Executive Officer” has the meaning set forth in Section 3(a).

(i) “CIC Severance Plan” means the Company’s Change in Control Severance Plan, as may be amended from time to time, or any successor plan, program or arrangement thereto.

(j) “CIC Severance Protection Period” has the meaning set forth in the CIC Severance Plan.

(k) “Certificate of Incorporation” means the Amended and Restated Articles of Incorporation of Sprint Nextel Corporation, as may be amended from time to time.

(l) “Code” means the Internal Revenue Code of 1986, as amended from time to time, including any rules and regulations promulgated thereunder, along with Treasury and IRS Interpretations thereof. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

(m) “Company” has the meaning set forth in the preamble.

(n) “Company Group” has the meaning set forth in Section 10(a)(i).

(o) “Compensation Committee” means the Human Capital and Compensation Committee of the Board.

(p) “Competitor” has the meaning set forth in Section 11(b).

(q) “Developments” has the meaning set forth in Section 13(a).

(r) “Disability” or “Disabled” shall mean:

(i) the Executive’s incapacity due to physical or mental illness to substantially perform his duties and the essential functions of his position, with or without reasonable accommodation, on a full-time basis for six months as determined by the Board in its reasonable discretion, and within 30 days after a notice of termination is thereafter given by the Company, the Executive shall not have returned to the full-time performance of the Executive’s duties; and, further,

(ii) the Executive becomes eligible to receive benefits under the LTD Plan;
provided, however, if the Executive shall not agree with a determination to terminate his employment because of Disability, the question of the Executive’s disability shall be subject to the certification of a qualified medical doctor agreed to by the Company and the Executive. The costs of such qualified medical doctor shall be paid for by the Company.

(s) “Effective Date” has the meaning set forth in the preamble.
(t) “Employee Plans” has the meaning set forth in Section 5(a).
(u) “Employment Term” means the Initial Employment Term and any Renewal Term.
(v) “Executive” has the meaning set forth in the preamble.
(w) “Good Reason” means the occurrence of any of the following without the Executive’s written consent, unless within 30 days of the Executive’s written notice of termination of employment for Good Reason, the Company cures any such occurrence:
   (i) the Company’s material breach of this Agreement;
   (ii) a material reduction in the Executive’s Base Salary, as set forth in Section 4(a), or Target Bonus, as set forth in Section 4(b)(i) (that is not in either case agreed to by the Executive), as compared to the corresponding circumstances in place on the Effective Date as may be increased pursuant to Section 4, except for across-the-board reductions generally applicable to all senior executives; or
   (iii) relocation of the Executive’s principal place of work more than 50 miles without the Executive’s consent.

Any occurrence of Good Reason shall be deemed to be waived by the Executive unless the Executive provides the Company written notice of termination of employment for Good Reason within 60 days of the event giving rise to Good Reason.

(x) “Initial Employment Term” has the meaning set forth in Section 2.
(y) “JAMS” has the meaning set forth in Section 16.
(z) “LTD Plan” has the meaning set forth in Section 9(e).

(aa) “LTSIP” means the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007 as may be amended from time to time, or any successor plan, program or arrangement thereto.

(bb) “LTSIP Target Award Opportunities” has the meaning set forth in Section 4(b)(ii).

(cc) “Participant” has the meaning set forth in the CIC Severance Plan.

(dd) “Parties” has the meaning set forth in the preamble.
(ee) “Party” has the meaning set forth in the preamble.

(ff) “Payment Period” means the remainder of the Employment Term, as measured from the Executive’s Separation from Service.

(gg) “Place of Performance” has the meaning set forth in Section 8.

(hh) “Proprietary Information” has the meaning set forth in Section 10(a)(i).

(ii) “Release” means a release of claims in a form provided to the Executive by the Company in connection with the payment of benefits under this Agreement.

(jj) “Release Consideration and Revocation Period” means the combined total of the Release Consideration Period and the Release Revocation Period.

(kk) “Release Consideration Period” means the period of time pursuant to the terms of the Release afforded the Executive to consider whether to sign it.

(ll) “Release Revocation Period” means the period pursuant to the terms of an executed Release in which it may be revoked by the Executive.

(mm) “Renewal Term” has the meaning set forth in Section 2.

(nn) “Restricted Period” means, following the Executive’s date of termination of employment with the Company for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive, the later of the third anniversary of the Effective Date or the end of the Employment Term.

(oo) “Separation from Service” means “separation from service” from the Company and its subsidiaries as described under Section 409A of the Code and the guidance and Treasury regulations issued thereunder. Separation from Service will occur on the date on which the Executive’s level of services to the Company decreases to 21 percent or less of the average level of services performed by the Executive over the immediately preceding 36-month period (or if providing services for less than 36 months, such lesser period) after taking into account any services that the Executive provided prior to such date or that the Company and the Executive reasonably anticipate the Executive may provide (whether as an employee or as an independent contractor) after such date. For purposes of the determination of whether the Executive has had a Separation from Service, the term “Company” shall mean the Company and any affiliate with which the Company would be considered a single employer under Section 414(b) or 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2. In addition, where the use of such definition of
“Company” for purposes of determining a Separation from Service is based upon legitimate business criteria, in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Treasury Regulation Section 1.414(c)-2.

(pp) “Separation Plan” means the Company’s Separation Plan Amended and Restated Effective August 13, 2006, as may be amended from time to time or any successor plan, program, arrangement or agreement thereto.

(qq) “Specified Employee” shall mean an Executive who is a “specified employee” for purposes of Section 409A of the Code, as administratively determined by the Board in accordance with the guidance and Treasury regulations issued under Section 409A of the Code.

(rr) “STIP” means the Company’s short-term incentive plan under Section 8 of the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007, as may be amended from time to time, or any successor plan, program or arrangement thereto.

(ss) “Subsidiary” shall mean any entity, corporation, partnership (general or limited), limited liability company, entity, firm, business organization, enterprise, association or joint venture in which the Company directly or indirectly controls ten percent (10%) or more of the voting interest. Notwithstanding the foregoing, for purposes of Section 3(a), “Subsidiary” shall mean any affiliate with which the Company would be considered a single employer as described in the definition of Separation from Service.

(tt) “Target Bonuses” has the meaning set forth in Section 4(b)(i).

(uu) “Territory” has the meaning set forth in Section 11(b).

Signature Page Follows

Brust Employment Agreement 25
IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by an officer pursuant to the authority of its Board, and the Executive has executed this Agreement, as of the day and year first written above.

SPRINT NEXTEL CORPORATION

By: /s/ Sandra J. Price

/s/ Robert Brust
Robert Brust

Brust Employment Agreement  26
Exhibit A

Boards on which the Executive may continue to serve:
Covidien Ltd.

Brust Employment Agreement 27
AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of December 31, 2008 and amends and restates the Employment Agreement (the “Original Employment Agreement”), originally made and entered into June 26, 2007, effective as of July 9, 2007 (the “Effective Date”), by and between Sprint Nextel Corporation, a Kansas corporation (the “Company”) on behalf of itself and any of its subsidiaries, affiliates and related entities, and Keith O. Cowan (the “Executive”) (the Company and the Executive, collectively, the “Parties,” and each, a “Party”). Certain capitalized terms are defined in Section 29.

WITNESSETH:

WHEREAS, the Executive serves as President-Strategic Planning and Corporate Initiatives and as Acting President of the CDMA Business Unit; and

WHEREAS, the Executive and the Company desire to amend and restate this Agreement as provided herein.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Company and the Executive hereby amend and restate the Original Employment Agreement as follows:

1. Employment.
   (a) The Company will continue to employ the Executive and the Executive will continue to be employed by the Company upon the terms and conditions set forth herein.

   (b) The employment relationship between the Company and the Executive shall be governed by the general employment policies and practices of the Company, including without limitation, those relating to the Company’s Code of Conduct, confidential information and avoidance of conflicts, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. Term. Subject to termination under Section 9, the Executive’s employment shall be for an initial term of 36 months commencing on the Effective Date and shall continue through the third anniversary of the Effective Date (the “Initial Employment Term”). At the end of the Initial Employment Term and on each succeeding anniversary of the Effective Date, the Employment Term will be automatically extended by an additional 12 months (each, a “Renewal Term”), unless, not less than 12 months prior to the end of the Initial Employment Term or any Renewal Term, either the Executive or the Company has given the other written notice (in accordance with Section 20) of nonrenewal. The Executive shall provide the Company with written notice of his intent to terminate employment with the Company at least 30 days prior to the effective date of such termination.
3. Position and Duties of the Executive.

   (a) The Executive serves as President-Strategic Planning and Corporate Initiatives and as Acting President of the CDMA Business Unit, and agrees to serve as an officer of any enterprise and/or agrees to be an employee of any Subsidiary as may be requested from time to time by the Board of Directors of the Company (the “Board”), any committee or person delegated by the Board or the Chief Executive Officer of the Company (the “Chief Executive Officer”). In such capacity, the Executive shall report directly to the Chief Executive Officer of the Company or the Chairman of the Board. The Executive shall have such duties, responsibility and authority commensurate with the Executive’s title and position, and such additional duties and responsibilities, as may be assigned to the Executive from time to time by the Chief Executive Officer, the Board or such other officer of the Company as may be designated by the Chief Executive Officer or the Board.

   (b) During the Employment Term, the Executive shall, except as may from time to time be otherwise agreed to in writing by the Company, during reasonable vacations (as set forth in Section 7 hereof) and authorized leave and except as may from time to time otherwise be permitted pursuant to Section 3(c), devote his best efforts, full attention and energies during his normal working time to the business of the Company, any duties as may be delineated in the Company’s Bylaws for the Executive’s position and title and such other related duties and responsibilities as may from time to time be reasonably prescribed by the Board, any committee or person designated by the Board, or the Chief Executive Officer, in each case, within the framework of the Company’s policies and objectives.

   (c) During the Employment Term, and provided that such activities do not contravene the provisions of Section 3(a) or Sections 10, 11, 12 or 13 hereof and, provided further, the Executive does not engage in any other substantial business activity for gain, profit or other pecuniary advantage which materially interferes with the performance of his duties hereunder, the Executive may participate in any governmental, educational, charitable or other community affairs and, subject to the prior approval of the Chief Executive Officer serve as a member of the governing board of any such organization or any private or public for-profit company. The Executive may retain all fees and other compensation from any such service, and the Company shall not reduce his compensation by the amount of such fees.


   (a) Base Salary. During the Employment Term, the Company shall pay to the Executive an annual base salary of $725,000, (the “Base Salary”), which Base Salary shall be payable at the times and in the manner consistent with the Company’s general policies regarding compensation of the Company’s senior executives. The Base Salary will be reviewed periodically by the Compensation Committee and may be increased (but not decreased, except for across-the-board reductions generally applicable to the Company’s senior executives) from time to time in the sole discretion of the Compensation Committee.
(b) Incentive Compensation.

(i) The Executive will continue to be eligible to participate in any short-term and long-term incentive compensation plans, annual bonus plans and such other management incentive programs or arrangements of the Company approved by the Board that are generally available to the Company’s senior executives, including, but not limited to, the STIP, and the LTSIP. Incentive compensation shall be paid in accordance with the terms and conditions of the applicable plans, programs and arrangements.

(ii) Annual Performance Bonus. During the Employment Term, the Executive shall continue to be entitled to participate in the STIP, with such opportunities as may be determined by the Compensation Committee in its sole discretion (“Target Bonuses”), and as may be increased (but not decreased, except for across-the-board reductions generally applicable to the Company’s senior executives) from time to time, and the Executive shall be entitled to receive full payment of any award under the STIP, determined pursuant to the STIP (a “Bonus Award”).

(A) 2007 STIP. The Executive’s Target Bonus for 2007 was $906,250.

(iii) Long-Term Performance Bonus. During the Employment Term, the Executive shall continue to be entitled to participate in the LTSIP with such opportunities, if any, as may be determined by the Compensation Committee (“LTSIP Target Award Opportunities”).

(iv) Incentive bonuses, if earned, shall be paid when incentive compensation is customarily paid to the Company’s senior executives in accordance with the terms of the applicable plans, programs or arrangements.

(v) Pursuant to the Company’s applicable incentive or bonus plans as in effect from time to time, the Executive’s incentive compensation during the term of this Agreement may be determined according to criteria intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”).

(c) Equity Compensation. The Executive shall continue to be eligible to participate in such equity incentive compensation plans and programs as the Company generally provides to its senior executives, including, but not limited to, the LTSIP. During the Employment Term, the Compensation Committee may, in its sole discretion, grant equity awards to the Executive, which would be subject to the terms of the respective award agreements evidencing such grants and the applicable plan or program.

(i) 2007 LTSIP. The Compensation Committee authorized the grant of a pro-rated award to the Executive, as of the Effective Date, of an option right to purchase 157,828 shares of the Company’s Series 1 common stock $2.00 par value (the “Common Stock”) at an option price equal to the closing price of the
Common Stock on the Effective Date and 56,844 performance-based restricted stock units. These awards will be governed by the terms of the Evidence of Award attached as Exhibit A to this Agreement.

(ii) **Sign-on Equity.** The Compensation Committee authorized the grant to the Executive, as of the Effective Date, of an option right to purchase 315,657 shares of Common Stock at an option price equal to the closing price of the Common Stock on the Effective Date and 113,688 restricted stock units. These awards will be governed by the terms of the Evidence of Award attached as Exhibit B to this Agreement.

(iii) **2008 LTSIP.** The Executive participated in the 2008 LTSIP at a target award of $5 million.

5. **Benefits.**

(a) During the Employment Term, the Company shall make available to the Executive, subject to the terms and conditions of the applicable plans, participation for the Executive and his eligible dependents in: (i) Company-sponsored group health, major medical, dental, vision, pension and profit sharing, 401(k) and employee welfare benefit plans, programs and arrangements (the “Employee Plans”) and such other usual and customary benefits in which senior executives of the Company participate from time to time, and (ii) such fringe benefits and perquisites as may be made available to senior executives of the Company as a group.

(b) The Executive acknowledges that the Company may change its benefit programs from time to time, which may result in certain benefit programs being amended or terminated for its senior executives generally.

(c) If, by reason of entering into this Agreement and becoming an employee of the Company, the Executive forfeits any compensation from his former employer, AT&T Inc., or any of its present or former subsidiaries (collectively “AT&T Inc.”) that was previously vested but not yet paid, or he is required to repay compensation from AT&T Inc., the Company will pay the Executive promptly following his providing the Company with satisfactory documentation thereof, an amount in cash equal to the sum of any such amounts.

(d) If the Executive elects to continue coverage under his former employer’s group health plan pursuant to the provisions of Section 4980B of the Code for the period before he becomes eligible to participate in the Company’s group health plans, the Company will reimburse the Executive for any premiums paid by the Executive for such continuation coverage.

6. **Expenses.** The Company shall pay or reimburse the Executive for reasonable and necessary business expenses incurred by the Executive in connection with his duties on behalf of the Company in accordance with the Company’s Enterprise Financial Services—Employee Travel and Expense Policy, as may be amended from time to time, or any successor policy, plan, program or arrangement thereto and any other of its expense policies applicable to senior executives of the Company, following submission by the Executive of reimbursement expense forms in a form consistent with such expense policies.
7. **Vacation.** In addition to such holidays, sick leave, personal leave and other paid leave as is allowed under the Company’s policies applicable to senior executives generally, the Executive shall be entitled to participate in the Company’s vacation policy in accordance with the Company’s policy generally applicable to senior executives. The duration of such vacations and the time or times when they shall be taken will be determined by the Executive in consultation with the Company.

8. **Place of Performance.** In connection with his employment by the Company, the Executive was based at the principal executive offices of the Company in Fairfax County, Virginia for the first 15 months following the Effective Date. Thereafter, at the request of the Company, the Executive shall be based at the principal executive offices of the Company in the vicinity of Overland Park, Kansas (the “Place of Performance”), except for travel reasonably required for Company business or for work performed at an appropriate alternative location. The Executive has established a secondary residence in the area surrounding the Executive’s Place of Performance, in accordance with the Company’s relocation policy. If the Company relocates the Executive’s place of work more than 50 miles from his place of work prior to such relocation, the Executive shall relocate the secondary residence within (a) 50 miles of such relocated executive offices or (b) such total miles that does not exceed the total number of miles the Executive commuted to his place of work prior to relocation of the Executive’s place of work. In establishing a secondary residency as provided in this Section 8, the Executive was eligible to participate in the Company’s Executive — New Employee Relocation Program.

9. **Termination.**

   (a) **Termination by the Company for Cause or Resignation by the Executive Without Good Reason.** If, during the Employment Term, the Executive’s employment is terminated by the Company for Cause, or if the Executive resigns without Good Reason, the Executive shall not be eligible to receive Base Salary or to participate in any Employee Plans with respect to future periods after the date of such termination or resignation except for the right to receive accrued but unpaid cash compensation and vested benefits under any Employee Plan in accordance with the terms of such Employee Plan and applicable law.

   (b) **Termination by the Company Without Cause or Resignation by the Executive for Good Reason outside of the CIC Severance Protection Period.** If, during the Employment Term, the Executive’s employment is terminated by the Company without Cause or the Executive terminates for Good Reason prior to or following expiration of the CIC Severance Protection Period and such termination constitutes a Separation from Service or the Executive is entitled to severance compensation and benefits under this Section 9(b) pursuant to the provisions of Section 9(c), the Executive shall be entitled to receive from the Company: (1) the Executive’s accrued, but unpaid, Base Salary through the date of termination of employment, payable in accordance with the Company’s normal payroll practices, and (2) conditioned upon the Executive executing a Release within the Release Consideration Period and delivering it to the Company, with the Release Revocation Period expired without revocation of the Release, and in full satisfaction of the Executive’s rights and any benefits the Executive might be entitled to under the Separation Plan and this Agreement, unless otherwise specified herein:
(i) periodic payments equal to his Base Salary in effect prior to the termination of his employment, which payments shall be paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for the Payment Period, except that (A) if the Release Consideration and Revocation Period ends on or after December 15\textsuperscript{th} of the calendar year of the Executive’s Separation from Service, such installments that are otherwise payable in the calendar year of the Executive’s Separation from Service shall be paid in a lump sum on the first business day of the following calendar year or (B) if the Executive is a Specified Employee, with respect to any amount payable by reason of the Separation from Service that constitutes deferred compensation within the meaning of Section 409A of the Code, such installments shall not commence until after the end of the six continuous month period following the date of the Executive’s Separation from Service, in which case, the Executive shall be paid a lump sum cash payment equal to the aggregate amount of missed installments during such period on the first day of the seventh month following the date of the Executive’s Separation from Service;

(ii) (A) receive a pro rata payment of the Bonus Award for the portion of the Company’s current fiscal year prior to the date of termination of his employment; (B) receive a pro rata payment of the Capped Bonus Award for the portion of the Company’s current fiscal year following the date of termination of his employment; (C) receive for the next fiscal year following the fiscal year during which termination of his employment occurs, the Capped Bonus Award; and (D) receive payment of a pro rata portion of the Capped Bonus Award for the second year following the fiscal year during which the Executive’s employment terminates (for purposes of this Section 9(b)(ii), any pro rata payment shall be determined based on the methodology for determining pro rata awards under the STIP, each such payment shall be payable in accordance with the provisions of the STIP in the calendar year in which the Bonus Award or each Capped Bonus Award, as applicable, is determined, and in all events, not later than December 31\textsuperscript{st} of the year in which each such award is determined); provided, however, that to the extent the Executive’s employment is terminated for Good Reason due to a reduction of the Executive’s Target Bonus, in accordance with Section 29(x)(ii), the Executive’s Target Bonus for the purposes of this Section 9(b)(ii) shall be the Executive’s Target Bonus immediately prior to such reduction;

(iii) continue participation at then-existing participation and coverage levels for the Payment Period in the Company’s medical, dental, vision and employee life insurance plans comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements, except that (A) following such period, the Executive shall retain any rights to continue coverage under the Company’s medical, dental, vision and employee life insurance plans under the benefits continuation provisions pursuant to Section 4980B of the Code by paying the applicable premiums of such plans; and (B) the Executive shall no longer be eligible to
receive the benefits otherwise receivable pursuant to this Section 9(b)(iii) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer; and

(iv) receive outplacement services by a firm selected by the Company at its expense in an amount not to exceed $35,000; provided, however, that all such outplacement services must be completed, and all payments by the Company must be made, by December 31st of the second calendar year following the calendar year in which the Executive’s Separation from Service occurs.

Notwithstanding anything in this Section 9(b) to the contrary, to the extent the Executive has not executed the Release within the Release Consideration Period and delivered it to the Company, or has revoked the executed Release within the Release Revocation Period, as determined at the end of such Release Revocation Period, the Executive will forfeit any right to receive the payments and benefits specified in this Section 9(b) (other than any accrued but unpaid payments and benefits through the date of termination of employment).

(c) Termination by the Company Without Cause or Resignation by the Executive for Good Reason During the CIC Severance Protection Period.
Subject to (i)-(iv) below, if the Executive’s employment is terminated by the Company without Cause, or the Executive terminates employment for Good Reason, before the Employment Term expires and during the CIC Severance Protection Period, and the termination constitutes a Separation from Service, subject to the terms of the CIC Severance Plan, the Executive will become entitled to severance compensation and benefits under the CIC Severance Plan as of (x) the date the Separation from Service occurs, or (y) in the event of a Pre-CIC Termination, the date the Change in Control occurs, as of which date all rights to severance benefits under this Agreement will cease.

(i) The CIC Severance Plan will not apply and the Executive will be entitled to severance compensation and benefits under Section 9(b) of this Agreement if (x) as of his Separation from Service, the Executive is not a Participant in, or (y) the Executive is otherwise not entitled to severance compensation and benefits under, the CIC Severance Plan.

(ii) If the Executive is entitled to severance benefits under the CIC Severance Plan as a result of a Pre-CIC Termination, any benefits payable before the Change in Control will be paid under this Agreement and any additional benefits payable after the Change in Control will be paid under the CIC Severance Plan.

(iii) In no event may there be duplication of benefits under this Agreement and the CIC Severance Plan.

(iv) The terms “Change in Control” and “Pre-CIC Termination” are defined in the CIC Severance Plan.
(d) **Termination by Death.** If the Executive dies during the Employment Term, the Executive’s employment will terminate and the Executive’s beneficiary or if none, the Executive’s estate, shall be entitled to receive from the Company, the Executive’s accrued, but unpaid, Base Salary through the date of termination of employment and any vested benefits under any Employee Plan in accordance with the terms of such Employee Plan and applicable law.

(e) **Termination by Disability.** If the Executive becomes Disabled prior to the expiration of the Employment Term, the Executive’s employment will terminate, and provided that such termination constitutes a Separation from Service, the Executive shall be entitled to:

   (i) receive periodic payments equal to his Base Salary in effect prior to the termination of his employment, which payments shall be paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for 12 months (reduced by any amounts paid under a long-term disability plan (“LTD Plan”) now or hereafter sponsored by the Company (calculated on a monthly basis)) commencing on the Separation from Service date; provided, however, that in the event that the Executive is a Specified Employee, with respect to any amount payable by reason of the Separation from Service that constitutes deferred compensation within the meaning of Section 409A of the Code, such installments shall commence the earlier to occur of (A) the first business day of the seventh month following the date of the Executive’s Separation from Service or (B) death, except that on such date, the Executive shall be paid a lump-sum cash payment equal to the aggregate amount of any such payments that constitutes deferred compensation within the meaning of Section 409A of the Code that the Executive would have been entitled to receive during the six-month period following the Executive’s Separation from Service; and

   (ii) continue participation at then-existing participation and coverage levels for 12 months (measured from the Executive’s Separation from Service) in the Company’s medical, dental, vision and employee life insurance plans, comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements.

(f) **No Mitigation Obligation.** No amounts paid under Section 9 will be reduced by any earnings that the Executive may receive from any other source. The Executive’s coverage under the Company’s medical, dental, vision and employee life insurance plans will terminate as of the date that the Executive is eligible for comparable benefits from a new employer. The Executive shall notify the Company within 30 days after becoming eligible for coverage of any such benefits.

(g) **Forfeiture.** Notwithstanding the foregoing, any right of the Executive to receive termination payments and benefits hereunder shall be forfeited to the extent of any amounts payable after any breach of Section 10, 11, 12, 13 or 15 by the Executive.
(a) During the Employment Term and on a permanent basis upon and following termination of the Executive's employment, the Executive acknowledges that:

(i) all information, whether reduced to writing (or in a form from which information can be obtained, translated, or derived into reasonably usable form) or not and whether compiled or created by the Company, any of its Subsidiaries or any affiliates of the Company or its Subsidiaries (collectively, the “Company Group”), which derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from the disclosure or use of such information, of a proprietary, private, secret or confidential (including, without exception, inventions, products, processes, methods, techniques, formulas, compositions, compounds, projects, developments, sales strategies, plans, research data, clinical data, financial data, personnel data, computer programs, customer and supplier lists, trademarks, service marks, copyrights (whether registered or unregistered), artwork, and contacts at or knowledge of customers or prospective customers) nature concerning the Company Group’s business, business relationships or financial affairs (collectively, “Proprietary Information”) shall be the exclusive property of the Company Group;

(ii) the Proprietary Information of the Company Group gained by the Executive during the Executive’s association with the Company Group was or will be developed by and/or for the Company Group through substantial expenditure of time, effort and money and constitutes valuable and unique property of the Company Group;

(iii) reasonable efforts have been put forth by the Company Group to maintain the secrecy of its Proprietary Information;

(iv) such Proprietary Information is and will remain the sole property of the Company Group; and

(v) any retention or use by the Executive of Proprietary Information after the termination of the Executive’s services for the Company Group will constitute a misappropriation of the Company Group’s Proprietary Information.

(b) The Executive further acknowledges and agrees that he will take all affirmative steps reasonably necessary or required by the Company to protect the Proprietary Information from inappropriate disclosure during and after his employment with the Company.

(c) The Executive further agrees that all files, letters, memoranda, reports, records, data, sketches, drawings, laboratory notebooks, program listings, or other written, photographic, electronic, or other tangible material containing or constituting Proprietary Information, whether created by the Executive or others, which shall come into his custody or possession, regardless of medium, shall be and are the exclusive property of the Company to be used by him only in the performance of his duties for the Company. All such materials or copies
thereof and all tangible things and other property of the Company Group in the Executive’s custody or possession shall be delivered to the Company (to the extent the Executive has not already returned) in good condition, on or before five business days subsequent to the earlier of: (i) a request by the Company or (ii) the Executive’s termination of employment for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive. After such delivery, the Executive shall not retain any such materials or portions or copies thereof or any such tangible things and other property and shall execute any statements or affirmations of compliance under oath that the Company may require.

(d) The Executive further agrees that his obligation not to disclose or to use information and materials of the types set forth in Sections 10(a), 10(b) and 10(c) above, and his obligation to return materials and tangible property, set forth in Section 10(c) above, also extends to such types of information, materials and tangible property of customers of the Company Group, consultants for the Company Group, suppliers to the Company Group, or other third parties who may have disclosed or entrusted the same to the Company Group or to the Executive.

(e) The Executive further acknowledges and agrees that he will continue to keep in strict confidence, and will not, directly or indirectly, at any time, disclose, furnish, disseminate, make available, use or suffer to be used in any manner any Proprietary Information of the Company Group without limitation as to when or how the Executive may have acquired such Proprietary Information and that he will not disclose any Proprietary Information to any person or entity other than appropriate employees of the Company or use the same for any purposes (other than in the performance of his duties as an employee of the Company) without written approval of the Board, either during or after his employment with the Company.

(f) Further the Executive acknowledges that his obligation of confidentiality will survive, regardless of any other breach of this Agreement or any other agreement, by any party hereto, until and unless such Proprietary Information of the Company Group has become, through no fault of the Executive, generally known to the public. In the event that the Executive is required by law, regulation, or court order to disclose any of the Company Group’s Proprietary Information, the Executive will promptly notify the Company prior to making any such disclosure to facilitate the Company seeking a protective order or other appropriate remedy from the proper authority. The Executive further agrees to cooperate with the Company in seeking such order or other remedy and that, if the Company is not successful in precluding the requesting legal body from requiring the disclosure of the Proprietary Information, the Executive will furnish only that portion of the Proprietary Information that is legally required, and the Executive will exercise all legal efforts to obtain reliable assurances that confidential treatment will be accorded to the Proprietary Information.

(g) The Executive’s obligations under this Section 10 are in addition to, and not in limitation of, all other obligations of confidentiality under the Company’s policies, general legal or equitable principles or statutes.

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(h) During the Employment Term and following his termination of employment:

   (i) the Executive shall not, directly or indirectly, make or cause to be made any statements, including but not limited to, comments in books or printed media, to any third parties criticizing or disparaging the Company Group or commenting on the character or business reputation of the Company Group. Without the prior written consent of the Board, unless otherwise required by law, the Executive shall not (A) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of the business of the Company Group or (B) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of any existing, threatened or potential claims or litigation involving the Company Group;

   (ii) the Company shall comply with its policies regarding public statements with respect to the Executive and any such statements shall be deemed to be made by the Company only if made or authorized by a member of the Board or a senior executive officer of the Company; and

   (iii) nothing herein precludes honest and good faith reporting by the Executive to appropriate Company or legal enforcement authorities.

(i) The Executive acknowledges and agrees that a violation of the foregoing provisions of this Section 10 would cause irreparable harm to the Company Group, and that the Company’s remedy at law for any such violation would be inadequate. In recognition of the foregoing, the Executive agrees that, in addition to any other relief afforded by law or this Agreement, including damages sustained by a breach of this Agreement and any forfeitures under Section 9(g), and without the necessity or proof of actual damages, the Company shall have the right to enforce this Agreement by specific remedies, which shall include, among other things, temporary and permanent injunctions, it being the understanding of the undersigned parties hereto that damages, the forfeitures described above and injunctions shall all be proper modes of relief and are not to be considered as alternative remedies.

11. Non-Competition . In consideration of the Company entering into this Agreement, for a period commencing on the Effective Date and ending on the expiration of the Restricted Period:

   (a) The Executive covenants and agrees that the Executive will not, directly or indirectly, engage in any activities on behalf of or have an interest in any Competitor of the Company Group, whether as an owner, investor, executive, manager, employee, independent consultant, contractor, advisor, or otherwise. The Executive’s ownership of less than one percent (1%) of any class of stock in a publicly traded corporation shall not be a breach of this paragraph.

   (b) A “Competitor” is any entity doing business directly or indirectly (e.g., as an owner, investor, provider of capital or otherwise) in the United States including any territory of the United States (the “Territory”) that provides products and/or services that are the same or similar to the products and/or services that are currently being provided at the time of Executive’s termination or that were provided by the Company Group during the two-year period prior to the Executive’s separation from service with the Company Group.

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(c) The Executive acknowledges and agrees that due to the continually evolving nature of the Company Group’s industry, the scope of its business and/or the identities of Competitors may change over time. The Executive further acknowledges and agrees that the Company Group markets its products and services on a nationwide basis, encompassing the Territory and that the restrictions imposed by this covenant, including the geographic scope, are reasonably necessary to protect the Company Group’s legitimate interests.

(d) The Executive covenants and agrees that should a court at any time determine that any restriction or limitation in this Section 11 is unreasonable or unenforceable, it will be deemed amended so as to provide the maximum protection to the Company Group and be deemed reasonable and enforceable by the court.

12. Non-Solicitation. In consideration of the Company entering into this Agreement, for a period commencing on the Effective Date and ending on the expiration of the Restricted Period, the Executive hereby covenants and agrees that he shall not, directly or indirectly, individually or on behalf of any other person or entity do or suffer any of the following:

(a) hire or employ or assist in hiring or employing any person who was at any time during the last 18 months of Executive’s employment an employee, representative or agent of any member of the Company Group or solicit, aid, induce or attempt to solicit, aid, induce or persuade, directly or indirectly, any person who is an employee, representative, or agent of any member of the Company Group to leave his or her employment with any member of the Company Group to accept employment with any other person or entity;

(b) induce any person who is an employee, officer or agent of the Company Group, or any of its affiliated, related or subsidiary entities to terminate such relationship;

(c) solicit any customer of the Company Group, or any person or entity whose business the Company Group had solicited during the 180 day period prior to termination of the Executive’s employment for purposes of business which is competitive to the Company Group within the Territory; or

(d) solicit, aid, induce, persuade or attempt to solicit, aid, induce or persuade any person or entity to take any action that would result in a Change in Control of the Company Group or to seek to control the Board in a material manner.

(e) For purposes of this Section 12, the term “solicit or persuade” includes, but is not limited to, (i) initiating communications with an employee of the Company Group relating to possible employment, (ii) offering bonuses or additional compensation to encourage an employee of the Company Group to terminate his employment, (iii) referring employees of the Company Group to personnel or agents employed by competitors, suppliers or customers of the Company Group, and (iv) initiating communications with any person or entity relating to a possible Change in Control.


(a) The Executive acknowledges and agrees that he will make full and prompt disclosure to the Company of all inventions, improvements, discoveries, methods, developments,
software, mask works, and works of authorship, whether patentable or copyrightable or not, (i) which relate to the Company’s business and have heretofore been created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others, and not assigned to prior employers, or (ii) which have utility in or relate to the Company’s business and are created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others during his employment with the Company, whether or not during normal working hours or on the premises of the Company (all of the foregoing of which are collectively referred to in this Agreement as “Developments”).

(b) The Executive further agrees to assign and does hereby assign to the Company (or any person or entity designated by the Company) all of the Executive’s rights, title and interest worldwide in and to all Developments and all related patents, patent applications, copyrights and copyright applications, and any other applications for registration of a proprietary right. This Section 13(b) shall not apply to Developments that the Executive developed entirely on his own time without using the Company’s equipment, supplies, facilities, or Proprietary Information and that does not, at the time of conception or reduction to practice, have utility in or relate to the Company’s business, or actual or demonstrably anticipated research or development. The Executive understands that, to the extent this Agreement shall be construed in accordance with the laws of any Territory which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this Section 13(b) shall be interpreted not to apply to any invention which a court rules or the Company agrees falls within such classes.

(c) The Executive further agrees to cooperate fully with the Company, both during and after his employment with the Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and other countries) relating to Developments. The Executive shall not be required to incur or pay any costs or expenses in connection with the rendering of such cooperation. The Executive will sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, and do all things that the Company may reasonably deem necessary or desirable in order to protect its rights and interests in any Development.

(d) The Executive further acknowledges and agrees that if the Company is unable, after reasonable effort, to secure the Executive’s signature on any such papers, any executive officer of the Company shall be entitled to execute any such papers as the Executive’s agent and attorney-in-fact, and the Executive hereby irrevocably designates and appoints each executive officer of the Company as his agent and attorney-in-fact to execute any such papers on the Executive’s behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Development, under the conditions described in this sentence.

14. Remedies. The Executive and the Company agree that the covenants contained in Sections 10, 11, 12 and 13 are reasonable under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction any such covenant is not reasonable in any respect, such court will have the right, power and authority to sever or modify any provision or provisions of such covenants as to the court will appear not reasonable and to enforce the
remainder of the covenants as so amended. The Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of the Executive’s obligations under Sections 10, 11, 12 and 13 would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, the Executive acknowledges, consents and agrees that, in addition to any other rights or remedies that the Company may have at law, in equity or under this Agreement, upon adequate proof to a court of competent jurisdiction of the Executive’s violation of any such provision of this Agreement, the Company will be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach, without the necessity of proof of actual damage. Without limiting the applicability of this Section 14 or in any way affecting the right of the Company to seek equitable remedies hereunder, in the event that the Executive breaches any of the provisions of Sections 10, 11, 12 or 13 or engages in any activity that would constitute a breach save for the Executive’s action being in a state where any of the provisions of Sections 10, 11, 12, 13 or this Section 14 is not enforceable as a matter of law, then the Company’s obligation to pay any remaining severance compensation and benefits that has not already been paid to Executive pursuant to Section 9 shall be terminated.

15. Continued Availability and Cooperation.

(a) Following termination of the Executive’s employment, the Executive shall cooperate fully with the Company and with the Company’s counsel in connection with any present and future actual or threatened litigation, administrative proceeding or investigation involving the Company that relates to events, occurrences or conduct occurring (or claimed to have occurred) during the period of the Executive’s employment by the Company. Cooperation will include, but is not limited to:

(i) making himself reasonably available for interviews and discussions with the Company’s counsel as well as for depositions and trial testimony;

(ii) if depositions or trial testimony are to occur, making himself reasonably available and cooperating in the preparation therefore, as and to the extent that the Company or the Company’s counsel reasonably requests;

(iii) refraining from impeding in any way the Company’s prosecution or defense of such litigation or administrative proceeding; and

(iv) cooperating fully in the development and presentation of the Company’s prosecution or defense of such litigation or administrative proceeding.

(b) The Company will reimburse the Executive for reasonable travel, lodging, telephone and similar expenses, as well as reasonable attorneys’ fees (if independent legal counsel is necessary), incurred in connection with any cooperation, consultation and advice rendered under this Agreement after the Executive’s termination of employment.

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16. Dispute Resolution.

(a) In the event that the Parties are unable to resolve any controversy or claim arising out of or in connection with this Agreement or breach thereof, either Party shall refer the dispute to binding arbitration, which shall be the exclusive forum for resolving such claims. Such arbitration will be administered by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) pursuant to its Employment Arbitration Rules and Procedures and governed by Kansas law. The arbitration shall be conducted by a single arbitrator selected by the Parties according to the rules of JAMS. In the event that the Parties fail to agree on the selection of the arbitrator within 30 days after either Party’s request for arbitration, the arbitrator will be chosen by JAMS. The arbitration proceeding shall commence on a mutually agreeable date within 90 days after the request for arbitration, unless otherwise agreed by the Parties, and in the location where the Executive worked during the six months immediately prior to the request for arbitration if that location is in Kansas or Virginia, and if not, the location will be Kansas, unless the Parties agree otherwise.

(b) The Parties agree that each will bear their own costs and attorneys’ fees. The arbitrator shall not have authority to award attorneys’ fees or costs to any Party.

(c) The arbitrator shall have no power or authority to make awards or orders granting relief that would not be available to a Party in a court of law. The arbitrator’s award is limited by and must comply with this Agreement and applicable federal, state, and local laws. The decision of the arbitrator shall be final and binding on the Parties.

(d) Notwithstanding the foregoing, no claim or controversy for injunctive or equitable relief contemplated by or allowed under applicable law pursuant to Sections 10, 11, 12 and 13 of this Agreement will be subject to arbitration under this Section 16, but will instead be subject to determination in a court of competent jurisdiction in the state of the Place of Performance, which court shall apply Kansas law consistent with Section 21 of this Agreement, where either Party may seek injunctive or equitable relief.

17. Other Agreements. No agreements (other than the agreements evidencing any grants of equity awards and that certain Letter Agreement dated June 11, 2008 provided by the Company to the Executive after the Effective Date) 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. Each party to this Agreement acknowledges that no representations, inducements, promises, or other agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, pertaining to the subject matter hereof, which are not referenced in the foregoing sentence or otherwise embodied herein, and that no prior and/or contemporaneous agreement, statement or promise pertaining to the subject matter hereof that is not so referenced or contained in this Agreement shall be valid or binding on either party.

18. Withholding of Taxes. The Company will withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.
19. Successors and Binding Agreement

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the “Company” for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company, except that the Company may assign and transfer this Agreement and delegate its duties thereunder to a wholly owned Subsidiary.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 19(a) and 19(b). Without limiting the generality or effect of the foregoing, the Executive’s right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive’s will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 19(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

20. Notices

All communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as Federal Express or UPS, addressed to the Company (to the attention of the General Counsel of the Company) at its principal executive offices and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.


(a) This Agreement will be construed and enforced according to the laws of the State of Kansas, without giving effect to the conflict of laws principles thereof.

(b) To the extent not otherwise provided for by Section 16 of this Agreement, the Executive and the Company consent to the jurisdiction of all state and federal courts located in Overland Park, Johnson County, Kansas, as well as to the jurisdiction of all courts of which an
appeal may be taken from such courts, for the purpose of any suit, action, or other proceeding arising out of, or in connection with, this Agreement or that otherwise arise out of the employment relationship. Each party hereby expressly waives any and all rights to bring any suit, action, or other proceeding in or before any court or tribunal other than the courts described above and covenants that it shall not seek in any manner to resolve any dispute other than as set forth in this paragraph. Further, the Executive and the Company hereby expressly waive any and all objections either may have to venue, including, without limitation, the inconvenience of such forum, in any of such courts. In addition, each of the parties consents to the service of process by personal service or any manner in which notices may be delivered hereunder in accordance with this Agreement.

22. Validity/Severability. If any provision of this Agreement or the application of any provision is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal. To the extent any provisions held to be invalid, unenforceable or otherwise illegal cannot be reformed, such provisions are to be stricken herefrom and the remainder of this Agreement will be binding on the parties and their successors and assigns as if such invalid or illegal provisions were never included in this Agreement from the first instance.

23. Survival of Provisions. Notwithstanding any other provision of this Agreement, the parties’ respective rights and obligations under Sections 10, 11, 12, 13, 14, 15, 16, 18, 22 and 26 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment.

24. Representations and Acknowledgements.

(a) The Executive hereby represents that, other than agreements with his former employer AT&T Inc., he is not subject to any restriction of any nature whatsoever on his ability to enter into this Agreement or to perform his duties and responsibilities hereunder, including, but not limited to, any covenant not to compete with any former employer, any covenant not to disclose or use any non-public information acquired during the course of any former employment or any covenant not to solicit any customer of any former employer.

(b) The Executive hereby represents that, except as he has disclosed in writing to the Company, he is not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of the Executive’s employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party.

(c) The Executive further represents that, to the best of his knowledge, his performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement with another party, including without limitation any agreement to keep in confidence proprietary information, knowledge or data the Executive acquired in confidence or in trust prior to his employment with the Company, and that he will not knowingly disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.
(d) The Company will indemnify the Executive (and the Executive’s successors) against all costs, charges, and expenses whatsoever incurred or sustained by the Executive in connection with any action, suit, or proceeding commenced against the Executive by AT&T Inc., or any affiliate of AT&T Inc., by reason of the Executive’s entering into this Agreement or agreeing to become an employee of the Company.

(e) The Executive acknowledges that he will not be entitled to any consideration or reimbursement of legal fees in connection with execution of this Agreement.

(f) The Executive hereby represents and agrees that, during the Restricted Period, if the Executive is offered employment or the opportunity to enter into any business activity, whether as owner, investor, executive, manager, employee, independent consultant, contractor, advisor or otherwise, the Executive will inform the offeror of the existence of Sections 10, 11, 12 and 13 of this Agreement and provide the offeror a copy thereof. The Executive authorizes the Company to provide a copy of the relevant provisions of this Agreement to any of the persons or entities described in this Section 24(f) and to make such persons aware of the Executive’s obligations under this Agreement.

25. Compliance with Code Section 409A. With respect to reimbursements or in-kind benefits provided under this Agreement: (a) the Company will not provide for cash in lieu of a right to reimbursement or in-kind benefits to which the Executive has a right under this Agreement, (b) any reimbursement or provision of in-kind benefits made during the Executive’s lifetime (or such shorter period prescribed by a specific provision of this Agreement) shall be made not later than December 31 of the year following the year in which the Executive incurs the expense, and (c) in no event will the amount of expenses so reimbursed, or in-kind benefits provided, by the Company in one year affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Each payment, reimbursement or in-kind benefit made pursuant to the provisions of this Agreement shall be regarded as a separate payment and not one of a series of payments for purposes of Section 409A of the Code. It is intended that any amounts payable under this Agreement and the Company’s and the Executive’s exercise of authority or discretion hereunder shall comply with the provisions of Section 409A of the Code and the treasury regulations relating thereto so as not to subject the Executive to the payment of the additional tax, interest and any tax penalty which may be imposed under Section 409A of the Code. In furtherance of this interest, to the extent that any provision hereof would result in the Executive being subject to payment of the additional tax, interest and tax penalty under Section 409A of the Code, the parties agree to amend this Agreement in order to bring this Agreement into compliance with Section 409A of the Code; and thereafter interpret its provisions in a manner that complies with Section 409A of the Code. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of Treasury or the Internal Revenue Service. Notwithstanding the foregoing, no particular tax result for the Executive with respect to any income recognized by the Executive in connection with the Agreement is guaranteed, and the Executive shall be responsible for any taxes, penalties and interest imposed on him under or as a result of Section 409A of the Code in connection with the Agreement.
26. **Amendment; Waiver.** Except as otherwise provided herein, this Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by both Parties hereto. No waiver by either Party at any time of any breach by the other Party hereto or compliance with any condition or provision of this Agreement to be performed by such other Party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

27. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

28. **Headings.** Unless otherwise noted, the headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

29. **Defined Terms.**
   - (a) “Agreement” has the meaning set forth in the preamble.
   - (b) “Base Salary” has the meaning set forth in Section 4(a).
   - (c) “Board” has the meaning set forth in Section 3(a).
   - (d) “Bonus Award” has the meaning set forth in Section 4(b)(ii).
   - (e) “Bylaws” means the Amended and Restated Sprint Nextel Corporation Bylaws, as may be amended from time to time.
   - (f) “Capped Bonus Award” shall mean the lesser of the annual Target Bonus or actual performance for such fiscal year in accordance with the then existing terms of the STIP, which shall not be payable until the Compensation Committee has determined that any incentive targets have been achieved and the subsequent designated payout date has arrived.
   - (g) “Cause” shall mean:
     - (i) any act or omission constituting a material breach by the Executive of any provisions of this Agreement;
     - (ii) the willful failure by the Executive to perform his duties hereunder (other than any such failure resulting from the Executive’s Disability), after demand for performance is delivered by the Company that identifies the manner in which the Company believes the Executive has not performed his duties, if, within 30 days of such demand, the Executive fails to cure any such failure capable of being cured;
(iii) any intentional act or misconduct materially injurious to the Company or any Subsidiary, financial or otherwise, or including, but not limited to, misappropriation, fraud including with respect to the Company’s accounting and financial statements, embezzlement or conversion by the Executive of the Company’s or any of its Subsidiary’s property in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(iv) the conviction (or plea of no contest) of the Executive for any felony or the indictment of the Executive for any felony including, but not limited to, any felony involving fraud, moral turpitude, embezzlement or theft in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(v) the commission of any intentional or knowing violation of any antifraud provision of the federal or state securities laws;

(vi) the Board reasonably believes in its good faith judgment that the Executive has committed any of the acts referred to in this Section 29(g)(vi);

(vii) there is a final, non-appealable order in a proceeding before a court of competent jurisdiction or a final order in an administrative proceeding finding that the Executive committed any willful misconduct or criminal activity (excluding minor traffic violations or other minor offenses) which commission is materially inimical to the interests of the Company or any Subsidiary, whether for his personal benefit or in connection with his duties for the Company or any Subsidiary;

(viii) current alcohol or prescription drug abuse affecting work performance;

(ix) current illegal use of drugs; or

(x) violation of the Company’s Code of Conduct, with written notice of termination by the Company for Cause in each case provided under this Section 29(g).

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed “intentional” if it was due primarily to an error in judgment or negligence, but shall be deemed “intentional” only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company.

(h) “Change in Control” has the meaning set forth in the CIC Severance Plan.

(i) “Chief Executive Officer” has the meaning set forth in Section 3(a).
(j) “CIC Severance Plan” means the Company’s Change in Control Severance Plan, as may be amended from time to time, or any successor plan, program or arrangement thereto.

(k) “CIC Severance Protection Period” has the meaning set forth in the CIC Severance Plan.

(l) “Certificate of Incorporation” means the Amended and Restated Articles of Incorporation of Sprint Nextel Corporation, as may be amended from time to time.

(m) “Code” has the meaning set forth in Section 4(b)(v).

(n) “Company” has the meaning set forth in the preamble.

(o) “Company Group” has the meaning set forth in Section 10(a)(i).

(p) “Compensation Committee” means the Human Capital and Compensation Committee of the Board.

(q) “Competitor” has the meaning set forth in Section 11(b).

(r) “Developments” has the meaning set forth in Section 13(a).

(s) “Disability” or “Disabled” shall mean:

(i) the Executive’s incapacity due to physical or mental illness to substantially perform his duties and the essential functions of his position, with or without reasonable accommodation, on a full-time basis for six consecutive months as determined by the Board in its reasonable discretion, and within 30 days after a notice of termination is thereafter given by the Company, the Executive shall not have returned to the full-time performance of the Executive’s duties; and, further,

(ii) the Executive becomes eligible to receive benefits under the LTD Plan;

provided, however, if the Executive shall not agree with a determination to terminate his employment because of Disability, the question of the Executive’s disability shall be subject to the certification of a qualified medical doctor agreed to by the Company and the Executive. The costs of such qualified medical doctor shall be paid for by the Company.

(t) “Effective Date” has the meaning set forth in the preamble.

(u) “Employee Plans” has the meaning set forth in Section 5(a).

(v) “Employment Term” means the Initial Employment Term and any Renewal Term.
(w) “Executive” has the meaning set forth in the preamble.

(x) “Good Reason” means the occurrence of any of the following without the Executive’s written consent, unless within 30 days of the Executive’s written notice of termination of employment for Good Reason, the Company cures any such occurrence:

(i) the Company’s material breach of this Agreement;

(ii) a reduction in the Executive’s Base Salary, as set forth in Section 4(a), or Target Bonus, as set forth in Section 4(b)(ii) (that is not in either case agreed to by the Executive), as compared to the corresponding circumstances in place on the Effective Date as may be increased pursuant to Section 4, except for across-the-board reductions generally applicable to all senior executives; or

(iii) relocation of the Executive’s Place of Performance more than 50 miles without the Executive’s consent; provided, however, that relocation of the Executive between the offices of the Company in the vicinity of Fairfax County, Virginia and the offices of the Company in the vicinity of Johnson County, Kansas shall not constitute Good Reason.

Any occurrence of Good Reason shall be deemed to be waived by the Executive unless the Executive provides the Company written notice of termination of employment for Good Reason within 60 days of the event giving rise to Good Reason.

(y) “Initial Employment Term” has the meaning set forth in Section 2.

(z) “JAMS” has the meaning set forth in Section 16.

(aa) “LTD Plan” has the meaning set forth in Section 9(e).

(bb) “LTSIP” means the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007, as may be amended from time to time, or any successor plan, program or arrangement thereto.

(cc) “LTSIP Target Award Opportunities” has the meaning set forth in Section 4(b)(iii).

(dd) “Participant” has the meaning set forth in the CIC Severance Plan.

(ee) “Parties” has the meaning set forth in the preamble.

(ff) “Party” has the meaning set forth in the preamble.

(gg) “Payment Period” means the period of 24 continuous months, as measured from the Executive’s Separation from Service.

(hh) “Place of Performance” has the meaning set forth in Section 8.

(ii) “Proprietary Information” has the meaning set forth in Section 10(a)(i).
(jj) “Release” means a release of claims in a form reasonably satisfactory to the Company in connection with the payment of benefits under this Agreement, the terms of which shall include a Release Consideration Period and a Release Revocation Period of no more and no less than the periods as would be required to constitute a valid release under the Older Workers Benefit Protection Act or other applicable law, with the proviso that if the Executive’s Separation from Service is (A) prior to October 1 of a year, the Release Consideration and Revocation Period shall end no later than December 14 of such year; or (B) on or after October 1 of a year, the Release Consideration and Revocation Period shall end on a date specified by the Company, which shall be no later than January 1 of the following year for a Separation from Service occurring in October, February 1 of the following year for a Separation from Service occurring in November and March 1 of the following calendar year for a Separation from Service occurring in December.

(kk) “Release Consideration and Revocation Period” means the combined total of the Release Consideration Period and the Release Revocation Period.

(ll) “Release Consideration Period” means the period of time pursuant to the terms of the Release afforded the Executive to consider whether to sign it.

(mm) “Release Revocation Period” means the period pursuant to the terms of an executed Release in which it may be revoked by the Executive.

(nn) “Renewal Term” has the meaning set forth in Section 2.

(oo) “Restricted Period” means the 24-month period following the Executive’s date of termination of employment with the Company for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive.

(pp) “Separation from Service” means “separation from service” from the Company and its subsidiaries as described under Section 409A of the Code and the guidance and Treasury regulations issued thereunder. Separation from Service will occur on the date on which the Executive’s level of services to the Company decreases to 21 percent or less of the average level of services performed by the Executive over the immediately preceding 36-month period (or if providing services for less than 36 months, such lesser period) after taking into account any services that the Executive provided prior to such date or that the Company and the Executive reasonably anticipate the Executive may provide (whether as an employee or as an independent contractor) after such date. For purposes of the determination of whether the Executive has had a Separation from Service, the term “Company” shall mean the Company and any affiliate with which the Company would be considered a single employer under Section 414(b) or 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2. In
addition, where the use of such definition of “Company” for purposes of determining a Separation from Service is based upon legitimate business criteria, in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Treasury Regulation Section 1.414(c)-2.

(qq) “Separation Plan” means the Company’s Separation Plan Amended and Restated Effective August 13, 2006, as may be amended from time to time or any successor plan, program, arrangement or agreement thereto.

(rr) “Specified Employee” shall mean an Executive who is a “specified employee” for purposes of Section 409A of the Code, as administratively determined by the Board in accordance with the guidance and Treasury regulations issued under Section 409A of the Code.

(ss) “STIP” means the Company’s short-term incentive plan under Section 8 of the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007, as may be amended from time to time, or any successor plan, program or arrangement thereto.

(tt) “Subsidiary” shall mean any entity, corporation, partnership (general or limited), limited liability company, entity, firm, business organization, enterprise, association or joint venture in which the Company directly or indirectly controls ten percent (10%) or more of the voting interest. Notwithstanding the foregoing, for purposes of Section 3(a), “Subsidiary” shall mean any affiliate with which the Company would be considered a single employer as described in the definition of Separation from Service.

(uu) “Target Bonuses” has the meaning set forth in Section 4(b)(ii).

(vv) “Territory” has the meaning set forth in Section 11(b).

(xx) “AT&T Inc.” has the meaning set forth in Section 5(c).

Signature Page Follows
IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by an officer pursuant to the authority of its Board, and the Executive has executed this Agreement, as of the day and year first written above.

SPRINT NEXTEL CORPORATION

/s/ Sandra J. Price

/s/ Keith O. Cowan

Keith O. Cowan

Cowan Employment Agreement 12.29.2008 - 25 -
Throughout this Evidence of Award we sometimes refer to Sprint Nextel Corporation and its subsidiaries as “we” or “us.”

Option Right

1. Award of Option Right

   The Human Capital and Compensation Committee of the Board of Directors of Sprint Nextel has granted you an Option Right to purchase from us 157,828 shares of Series 1 common stock, par value $2.00 per share of Sprint Nextel (the “Common Stock”) at an Option Price of $21.48 per share. The Option Right is governed by the terms of the Sprint Nextel Corporation 2007 Omnibus Incentive Plan (the “Plan”) and is subject to the terms and conditions described in this Evidence of Award. The Option Right is not intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Internal Revenue Code of 1986 (the “Code”).

2. When the Option Right Becomes Exercisable

   Your Option Right becomes exercisable at a rate of \( \frac{1}{3} \) of the total number of shares subject to purchase on each of the first three anniversaries of the Date of Grant, conditioned upon you continuously serving as our employee through those vesting dates. You will forfeit the unvested shares under your Option Right if your service with us ends for any reason, unless vesting accelerates as described in paragraph 3 below. These rules, and the post-termination exercise periods are described in Section 6 of this Evidence of Award below.

3. Acceleration of Vesting

   Unvested shares under your Option Right may become vested before the time at which they would normally become vested by the passage of time — that is, the vesting may accelerate. Accelerated vesting occurs upon (1) your termination of service because of your death or Disability, or (2) under the conditions described in Section 13 of the Plan in connection with your termination without Cause following a Change in Control of Sprint Nextel.

4. Exercise of Option Right

   To the extent it has vested, you may exercise your Option Right under this Award in whole or in part at the time or times as permitted by the Plan if the Option Right has not otherwise expired, been forfeited or terminated. You exercise by delivering a written election under procedures established by the Treasurer of Sprint Nextel (including by approved electronic medium) and paying the Option Price. You may pay the Option Price by

   • check or by wire transfer of immediately available funds,
   • actual or constructive transfer of shares of Common Stock you have owned for at least six months having a Fair Market Value on the Exercise Date equal to the total Option Price,
or by any combination of cash, shares of Common Stock and other consideration as the Committee may permit. To the extent permitted by law, you may pay the Option Price from the proceeds of a sale through a broker designated by the Treasurer of Sprint Nextel.

5. **Expiration of Option Right**

Unless terminated earlier in accordance with the terms of this Evidence of Award or the Plan, the Option Right granted herein will expire at 4:00 P.M., U.S. Eastern Time, on the tenth Anniversary of the Grant Date (the “Expiration Date”). If the Expiration Date is a Saturday, Sunday or any other day on which the market on which our Common Stock trades is closed (a “Non-Business Day”), then the Option Right granted herein will expire, unless earlier terminated in accordance with the terms of this Evidence of Award or the Plan, at 4:00 P.M., U.S. Eastern Time, on the first business day before the Expiration Date.

6. **Effect of your Termination of Employment**

If you cease to be an employee of Sprint Nextel for any reason, the effect on your Option Right is described below. In no event may your Option Right be exercised after the Expiration Date. If, after your involuntary termination, you receive salary continuation paid according to the payroll cycle (i.e., not in a lump sum), Termination Date for purpose of this table means the last day of your severance pay period.

<table>
<thead>
<tr>
<th>Termination Event</th>
<th>Exercisable Options</th>
<th>Unexercisable Options</th>
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</thead>
<tbody>
<tr>
<td>Resignation or involuntary termination (not for Cause)</td>
<td>May exercise up to 3 months after Termination Date</td>
<td>Expire on Termination Date</td>
</tr>
<tr>
<td>For Cause</td>
<td>Forfeited</td>
<td></td>
</tr>
<tr>
<td>Disability</td>
<td>May exercise up to 12 months after Termination Date</td>
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<td>Death</td>
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<td>Vest on Termination Date; May exercise up to 12 months after Termination Date</td>
</tr>
</tbody>
</table>

Cowan Employment Agreement 12.29.2008 - 27 -
Restricted Stock Units

7. Award of Restricted Stock Units

The Human Capital and Compensation Committee of the Board of Directors of Sprint Nextel has granted you an Award of 56,844 Restricted Stock Units (RSUs) under the terms of the Plan as of the Date of Grant. Each RSU represents the right for you to receive from us one share of Common Stock on the vesting date. In addition, each RSU gives you the right to dividend equivalents as described in paragraph 8 below. Your right to receive shares of Common Stock under the RSUs is a contractual right between you and us and does not give you a preferred claim to any particular assets or shares of Sprint Nextel.

8. Performance Adjustment

Subject to the discretion of the Human Capital and Compensation Committee, the number of RSUs in Section 7 above will be adjusted by multiplying that number by a payout percentage (from 0% to 200%) based on achievement of financial objectives relating to consolidated adjusted operating income before depreciation and amortization (OIBDA) margin during 2009 (excluding certain business segments) and cumulative free cash flow from operations during 2007 through 2009 (the “Performance Adjustment”). Cash dividends on the Common Stock, if any, underlying your vested RSUs will be paid to you as soon as practicable after the vesting date. These cash dividends will be calculated by first adjusting the RSUs by the Performance Adjustment and then applying the dividend rate for each quarterly dividend for which you held the RSUs, as adjusted, on each dividend record date.

9. Restriction Period

Your RSUs are subject to the restrictions and conditions in this Evidence of Award. Your RSUs vest 100 percent on the third anniversary of the Date of Grant, conditioned upon you continuously serving as our employee through that vesting date. However, vesting of your RSUs may accelerate as described in paragraph 11 below. RSUs that are subject to forfeiture on your termination of service as an employee are called “unvested RSUs,” and RSUs no longer subject to forfeiture or restrictions on transfer are called “vested RSUs.” The date on which the RSU becomes vested is its “vesting date.”

10. Forfeiture of RSUs

You will forfeit unvested RSUs if you terminate your service with Sprint Nextel for any reason (unless vesting of your RSUs accelerates under paragraph 11).

11. Acceleration of Vesting

Unvested RSUs may become vested RSUs before the time at which they would normally become vested by the passage of time — that is, the vesting of RSUs may accelerate. Accelerated vesting occurs upon (1) your Separation from Service because of your death or Disability, or (2) under the conditions described in Section 13 of the Plan in connection with a Change in Control of Sprint Nextel.
12. Transfer of your Option Right and RSUs and Designation of Beneficiaries

Your Option Right and RSUs represent a contract between Sprint Nextel and you, and your rights under the contract are not assignable to any other party during your lifetime. Upon your death, your Option Right may be exercised in accordance with the terms of the Award by any beneficiary you name in a beneficiary designation or, if you make no designation, by your estate. Also upon your death, shares of Common Stock underlying your RSUs will be delivered in accordance with the terms of the Award to any beneficiaries you name in a beneficiary designation or, if you make no designation, to your estate.

13. Plan Terms

All capitalized terms used in this Evidence of Award that are not defined in this Evidence of Award have the same meaning as those terms have in the Plan. The terms of the Plan are hereby incorporated by this reference. A copy of the Plan will be furnished upon request.

14. Adjustment

In the event of any change in the number or kind of outstanding shares of our Common Stock by reason of a recapitalization, merger, consolidation, reorganization, separation, liquidation, stock split, stock dividend, combination of shares or any other change in our corporate structure or shares of our Common Stock, an appropriate adjustment will be made consistent with applicable provisions of the Code and applicable Treasury Department rulings and regulations in the number and kind of shares subject to outstanding Awards and any other adjustments as the Board deems appropriate.

15. Amendment

This Evidence of Award is subject to the terms of the Plan, as may be amended from time to time, except that the Award which is the subject of this Evidence of Award may not be materially impaired by any amendment or termination of the Plan approved after the Date of Grant without your written consent.

16. Data Privacy

By entering into this agreement, you (i) authorize us, and any agent of ours administering the Plan or providing Plan recordkeeping services, to disclose to us or our subsidiaries such information and data as we or our subsidiaries request in order to facilitate the grant of the Option Right and the RSUs and the administration of the Plan; (ii) waive any data privacy rights you may have with respect to such information; and (iii) authorize us to store and transmit such information in electronic form.

17. Governing Law

This Evidence of Award will be governed by the laws of the State of Kansas.

Cowan Employment Agreement 12.29.2008 - 29 -
18. **Severability**.

The various provisions of this Evidence of Award are severable, and any determination of invalidity or unenforceability of any one provision shall have no effect on the remaining provisions.

19. **Entire Agreement**

This Evidence of Award contains the entire understanding of the parties. This Evidence of Award may not be modified or amended except in writing duly signed by the parties, except that we may adopt a modification or amendment to the Evidence of Award that is not materially adverse to you. Any waiver or any right or failure to perform under this Evidence of Award must be in writing signed by the party granting the waiver and will not be deemed a waiver of any subsequent failure to perform.

Sprint Nextel Corporation

By: /s/ Sandra J. Price

/s/ Keith O. Cowan

Keith Cowan

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.
Throughout this Evidence of Award we sometimes refer to Sprint Nextel Corporation and its subsidiaries as “we” or “us.”

**Option Right**

1. **Award of Option Right**

   The Human Capital and Compensation Committee of the Board of Directors of Sprint Nextel has granted you an Option Right to purchase from us 315,657 shares of Series 1 common stock, par value $2.00 per share of Sprint Nextel (the “Common Stock”) at an Option Price of $21.48 per share. The Option Right is governed by the terms of the Sprint Nextel Corporation 2007 Omnibus Incentive Plan (the “Plan”) and is subject to the terms and conditions described in this Evidence of Award. The Option Right is not intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Internal Revenue Code of 1986 (the “Code”).

2. **When the Option Right Becomes Exercisable**

   Your Option Right becomes exercisable at a rate of \( \frac{1}{3} \) of the total number of shares subject to purchase on each of the first three anniversaries of the Date of Grant, conditioned upon you continuously serving as our employee through those vesting dates. You will forfeit the unvested shares under your Option Right if your service with us ends for any reason, unless vesting accelerates as described in paragraph 3 below. These rules, and the post-termination exercise periods are described in Section 6 of this Evidence of Award below.

3. **Acceleration of Vesting**

   Unvested shares under your Option Right may become vested before the time at which they would normally become vested by the passage of time — that is, the vesting may accelerate. Accelerated vesting occurs upon (1) your termination of service because of your death or Disability, (2) your Termination Date (as defined in paragraph 6 below) if your employment is terminated by the Company without Cause or if you resign with Good Reason or (3) under the conditions described in Section 13 of the Plan in connection with your termination without Cause following a Change in Control of Sprint Nextel.

4. **Exercise of Option Right**

   To the extent it has vested, you may exercise your Option Right under this Award in whole or in part at the time or times as permitted by the Plan if the Option Right has not otherwise expired, been forfeited or terminated. You exercise by delivering a written election under procedures established by the Treasurer of Sprint Nextel (including by approved electronic medium) and paying the Option Price. You may pay the Option Price by
   
   - check or by wire transfer of immediately available funds,
   - actual or constructive transfer of shares of Common Stock you have owned for at least six months having a Fair Market Value on the Exercise Date equal to the total Option Price,
or by any combination of cash, shares of Common Stock and other consideration as the Committee may permit. To the extent permitted by law, you may pay the Option Price from the proceeds of a sale through a broker designated by the Treasurer of Sprint Nextel.

5. Expiration of Option Right

Unless terminated earlier in accordance with the terms of this Evidence of Award or the Plan, the Option Right granted herein will expire at 4:00 P.M., U.S. Eastern Time, on the tenth Anniversary of the Grant Date (the “Expiration Date”). If the Expiration Date is a Saturday, Sunday or any other day on which the market on which our Common Stock trades is closed (a “Non-Business Day”), then the Option Right granted herein will expire, unless earlier terminated in accordance with the terms of this Evidence of Award or the Plan, at 4:00 P.M., U.S. Eastern Time, on the first business day before the Expiration Date.

6. Effect of your Termination of Employment

If you cease to be an employee of Sprint Nextel for any reason, the effect on your Option Right is described below. In no event may your Option Right be exercised after the Expiration Date. If, after your termination by the Company without Cause or your resignation with Good Reason, you receive salary continuation paid according to the payroll cycle (i.e., not in a lump sum), Termination Date for purpose of this table means the last day of your severance pay period.

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<td>May exercise up to 3 months after Termination Date</td>
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<tr>
<td>Termination by the Company Without Cause or Resignation by Executive with Good Reason</td>
<td>May exercise up to 3 months after Termination Date</td>
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</table>

Cowan Employment Agreement 12.29.2008
7. Award of Restricted Stock Units

The Human Capital and Compensation Committee of the Board of Directors of Sprint Nextel has granted you an Award of 113,688 Restricted Stock Units (RSUs) under the terms of the Plan as of the Date of Grant. Each RSU represents the right for you to receive from us one share of Common Stock on the vesting date. In addition, each RSU gives you the right to dividend equivalents as described in paragraph 11 below. Your right to receive shares of Common Stock under the RSUs is a contractual right between you and us and does not give you a preferred claim to any particular assets or shares of Sprint Nextel.

8. Restriction Period

Your RSUs are subject to the restrictions and conditions in this Evidence of Award. Your RSUs vest 100 percent on the third anniversary of the Date of Grant, conditioned upon you continuously serving as our employee through that vesting date. However, vesting of your RSUs may accelerate as described in paragraph 10 below. RSUs that are subject to forfeiture on your termination of service as an employee are called “unvested RSUs,” and RSUs no longer subject to forfeiture or restrictions on transfer are called “vested RSUs.” The date on which the RSU becomes vested is its “vesting date.”

9. Forfeiture of RSUs

You will forfeit unvested RSUs if you terminate your service with Sprint Nextel for any reason (unless vesting of your RSUs accelerates under paragraph 10).

10. Acceleration of Vesting

Unvested RSUs may become vested RSUs before the time at which they would normally become vested by the passage of time — that is, the vesting of RSUs may accelerate. Accelerated vesting occurs upon (1) your Separation from Service because of your death or Disability, (2) if your employment is terminated by the Company without Cause or if you resign with Good Reason and such termination constitutes a Separation from Service, the earlier to occur of (x) the end of the Payment Period or (y) the scheduled vesting date, or (3) under the conditions described in Section 13 of the Plan in connection with a Change in Control of Sprint Nextel.

11. Dividend Equivalents

If cash dividends are paid on the Common Stock underlying your RSUs, and you hold the RSUs on the dividend record date, you will receive on the dividend payment date a cash payment equal to the amount of the dividend paid on the underlying stock.
Provisions Applicable to Option Right and RSUs

12. Transfer of your Option Right and RSUs and Designation of Beneficiaries

Your Option Right and RSUs represent a contract between Sprint Nextel and you, and your rights under the contract are not assignable to any other party during your lifetime. Upon your death, your Option Right may be exercised in accordance with the terms of the Award by any beneficiary you name in a beneficiary designation or, if you make no designation, by your estate. Also upon your death, shares of Common Stock underlying your RSUs will be delivered in accordance with the terms of the Award to any beneficiaries you name in a beneficiary designation or, if you make no designation, to your estate.

13. Plan Terms

All capitalized terms used in this Evidence of Award that are not defined in this Evidence of Award have the same meaning as those terms have in the Plan. The terms of the Plan are hereby incorporated by this reference. A copy of the Plan will be furnished upon request. “Cause”, “Good Reason”, and “Payment Period” have the meanings set forth in your Employment Agreement.

14. Adjustment

In the event of any change in the number or kind of outstanding shares of our Common Stock by reason of a recapitalization, merger, consolidation, reorganization, separation, liquidation, stock split, stock dividend, combination of shares or any other change in our corporate structure or shares of our Common Stock, an appropriate adjustment will be made consistent with applicable provisions of the Code and applicable Treasury Department rulings and regulations in the number and kind of shares subject to outstanding Awards and any other adjustments as the Board deems appropriate.

15. Amendment

This Evidence of Award is subject to the terms of the Plan, as may be amended from time to time, except that the Award which is the subject of this Evidence of Award may not be materially impaired by any amendment or termination of the Plan approved after the Date of Grant without your written consent.

16. Data Privacy

By entering into this agreement, you (i) authorize us, and any agent of ours administering the Plan or providing Plan recordkeeping services, to disclose to us or our subsidiaries such information and data as we or our subsidiaries request in order to facilitate the grant of the Option Right and the RSUs and the administration of the Plan; (ii) waive any data privacy rights you may have with respect to such information; and (iii) authorize us to store and transmit such information in electronic form.

17. Governing Law

This Evidence of Award will be governed by the laws of the State of Kansas.
18. Severability

The various provisions of this Evidence of Award are severable, and any determination of invalidity or unenforceability of any one provision shall have no effect on the remaining provisions.

19. Entire Agreement

This Evidence of Award contains the entire understanding of the parties. This Evidence of Award may not be modified or amended except in writing duly signed by the parties, except that we may adopt a modification or amendment to the Evidence of Award that is not materially adverse to you. Any waiver or any right or failure to perform under this Evidence of Award must be in writing signed by the party granting the waiver and will not be deemed a waiver of any subsequent failure to perform.

Sprint Nextel Corporation

By: /s/ Sandra J. Price
Sandra J. Price

/s/ Keith O. Cowan
Keith O. Cowan

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933

Cowan Employment Agreement 12.29.2008 - 35 -
THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of December 31, 2008, by and between Sprint Nextel Corporation, a Kansas corporation (the “Company”), and Robert L. Johnson (the “Executive”) and amends and restates the Employment Agreement (the “Original Employment Agreement”), originally entered into as of April 1, 2004 (the “Effective Date”), by and between Nextel Communications, Inc., a Delaware corporation, and a subsidiary of the Company, and the Executive (the Company and the Executive, collectively, the “Parties,” and each, a “Party”). Certain capitalized terms are defined in Section 30.

WITNESSETH:

WHEREAS, the Executive serves the Company as its Chief Service Officer;

WHEREAS, the Executive and Nextel Communications, Inc. are parties to a Nextel Confidentiality Agreement dated November 15, 1998 (the “Confidentiality Agreement”); and

WHEREAS, the Executive and the Company desire to amend and restate the Original Employment Agreement as provided herein.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Company and the Executive hereby amend and restate the Original Employment Agreement as follows:

1. Employment.

   (a) The Company will continue to employ the Executive and the Executive will continue to be employed by the Company upon the terms and conditions set forth herein.

   (b) The employment relationship between the Company and the Executive shall be governed by the general employment policies and practices of the Company, including without limitation, those relating to the Company’s Code of Corporate Conduct, confidential information and avoidance of conflicts, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. Term. Subject to termination under Section 9, the Executive’s employment shall be for an initial term of thirty-six (36) months commencing on the Effective Date and shall continue through the third anniversary of the Effective Date (the “Employment Term”); provided, however, that at the end of the initial Employment Term and on each succeeding anniversary of the Effective Date, the Employment Term will be automatically extended by an additional twelve (12) months, unless, not less than twelve (12) months prior to the end of the initial Employment Term or any such succeeding anniversary date either the Executive or the Company has given the other written notice of nonrenewal.
3. Position and Duties of the Executive.

(a) The Executive serves as the Senior Vice President, National Field Operations of the Company, and agrees to serve as an officer and/or agrees to be an employee of any Subsidiary as may be requested from time to time by the Board of Directors of the Company (the “Board”), any committee or person delegated by the Board or the Chief Executive Officer of the Company (the “Chief Executive Officer”). In such capacity, the Executive shall report directly to the Chief Executive Officer or the Chief Operating Officer of the Company. The Executive shall perform such duties as may be delineated in the By-laws of the Company, and such other duties commensurate with the Executive’s title and position, as may be assigned to the Executive from time to time by the Chief Executive Officer or such other officer of the Company as may be designated by the Chief Executive Officer. For purposes of this Agreement, “Subsidiary” shall mean any entity, corporation, partnership (general or limited), limited liability company, entity, firm, business organization, enterprise, association or joint venture in which the Company directly or indirectly controls ten percent (10%) or more of the voting interest. Notwithstanding the foregoing, for purposes of the first sentence of this Section 3(a), “Subsidiary” shall mean any affiliate with which the Company would be considered a single employer as described in the definition of Separation from Service.

(b) Throughout the Employment Term, the Executive shall, except as may from time to time be otherwise agreed in writing by the Company and during reasonable vacations as set forth in Section 7 hereof and authorized leave, devote his best efforts, full attention and energies during his normal working time to the business of the Company, any duties as may be delineated in the Company’s By-laws for the Executive’s position and title and such other related duties and responsibilities as may from time to time be reasonably prescribed by the Board, any committee or person delegated by the Board, or the Chief Executive Officer, in each case, within the framework of the Company’s policies and objectives.

(c) Throughout the Employment Term, and provided that such activities do not contravene the provisions of Section 3(a) or Sections 10, 11, 12 and 13 hereof and provided further the Executive does not engage in any other substantial business activity for gain, profit or other pecuniary advantage which materially interferes with the performance of his duties hereunder, the Executive may participate in any governmental, educational, charitable or other community affairs and serve as a member of the governing board of any such organization or of up to three (3) private or public for profit companies, subject in each case to the prior approval of the Chief Executive Officer. The Executive may retain all fees and other compensation from any such service, and the Company shall not reduce his compensation by the amount of such fees.


(a) Base Salary. During the Employment Term the Company shall pay to the Executive a base salary of not less than his base salary as of the Effective Date (the “Base Salary”), payable at the times and in the manner consistent with the Company’s general policies regarding compensation of senior executive employees. The Base Salary will be reviewed not less than annually by the Chief Executive Officer and may be increased (but not decreased) in the Chief Executive Officer’s sole discretion. The Executive’s position shall be classified as pay grade EX3 or better (as adjusted for any changes to the Company’s system of classifying employees by salary grade level implemented subsequent to the Effective Date).
(b) Incentive Compensation.

(i) The Executive will continue to be eligible to participate in any short-term and long-term incentive compensation plans, annual bonus plans and such other management incentive programs or arrangements of the Company approved by the Board that are generally available to the Company’s senior executives, including, but not limited to, the STIP and the LTSIP. Incentive compensation shall be paid in accordance with the terms and conditions of the applicable plans, programs and arrangements.

(ii) Annual Performance Bonus. During the Employment Term, the Executive shall continue to be entitled to participate in the STIP, with such opportunities as may be determined by the Chief Executive Officer (“Target Bonuses”); provided, however, that effective for the bonus year ending December 31, 2004 the Executive participated in the STIP at a Target Bonus opportunity of 50% of his Base Salary and was entitled to receive full payment of any award under the STIP, determined pursuant to the STIP (a “Bonus Award”).

(iii) Long-Term Performance Bonus. During the Employment Term, the Executive shall continue to be entitled to participate in the LTPP with such opportunities, if any, as may be determined by the Chief Executive Officer (“LTPP Target Award Opportunities”).

(iv) Incentive bonuses, if earned, shall be paid when incentive compensation is customarily paid to the Company’s senior executives in accordance with the terms of the applicable plans, programs or arrangements.

(v) Pursuant to the Company’s applicable incentive or bonus plans as in effect from time to time, the Executive’s incentive compensation during the term of this Agreement may be determined according to criteria intended to qualify under Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”).

(c) Equity Compensation. The Executive shall continue to be eligible to participate in such equity incentive compensation plans and programs as the Company generally provides to its senior executives, including, but not limited to, the LTSIP.

(i) Options. During the Employment Term, the Compensation Committee of the Board (the “Compensation Committee”) may, in its sole discretion, grant stock options to the Executive, which would be subject to the terms of the respective option agreements evidencing such grants.

(ii) Deferred Shares. The Compensation Committee awarded to the Executive 90,000 Deferred Shares (as such term is defined in the Incentive Equity Plan) of common stock of the Company, par value $.001 per share (“Common stock” of the Company).
Stock”), (the “Deferred Shares Award”) in three (3) tranches as follows: 30,000 Deferred Shares as of the Effective Date (the “Tranche 1 Shares”), 30,000 Deferred Shares as of the date of a Compensation Committee meeting in February 2005 (the “Tranche 2 Shares”) and 30,000 Deferred Shares immediately upon the Change of Control (as defined in the Incentive Equity Plan) of Nextel Communications, Inc. that occurred in 2005 (the “Tranche 3 Shares”). Subject to the terms and conditions of the Deferred Shares Award agreement evidencing each such Tranche, one-third \( (\frac{1}{3}) \) of the Tranche 1 Shares vested and became nonforfeitable on the first anniversary of the Effective Date, and the remaining two thirds of the Tranche 1 Shares and the remaining tranches of the Deferred Shares Award immediately vested and became nonforfeitable upon the aforementioned Change of Control.

5. **Benefits.**

   (a) During the Employment Term, the Company shall make available to the Executive, subject to the terms and conditions of the applicable plans, participation for the Executive and his eligible dependents in (i) Company-sponsored group health, major medical, pension and profit sharing, 401(k) and employee welfare benefit plans, programs and arrangements (the “Employee Plans”) and such other usual and customary benefits in which senior executives of the Company participate from time to time, and (ii) such fringe benefits and perquisites as may be made available to senior executives of the Company as a group, including but not limited to, long-term disability insurance, life insurance coverage and the CIC Severance Plan.

   (b) The Executive acknowledges that the Company may change its benefit programs from time to time, which may result in certain benefit programs being amended or terminated for its senior executives generally.

6. **Expenses.** The Company shall pay or reimburse the Executive for reasonable and necessary business expenses incurred by the Executive in connection with his duties on behalf of the Company in accordance with the Company’s Enterprise Financial Services Employee Travel and Expense Policy, as may be amended from time to time, or any successor policy, plan, program or arrangement thereto and any other of its expense policies applicable to senior executives of the Company, following submission by the Executive of reimbursement expense forms in a form consistent with such expense policies.

7. **Vacation.** In addition to such holidays, sick leave, personal leave and other paid leave as is allowed under the Company’s policies applicable to senior executives generally, the Executive shall be entitled to twenty (20) days of vacation per 12-month period and subject to the terms and conditions of the Company’s vacation policy applicable to senior executives. The duration of such vacations and the time or times when they shall be taken will be determined by the Executive in consultation with the Company.

8. **Place of Performance.** In connection with his employment by the Company, the Executive shall be based at the principal executive offices of the Company in the vicinity of Overland Park, Kansas, except for travel reasonably required for Company business. If the
Company relocates his place of work more than 30 miles, the Executive shall relocate to a residence within 30 miles of such relocated executive offices, subject, however, to reimbursement of the Executive’s relocation expenses in accordance with the Company’s relocation policy applicable to senior executives.

9. Termination

(a) Termination by the Company for Cause or Resignation by the Executive Without Good Reason. If, prior to the expiration of the Employment Term, the Executive’s employment is terminated by the Company for Cause, as defined in Section 9(d), or if the Executive resigns from his employment hereunder without Good Reason, as defined in Section 9(f), the Executive shall not be eligible to receive Base Salary or to participate in any Employee Plans with respect to future periods after the date of such termination or resignation except for the right to receive vested benefits under any Employee Plan in accordance with the terms of such Employee Plan.

(b) Termination by the Company Without Cause or Resignation by the Executive for Good Reason. If, prior to the expiration of the Employment Term, the Executive’s employment is terminated by the Company without Cause or the Executive terminates his employment hereunder for Good Reason and such termination constitutes a Separation from Service, the Executive shall be entitled to receive from the Company: (1) the Executive’s accrued, but unpaid, Base Salary through the date of termination of employment, payable in accordance with the Company’s normal payroll practices, and (2) conditioned upon the Executive executing a Release within the Release Consideration Period and delivering it to the Company with the Release Revocation Period expired without revocation, notwithstanding any provision in the terms of any incentive compensation plan or agreement to the contrary, in full satisfaction of the Executive’s rights and any benefits the Executive might be entitled to under the Separation Plan and this Agreement, unless otherwise specified herein, the Executive shall be entitled to:

(i) periodic payments equal to his Base Salary in effect prior to termination of employment, which payments shall be paid in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for the greater of the remainder of the Employment Term or twenty-four (24) months (the “Severance Period”) following the Separation from Service, except that (A) if the Release Consideration and Revocation Period ends on or after December 15th of the calendar year of the Executive’s Separation from Service, such installments that are otherwise payable in the calendar year of the Executive’s Separation from Service shall be paid in a lump sum on the first business day of the following calendar year or (B) if the Executive is a Specified Employee, with respect to any amount payable by reason of the Separation from Service that constitutes deferred compensation within the meaning of Section 409A of the Code, such installments shall not commence until after the end of the six continuous month period following the date of the Executive’s Separation from Service, in which case, the Executive shall be paid a lump-sum cash payment equal to the aggregate amount of missed installments during such period on the first day of the seventh month following the date of the Executive’s Separation from Service;
(ii) continue participation in the Company’s health care, life and long-term disability plans, substantially on the same basis that the Executive participated in such health care, life and long-term disability plans prior to the termination of his employment for the Severance Period; provided, however, that benefits otherwise receivable by the Executive pursuant to this Section 9(b)(ii) shall be applied against the maximum period of continuation coverage provided under Section 4980B of the Code;

(iii) (A) receive full payment of the Bonus Award for the Company’s current fiscal year during which his termination of employment occurs, (B) receive full payment of the Bonus Award for the next fiscal year following the fiscal year during which his termination of employment occurs and (C) receive payment of a pro rata portion of the Bonus Award for the second year following the fiscal year during which the Executive’s employment terminates (such pro rata formula shall be determined based on the number of months of service provided by the Executive during the fiscal year during which his termination of employment occurs), in each case at the greater of the annual Target Bonus or actual performance for such fiscal year in accordance with the then existing terms of such cash incentive compensation, which shall not be payable until the Compensation Committee has determined that any incentive targets have been achieved and the subsequent designated payout date has arrived, and each such payment shall be payable in accordance with the provisions of the STIP in the calendar year in which the Bonus Award is determined, and in all events, not later than December 31st of the year in which each such award is determined;

(iv) receive either (A) a pro rata portion of any LTPP Target Award Opportunity to which he otherwise be entitled for the LTPP performance period during which his termination of employment occurs (but not for any later years) if such termination occurs during the first year of the two-year LTPP performance period or (B) full payment of any LTPP Target Award Opportunity to which he would otherwise be entitled for the LTPP performance period during which his termination of employment occurs (but not for any later years) if such termination occurs during the second year of the two-year LTPP performance period, in each case, in accordance with the then existing terms of the LTPP, which shall not be payable until the Compensation Committee has determined that any incentive targets have been achieved and the subsequent designated payout date has arrived, and each such payment shall be payable in accordance with the LTPP in the calendar year in which the payment is determined, and in all events, not later than December 31st of the year in which each such award is determined;

(v) accelerated vesting of any unvested deferred shares, restricted shares and stock options granted to the Executive which have not otherwise vested and any vested stock options shall remain outstanding and exercisable for twelve (12) months following the Executive’s termination of employment; and
(vi) receive outplacement services by a firm selected by the Company at its expense in an amount not to exceed the lesser of $50,000 or 10% of the Executive’s Base Salary, and the Company will not provide for cash in lieu of this benefit; provided, however, that all such outplacement services must be completed, and all payments by the Company must be made, by December 31st of the second calendar year following the calendar year in which the Executive’s Separation from Service occurs.

Notwithstanding the foregoing, if the Executive terminates his employment for Good Reason due to the relocation of the Executive’s principal place of work, as set forth in Section 9(f)(iii) and such termination constitutes a Separation from Service, in lieu of payments and benefits set forth under Section 9(b)(i), (ii), (iii), (iv), (v) and (vi), the Executive shall be entitled to receive (A) the compensation and benefits provided under Sections 9(b)(i), (ii) and (iii) for a maximum period of twelve (12) months and under Section 9(b)(v), as provided in such provision and (B) a pro rata portion of the Executive’s LTPP Target Award Opportunity, if any, for the Company’s fiscal year during which the Executive’s termination occurs (but not for any later years) payable in accordance with the then existing terms of such cash incentive compensation, which shall not be payable until the Compensation Committee has determined that any incentive targets have been achieved and the subsequent designated payout has arrived, and each such payment shall be payable in accordance with the LTPP in the calendar year in which the payment is determined, and in all events, not later than December 31st of the year in which each such award is determined.

Notwithstanding anything in this Section 9(b) to the contrary, to the extent the Executive has not executed the Release within the Release Consideration Period and delivered it to the Company, or has revoked the executed Release within the Release Revocation Period, as determined at the end of such Release Revocation Period, the Executive will forfeit any right to receive the payments and benefits specified in this Section 9(b) (other than any accrued but unpaid payments and benefits through the date of termination of employment).

(c) Termination by Death or Disability. If the Executive dies or becomes Disabled, as defined in Section 9(e), prior to the expiration of the Employment Term, the Executive’s employment will terminate, and the Executive, or in the case of death, the Executive’s beneficiary, or if none, the Executive’s estate, shall be entitled to:

(i) in the event of the Executive’s death, receive an amount equal to twelve (12) months Base Salary payable in a lump on the date of the Executive’s death; in the case of Disability, provided that such termination constitutes a Separation from Service, receive from the Company periodic payments equal to his Base Salary in effect prior to the termination of his employment, which payments shall be paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for 12 months commencing on the Separation from Service date; provided, however, that in the event that the Executive is a Specified
Employee, with respect to any amount payable by reason of the Separation from Service that constitutes deferred compensation within the meaning of Section 409A of the Code, such installments shall commence the earlier to occur of (A) the first business day of the seventh month following the date of the Executive’s Separation from Service or (B) death, except that on the first day of the seventh month following the date of the Executive’s Separation from Service (or the Executive’s death, if earlier), the Executive shall be paid a lump-sum cash payment equal to the aggregate amount of any such payments that constitutes deferred compensation within the meaning of Section 409A of the Code that the Executive would have been entitled to receive during the applicable period following the Executive’s Separation from Service;

(ii) in the case of Disability, continue participation in any health care and life plans for a period of twelve (12) months or in the event of the Executive’s death, receive any health care benefits under the terms of the Employee Plans; and

(iii) receive a pro rata portion of the Executive’s Bonus Award and LTPP Target Award Opportunity, if any, for the Company’s fiscal year during which the Executive’s death or Disability occurs (but not for any later years) payable in accordance with the then existing terms of such cash incentive compensation, which shall not be payable until the Compensation Committee has determined that any incentive targets have been achieved and the subsequent designated payout has arrived, and each such payment shall be payable in accordance with the LTPP or the STIP, as applicable, in the calendar year in which such payments, as applicable, are determined, and in all events, not later than December 31st of the year in which each such award is determined; and

(iv) accelerated vesting of any unvested deferred shares, restricted shares and stock options, and payment thereof on the date of, and exercise of any unexercised vested stock options for a period of twelve (12) months following, Separation from Service due to the Executive’s death or Disability;

provided, however, if the Executive also becomes entitled to receive benefits under a long-term disability plan (“LTP Plan”) now or hereafter paid for by the Company, then the Executive’s disability benefits under Section 9(c)(i) (calculated on a monthly basis) shall be reduced by the amount of the benefits paid under such LTD Plan.

(d) Cause. For purposes of this Agreement, “Cause” shall mean:

(i) any act or omission constituting a material breach by the Executive of any provisions of this Agreement or the willful failure by the Executive to perform his duties hereunder (other than any such failure resulting from the Executive’s Disability), after demand for performance is delivered by the Company that identifies the manner in which the Company believes the Executive has not performed his duties, if, within thirty (30) days of such demand, the Executive fails to cure any such failure capable of being cured;

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(ii) any intentional act or misconduct materially injurious to the Company or any Subsidiary, financial or otherwise, or the misappropriation, fraud, embezzlement or conversion by the Executive of the Company’s or any of its Subsidiary’s property in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(iii) the conviction or plea of no contest of the Executive for any felony or the indictment of the Executive for any felony involving fraud, moral turpitude, embezzlement or theft in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(iv) the commission of any intentional or knowing violation of any antifraud provision of the federal or state securities laws or the Board reasonably believes that the Executive has committed any of the acts referred to in this Section 9(d)(iv);

(v) there is a final, non-appealable order in a proceeding before a court of competent jurisdiction or a final order in an administrative proceeding finding that the Executive committed any willful misconduct or criminal activity (excluding traffic violations or other minor offenses) which commission is materially inimical to the interests of the Company or any Subsidiary, whether for his personal benefit or in connection with his duties for the Company or any Subsidiary;

(vi) current alcohol or prescription drug abuse affecting work performance;

(vii) current illegal use of drugs; or

(viii) violation of the Company’s Code of Corporate Conduct.

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed “intentional” if it was due primarily to an error in judgment or negligence, but shall be deemed “intentional” only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company.

(c) Disability. For purposes of this Agreement, “Disability” or “Disabled” shall mean:

(i) the Executive’s incapacity due to physical or mental illness to substantially perform his duties and the essential functions of his position, with or without reasonable accommodation, on a full-time basis for at least six (6) months in any 12-month period as determined by the Board in its reasonable discretion, and within thirty (30) days after a notice of termination is thereafter given by the Company, the Executive shall not have returned to the full-time performance of the Executive’s duties; or

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(ii) the Executive becomes eligible to receive benefits under the Company’s LTD Plan;

provided, however, if the Executive shall not agree with a determination to terminate his employment because of Disability, the question of the Executive’s disability shall be subject to the certification of a qualified medical doctor agreed to by the Company and the Executive. The costs of such qualified medical doctor shall be paid for by the Company.

(f) **Good Reason.** For purposes of this Agreement, “Good Reason” shall mean:

(i) the Company’s material breach of this Agreement (after failure to cure in thirty (30) days);

(ii) a reduction in the Executive’s Base Salary or Target Bonus opportunity, as set forth in Section 4(b)(ii) (that is not in either case agreed to by the Executive) as compared to the corresponding circumstances in place on the Effective Date; or

(iii) relocation of the Executive’s principal place of work more than thirty (30) miles without the Executive’s consent.

(g) **No Mitigation Obligation.** The Executive will not be required to mitigate the amount of any payment made pursuant to Section 9 of this Agreement by seeking other employment or otherwise. Except as otherwise provided by applicable law, the Executive’s coverage under the Company’s welfare benefit plans will terminate when the Executive becomes eligible for coverage under any employee benefit plan made available by another employer and covering the same type of benefits. The Executive shall notify the Company within thirty (30) days after becoming eligible for coverage of any such benefits.

(h) **Forfeiture.** Notwithstanding the foregoing, any right of the Executive to receive termination payments and benefits hereunder shall be forfeited to the extent of any amounts payable after any breach of Section 10, 11, 12, 13 or 15 by the Executive.

10. **Confidential Information; Statements to Third Parties.**

(a) During the Employment Term and on a permanent basis upon and following termination of the Executive’s employment, the Executive acknowledges that:

(i) all information, whether reduced to writing (or in a form from which information can be obtained, translated, or derived into reasonably usable form) or maintained in the mind or memory of the Executive and whether compiled or created by the Company, any of its Subsidiaries or any affiliates of the Company or its Subsidiaries (collectively, the “Company Group”), which derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from the disclosure or use of such information, of a proprietary, private, secret or confidential nature concerning the Company Group’s business, business

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relationships or financial affairs (collectively, “Proprietary Information”) shall be the exclusive property of the Company Group, and by way of illustration, but not limitation, shall include inventions, products, processes, methods, techniques, formulas, compositions, compounds, projects, developments, sales strategies, plans, research data, clinical data, financial data, personnel data, computer programs, customer and supplier lists, trade marks, service marks, copyrights (whether registered or unregistered), artwork, and contacts at or knowledge of customers or prospective customers of the Company Group; and

(ii) the Proprietary Information of the Company Group gained by the Executive during the Executive’s association with the Company Group was or will be developed by and/or for the Company Group through substantial expenditure of time, effort and money and constitutes valuable and unique property of the Company Group and that reasonable efforts have been put forth by the Company Group to maintain the secrecy of its Proprietary Information, that such Proprietary Information is and will remain the sole property of the Company Group, and that any retention or use by the Executive of Proprietary Information after the termination of the Executive’s services for the Company Group will constitute a misappropriation of the Company Group’s Proprietary Information.

(b) The Executive further acknowledges and agrees that he will take all affirmative steps reasonably necessary or required by the Company to protect the Proprietary Information from inappropriate disclosure during and after his employment with the Company.

(c) The Executive further agrees that all files, letters, memoranda, reports, records, data, sketches, drawings, laboratory notebooks, program listings, or other written, photographic, electronic, or other tangible material containing or constituting Proprietary Information, whether created by the Executive or others, which shall come into his custody or possession, regardless of medium, shall be and are the exclusive property of the Company to be used by him only in the performance of his duties for the Company. All such materials or copies thereof and all tangible things and other property of the Company Group in the Executive’s custody or possession shall be delivered to the Company (to the extent the Executive has not already returned) in good condition, on or before five (5) business days subsequent to the earlier of: (i) a request by the Company or (ii) the Executive’s termination of employment for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive. After such delivery, the Executive shall not retain any such materials or portions or copies thereof or any such tangible things and other property and shall execute any statements or affirmations of compliance under oath that the Company may require.

(d) The Executive further agrees that his obligation not to disclose or to use information and materials of the types set forth in Sections 10(a), 10(b) and 10(c) above, and his obligation to return materials and tangible property, set forth in Section 10(c) above, also extends to such types of information, materials and tangible property of customers of the Company Group, consultants for the Company Group, suppliers to the Company Group, or other third parties who may have disclosed or entrusted the same to the Company Group or to the Executive.
(e) The Executive further acknowledges and agrees that he will continue to keep in strict confidence, and will not, directly or indirectly, at any time, disclose, furnish, disseminate, make available, use or suffer to be used in any manner any Proprietary Information of the Company Group without limitation as to when or how the Executive may have acquired such Proprietary Information and that he will not disclose any Proprietary Information to any person or entity other than appropriate employees of the Company or use the same for any purposes (other than in the performance of his duties as an employee of the Company) without written approval of the Board, either during or after his employment with the Company.

(f) Further the Executive acknowledges that his obligation of confidentiality will survive, regardless of any other breach of this Agreement or any other agreement, by any party hereto, until and unless such Proprietary Information of the Company Group has become, through no fault of the Executive, generally known to the public. In the event that the Executive is required by law, regulation, or court order to disclose any of the Company Group’s Proprietary Information, the Executive will promptly notify the Company prior to making any such disclosure to facilitate the Company seeking a protective order or other appropriate remedy from the proper authority. The Executive further agrees to cooperate with the Company in seeking such order or other remedy and that, if the Company is not successful in precluding the requesting legal body from requiring the disclosure of the Proprietary Information, the Executive will furnish only that portion of the Proprietary Information that is legally required, and the Executive will exercise all legal efforts to obtain reliable assurances that confidential treatment will be accorded to the Proprietary Information.

(g) The Executive’s obligations under this Section 10 are in addition to, and not in limitation or preemption of, all other obligations of confidentiality which the Executive may have to the Company under the Company’s policies, general legal or equitable principles or statutes and which will remain in full force and effect following the termination of the Executive’s employment.

(h) During the Employment Term and following his termination of employment:

(i) the Executive shall not, directly or indirectly, make or cause to be made any statements to any third parties criticizing or disparaging the Company Group or commenting on the character or business reputation of the Company Group. The Executive further hereby agrees that, without the prior written consent of the Board, unless otherwise required by law, the Executive shall not (A) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of the business of the Company Group or (B) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of any existing, threatened or potential claims or litigation involving the Company Group; and

(ii) the Company shall comply with its policies regarding public statements with respect to the Executive;
provided, however, that nothing herein shall be interpreted to preclude honest and good faith reporting by the Executive to appropriate Company or legal enforcement authorities.

(i) The Executive acknowledges and agrees that a violation of the foregoing provisions of this Section 10 that results in material detriment to the Company Group would cause irreparable harm to the Company Group, and that the Company’s remedy at law for any such violation would be inadequate. In recognition of the foregoing, the Executive agrees that, in addition to any other relief afforded by law or this Agreement, including damages sustained by a breach of this Agreement and any forfeitures under Section 9(h), and without the necessity or proof of actual damages, the Company shall have the right to enforce this Agreement by specific remedies, which shall include, among other things, temporary and permanent injunctions, it being the understanding of the undersigned parties hereto that damages, the forfeitures described above and injunctions shall all be proper modes of relief and are not to be considered as alternative remedies.

11. Non-Competition. In consideration of the Company entering into this Agreement, and in particular, the awards of Deferred Shares under Section 4 (c)(ii), for a period commencing on the Effective Date and for a period ending twenty-four (24) months after the Executive’s termination of employment for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive:

(a) the Executive hereby covenants and agrees that he shall not, directly or indirectly, individually or on behalf of any other person or entity do or suffer any of the following, engage or be interested in (whether as owner, stockholder, investor, partner, lender, consultant, employee, agent, director or otherwise) in any business, activity or enterprise which is then competing with or planning to compete with the business of any division or operation of the Company Group within any United States territory or state in which the Company Group is conducting the business of providing wireless local area network (e.g., “802.11” or “Wi-Fi” wireless services) or any other business authorized by the Federal Communications Commission (“FCC”) to provide “commercial mobile radio service” as that term is defined by the FCC (47 C.F.R. § 20.3), (the “Territory”), provided, however, that the Executive’s ownership of less than one percent (1%) of any class of stock in a publicly traded corporation shall not be deemed a breach of this Section 11; and;

(b) the Executive acknowledges that due to his unique and special contributions to the Company Group in his position as specified in Section 3, he will be privy to and/or responsible for Proprietary Information generated by the Company Group, so that his employment in any capacity for a competing business will create an unreasonable and real risk of disclosure, inevitable or otherwise, of Proprietary Information. The Executive further acknowledges that due to his talents, skills and experience, the restrictions contained herein are reasonable and will not deprive him of his ability to obtain commensurate employment or work in a non-competing business activity or enterprise, and will not impose an undue hardship on him.

12. Non-Solicitation. In consideration of the Company entering into this Agreement, for a period commencing on the Effective Date and for a period ending twenty-four (24) months after the Executive’s termination of employment for any reason or Cause, including for

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nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive, the Executive hereby covenants and agrees that he shall not, directly or indirectly, individually or on behalf of any other person or entity do or suffer any of the following:

(a) hire or employ or assist in hiring or employing any person who has been an employee, representative or agent of any member of the Company Group at any time during the Executive’s employment or solicit, aid, induce or attempt to solicit, aid, induce or persuade, directly or indirectly, such person to leave his or her employment with any member of the Company Group to accept employment with any other person or entity;

(b) directly or indirectly induce any person who is an employee, officer or agent of the Company Group, or any of its affiliated, related or subsidiary entities to terminate such relationship; or

(c) solicit any customer of the Company Group, or any person or entity whose business the Company Group had solicited during the one hundred and eighty (180) day period prior to termination of the Executive’s employment, within the Territory for purposes of business which is competitive to the Company Group.

(d) For purposes of this Section 12, the term “solicit or persuade” includes, but is not limited to, (i) initiating communications with an employee of the Company Group relating to possible employment, (ii) offering bonuses or additional compensation to encourage an employee of the Company Group to terminate his or her employment, and (iii) referring employees of the Company Group to personnel or agents employed by competitors, suppliers or customers of the Company Group.


(a) The Executive acknowledges and agrees that he will make full and prompt disclosure to the Company of all inventions, improvements, discoveries, methods, developments, software, mask works, and works of authorship, whether patentable or copyrightable or not, (i) which relate to the Company’s business and have heretofore been created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others, and not assigned to prior employers, or (ii) which have utility in or relate to the Company’s business and are created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others during his employment with the Company, whether or not during normal working hours or on the premises of the Company (all of the foregoing of which are collectively referred to in this Agreement as “Developments”).

(b) The Executive further agrees to assign and does hereby assign to the Company (or any person or entity designated by the Company) all of the Executive’s rights, title and interest worldwide in and to all Developments and all related patents, patent applications, copyrights and copyright applications, and any other applications for registration of a proprietary right. However, this Section 13(b) shall not apply to Developments that the Executive developed entirely on his own time without using the Company’s equipment, supplies, facilities, or trade secret information and that does not, at the time of conception or reduction to practice, have utility in or relate to the Company’s business, or actual or demonstrably anticipated research or
development. The Executive understands that, to the extent this Agreement shall be construed in accordance with the laws of any state or country which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this Section 13(b) shall be interpreted not to apply to any invention which a court rules or the Company agrees falls within such classes.

(c) The Executive further agrees to cooperate fully with the Company, both during and after his employment with the Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and other countries) relating to Developments; provided, however, that the Executive shall not be required to incur or pay any costs or expenses in connection with the rendering of such cooperation. The Executive will sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, and do all things that the Company may reasonably deem necessary or desirable in order to protect its rights and interests in any Development.

(d) The Executive further acknowledges and agrees that if the Company is unable, after reasonable effort, to secure the Executive’s signature on any such papers, any executive officer of the Company shall be entitled to execute any such papers as the Executive’s agent and attorney-in-fact, and the Executive hereby irrevocably designates and appoints each executive officer of the Company as his agent and attorney-in-fact to execute any such papers on the Executive’s behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Development, under the conditions described in this sentence.

14. Remedies. The Executive and the Company agree that the covenants contained in Sections 10, 11, 12 and 13 are reasonable under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction any such covenant is not reasonable in any respect, such court will have the right, power and authority to sever or modify any provision or provisions of such covenants as to the court will appear not reasonable and to enforce the remainder of the covenants as so amended. The Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of the Executive’s obligations under Sections 10, 11, 12 and 13 would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, the Executive acknowledges, consents and agrees that, in addition to any other rights or remedies that the Company may have at law, in equity or under this Agreement, upon adequate proof of the Executive’s violation of any such provision of this Agreement, the Company will be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach, without the necessity of proof of actual damage. Without limiting the applicability of this Section 14 or in any way affecting the right of the Company to seek equitable remedies hereunder, in the event that the Executive breaches any of the provisions of Sections 10, 11, 12 or 13 or engages in any activity that would constitute a breach save for the Executive’s action being in a state where any of the provisions of Sections 10, 11, 12, 13 or this Section 14 is not enforceable as a matter of law, then the Company’s obligation to pay any remaining severance compensation and benefits that has not already been paid to Executive pursuant to Section 9 shall be terminated and within ten (10) days of notice of such termination of payment, the Executive shall return all severance compensation and the value of such benefits, including the value of the Deferred Shares Award, or profits derived or received from such benefits.

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15. Continued Availability and Cooperation.

(a) In the event of termination of the Executive's employment, the Executive shall cooperate fully with the Company and with the Company’s counsel in connection with any present and future actual or threatened litigation or administrative proceeding involving the Company that relates to events, occurrences or conduct occurring (or claimed to have occurred) during the period of the Executive’s employment by the Company. This cooperation by the Executive will include, but not be limited to:

(i) making himself reasonably available for interviews and discussions with the Company’s counsel as well as for depositions and trial testimony;

(ii) if depositions or trial testimony are to occur, making himself reasonably available and cooperating in the preparation therefor as and to the extent that the Company or the Company's counsel reasonably requests;

(iii) refraining from impeding in any way the Company’s prosecution or defense of such litigation or administrative proceeding; and

(iv) cooperating fully in the development and presentation of the Company’s prosecution or defense of such litigation or administrative proceeding.

(b) The Executive will be reimbursed by the Company for reasonable travel, lodging, telephone and similar expenses, as well as reasonable attorneys’ fees (if independent legal counsel is necessary), incurred in connection with any cooperation, consultation and advice rendered under this Agreement after the Executive’s termination of employment. The Executive shall not unreasonably withhold the Executive’s availability for such cooperation, consultation and advice.

16. Dispute Resolution.

(a) Any dispute between the parties under this Agreement will be resolved (except as provided below) through informal arbitration by a single arbitrator selected under the rules of the American Arbitration Association for arbitration of employment disputes conducted in Fairfax County, Virginia. Each party will be entitled to present evidence and argument to the arbitrator. The arbitrator will have the right only to interpret and apply the provisions of this Agreement and may not change any of its provisions, except as expressly provided in Section 23 and only in the event the Company has not brought an action in a court of competent jurisdiction to enforce the covenants in Sections 10, 11, 12 or 13. The arbitrator will permit reasonable pre-hearing discovery of facts, to the extent necessary to establish a claim or a defense to a claim, subject to supervision by the arbitrator. The determination of the arbitrator will be conclusive and binding upon the parties and judgment upon the same may be entered in any court having jurisdiction thereof. The arbitrator will give written notice to the parties stating the arbitrator’s determination, and will furnish to each party a signed copy of such determination. The expenses
of arbitration will be borne equally by the Company and the Executive or as the arbitrator equitably determines consistent with the application of state or federal law; provided, however, that the Executive’s share of such expenses will not exceed the maximum permitted by law. Any arbitration or action pursuant to this Section 16 will be governed by and construed in accordance with the substantive laws of the State of Maryland and, where applicable, federal law, without giving effect to the principles of conflict of laws of such State.

(b) Notwithstanding Section 16(a), the Company will not be required to seek or participate in arbitration regarding any actual or threatened breach of the Executive’s covenants in Sections 10, 11, 12 or 13, but may pursue its remedies, including injunctive relief, for such breach in a court of competent jurisdiction in Fairfax County, Virginia, or in the sole discretion of the Company, in a court of competent jurisdiction where the Executive has committed or is threatening to commit a breach of the Executive’s covenants, and no arbitrator may make any ruling inconsistent with the findings or rulings of such court.

17. **Other Agreements.** The provisions of the Original Employment Agreement superseded the provisions of the Confidentiality Agreement. No agreements (other than the agreements evidencing any grants of stock options, deferred shares and restricted shares, or other equity awards and agreements between the Company and the Executive entered into after the Effective Date), 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. To the extent there is a Change in Control (as defined in the CIC Severance Plan, severance compensation and benefits payable under Section 9 of this Agreement upon a termination of the Executive’s employment will be reduced dollar for dollar (but not below zero) by any severance compensation and benefits payable under the CIC Severance Plan, if any, it being the intent that the Executive receive the greatest of the severance compensation and benefits provided under the CIC Severance Plan or this Agreement.

18. **Indemnification.** The Company shall, to the fullest extent to which it is empowered to do so by the General Corporation Law of Delaware, or any other applicable laws, as from time to time in effect, and in the manner therein provided, indemnify and hold harmless the Executive, through the duration of the Employment Term and all statutory periods during which any such claim may be brought or asserted, from and against any actual, threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, investigative or otherwise, to which the Executive is or is threatened to be made a party by reason of the fact that he is or was a director, officer, employee or agent of the Company. The Executive will be further covered by the indemnification and limitations on liability of officers and directors provided under the Company’s Certificate of Incorporation and By-laws and any separate agreement between the Company and the Executive and/or any officers and directors indemnification insurance policy now or hereafter paid for by the Company.

19. **Withholding of Taxes.** The Company may withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.
20. **Successors and Binding Agreement**

   (a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company, by agreement in form and substance satisfactory to the Executive, expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the “Company” for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company, except that the Company may assign and transfer this Agreement and delegate its duties thereunder to a wholly owned Subsidiary.

   (b) This Agreement will inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

   (c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 20(a) and 20(b). Without limiting the generality or effect of the foregoing, the Executive’s right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive’s will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 20(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

21. **Notices**. For all purposes of this Agreement, all communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof confirmed), or five (5) business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three (3) business days after having been sent by a nationally recognized overnight courier service such as Federal Express or UPS, addressed to the Company (to the attention of the Senior Vice President and General Counsel of the Company) at its principal executive offices and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

22. **Governing Law**. The validity, interpretation, construction and performance of this Agreement will be governed by and construed in accordance with the substantive laws of the State of Maryland, without giving effect to the principles of conflict of laws of such State.

23. **Validity/Severability**. If any provision of this Agreement or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstances will not be affected, and the provision so held to be invalid, unenforceable or
otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal. To the extent any provisions held to be invalid, unenforceable or otherwise illegal cannot be reformed, such provisions are to be stricken herefrom and the remainder of this Agreement will be binding on the parties and their successors and assigns as if such invalid or illegal provisions were never included in this Agreement from the first instance.

24. Survival of Provisions. Notwithstanding any other provision of this Agreement, the parties’ respective rights and obligations under Sections 10, 11, 12, 13, 14, 15, 16 and 18 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment for any reason whatsoever.

25. Representations.

(a) The Executive hereby represents that he is not subject to any restriction of any nature whatsoever on his ability to enter into this Agreement or to perform his duties and responsibilities hereunder, including, but not limited to, any covenant not to compete with any former employer, any covenant not to disclose or use any non-public information acquired during the course of any former employment or any covenant not to solicit any customer of any former employer.

(b) The Executive hereby represents that, except as he has disclosed in writing to the Company, he is not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of the Executive’s employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party.

(c) The Executive further represents that, to the best of his knowledge, his performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement with another party, including without limitation any agreement to keep in confidence proprietary information, knowledge or data the Executive acquired in confidence or in trust prior to his employment with the Company, and that he will not knowingly disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

26. Compliance with Section 409A of the Code. With respect to reimbursements or in-kind benefits provided under this Agreement: (a) the Company will not provide for cash in lieu of a right to reimbursement or in-kind benefits to which the Executive has a right under this Agreement, (b) any reimbursement of provision of in-kind benefits made during the Executive’s lifetime (or such shorter period prescribed by a specific provision of this Agreement) shall be made not later than December 31 of the year following the year in which the Executive incurs the expense, and (c) in no event will the amount of expenses so reimbursed, or in-kind benefits provided, by the Company in one year affect the amount of expenses eligible for reimbursement or in-kind benefits to be provided, in any other taxable year. Each payment, reimbursement or in-kind benefit made pursuant to the provisions of this Agreement shall be regarded as a separate payment and not one of a series of payments for purposes of Section 409A of the Code. It is intended that any amounts payable under this Agreement and the Company’s and the Executive’s exercise of authority or discretion hereunder shall comply with the provisions of Section 409A of...
the Code and the treasury regulations relating thereto so as not to subject the Executive to the payment of the additional tax, interest and any tax penalty which may be imposed under Section 409A of the Code. In furtherance of this interest, to the extent that any provision hereof would result in the Executive being subject to payment of the additional tax, interest and tax penalty under Section 409A of the Code, the parties agree to amend this Agreement in order to bring this Agreement into compliance with Section 409A of the Code; and thereafter interpret its provisions in a manner that complies with Section 409A of the Code. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of Treasury or the Internal Revenue Service. Notwithstanding the foregoing, no particular tax result for the Executive with respect to any income recognized by the Executive in connection with the Agreement is guaranteed, and the Executive shall be responsible for any taxes, penalties and interest imposed on him under or as a result of Section 409A of the Code in connection with the Agreement.

27. Amendment; Waiver. This Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by both parties hereto. No waiver by either party hereto at any time of any breach by the other party hereto or compliance with any condition or provision of this Agreement to be performed by such other party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

28. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

29. Headings. Unless otherwise noted, the headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

30. Defined Terms. In addition to terms defined throughout this Agreement, the following terms shall have the meanings ascribed to them below:

(a) “CIC Severance Plan” means the Sprint Nextel Corporation Change in Control Severance Plan, as may be amended from time to time, or any successor plan, program or arrangement thereto.

(b) “Incentive Equity Plan” means the Nextel Communications Inc. Amended and Restated Incentive Equity Plan, as amended and restated as of November 16, 2000, as may be further amended from time to time.

(c) “LTPP” means the Nextel Communications, Inc. Long Term Performance Plan effective January 1, 2004.

(d) “LTSIP” means the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007, as may be amended from time to time, or any successor plan, program or arrangement thereto.

Johnson Employment Agreement
(e) “Participant” shall have the meaning set forth in the CIC Severance Plan.

(f) “Release” means a release of claims in a form provided to the Executive by the Company in connection with the payment of benefits under this Agreement.

(g) “Release Consideration and Revocation Period” means the combined total of the Release Consideration Period and the Release Revocation Period.

(h) “Release Consideration Period” means the period of time pursuant to the terms of the Release afforded the Executive to consider whether to sign it.

(i) “Release Revocation Period” means the period pursuant to the terms of an executed Release in which it may be revoked by the Executive.

(j) “Separation from Service” means “separation from service” from the Company and its subsidiaries as described under Section 409A of the Code and the guidance and Treasury regulations issued thereunder. Separation from Service will occur on the date on which the Executive’s level of services to the Company decreases to 21 percent or less of the average level of services performed by the Executive over the immediately preceding 36-month period (or if providing services for less than 36 months, such lesser period) after taking into account any services that the Executive provided prior to such date or that the Company and the Executive reasonably anticipate the Executive may provide (whether as an employee or as an independent contractor) after such date. For purposes of the determination of whether the Executive has had a Separation from Service, the term “Company” shall mean the Company and any affiliate with which the Company would be considered a single employer under Section 414(b) or 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2. In addition, where the use of such definition of “Company” for purposes of determining a Separation from Service is based upon legitimate business criteria, in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Treasury Regulation Section 1.414(c)-2.

(k) “Specified Employee” shall mean an Executive who is a “specified employee” for purposes of Section 409A of the Code, as administratively determined by the Board in accordance with the guidance and Treasury regulations issued under Section 409A of the Code.
(l) “STIP” means the Company’s short-term incentive plan under Section 8 of the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007, as may be amended from time to time, or any successor plan, program or arrangement thereto.
IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by an officer pursuant to the authority of its Board, and the Executive has executed this Agreement, as of the day and year first written above.

SPRINT NEXTEL CORPORATION

By: /s/ Sandra J. Price

/s/ Robert L. Johnson
Robert L. Johnson
THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into on December 31, 2008 and amends and restates the Employment Agreement (the “Original Employment Agreement”), originally entered into on April 28, 2008 (the “Effective Date”), by and between Sprint Nextel Corporation, a Kansas corporation (the “Company”) on behalf of itself and any of its subsidiaries, affiliates and related entities, and Steven L. Elfman (the “Executive”) (the Company and the Executive, collectively, the “Parties,” and each, a “Party”). Certain capitalized terms are defined in Section 29.

WITNESSETH:

WHEREAS, the Executive serves as President - Network Operations and Wholesale; and

WHEREAS, the Executive and the Company desire to amend and restate the Original Employment Agreement as provided herein.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Company and the Executive hereby amend and restate the Original Employment Agreement as follows:

1. Employment.
   (a) The Company will continue to employ the Executive, and the Executive will continue to be employed by the Company upon the terms and conditions set forth herein.

   (b) The employment relationship between the Company and the Executive shall be governed by the general employment policies and practices of the Company, including without limitation, those relating to the Company’s Code of Conduct, confidential information and avoidance of conflicts, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. Term. Subject to termination under Section 9, the Executive’s employment shall be for an initial term of 24 months commencing on the Effective Date and shall continue through the second anniversary of the Effective Date (the “Initial Employment Term”). At the end of the Initial Employment Term and on each succeeding anniversary of the Effective Date, the Employment Term will be automatically extended by an additional 12 months (each, a “Renewal Term”), unless, not less than 12 months prior to the end of the Initial Employment Term or any Renewal Term, either the Executive or the Company has given the other written notice (in accordance with Section 20) of nonrenewal. The Executive shall provide the Company with written notice of his intent to terminate employment with the Company at least 30 days prior to the effective date of such termination.
3. Position and Duties of the Executive.

(a) The Executive serves as President of Network Operations and Wholesale, and agrees to serve as an officer of any enterprise and/or agrees to be an employee of any Subsidiary as may be requested from time to time by the Board of Directors of the Company (the “Board”), any committee or person delegated by the Board or the Chief Executive Officer of the Company (the “Chief Executive Officer”). In such capacity, the Executive shall report directly to the Chief Executive Officer of the Company or such other officer of the Company as may be designated by the Chief Executive Officer. The Executive shall have such duties, responsibility and authority as may be assigned to the Executive from time to time by the Chief Executive Officer, the Board or such other officer of the Company as may be designated by the Chief Executive Officer or the Board.

(b) During the Employment Term, the Executive shall, except as may from time to time be otherwise agreed to in writing by the Company, during reasonable vacations (as set forth in Section 7 hereof) and authorized leave and except as may from time to time otherwise be permitted pursuant to Section 3(c), devote his best efforts, full attention and energies during his normal working time to the business of the Company, any duties as may be delineated in the Company’s Bylaws for the Executive’s position and title and such other related duties and responsibilities as may from time to time be reasonably prescribed by the Board, any committee or person designated by the Board, or the Chief Executive Officer, in each case, within the framework of the Company’s policies and objectives.

(c) During the Employment Term, and provided that such activities do not contravene the provisions of Section 3(a) or Sections 10, 11, 12 or 13 hereof and, provided further, the Executive does not engage in any other substantial business activity for gain, profit or other pecuniary advantage which materially interferes with the performance of his duties hereunder, the Executive may participate in any governmental, educational, charitable or other community affairs and, subject to the prior approval of the Chief Executive Officer serve as a member of the governing board of any such organization or any private or public for-profit company. The Executive may retain all fees and other compensation from any such service, and the Company shall not reduce his compensation by the amount of such fees.


(a) Base Salary. During the Employment Term, the Company shall pay to the Executive an annual base salary of $650,000 (the “Base Salary”), which Base Salary shall be payable at the times and in the manner consistent with the Company’s general policies regarding compensation of the Company’s senior executives. The Base Salary will be reviewed periodically by the Chief Executive Officer and may be increased (but not decreased, except for across-the-board reductions generally applicable to the Company’s senior executives) from time to time in the Chief Executive Officer’s sole discretion.

(b) Incentive Compensation. The Executive will continue to be eligible to participate in any short-term and long-term incentive compensation plans, annual bonus plans and such other management incentive programs or arrangements of the Company approved by the Board that are generally available to the Company’s senior executives, including, but not limited to, the STIP and the LTSIP. Incentive compensation shall be paid in accordance with the terms and conditions of the applicable plans, programs and arrangements.
(i) **Annual Performance Bonus.** During the Employment Term, the Executive shall continue to be entitled to participate in the STIP, with such opportunities as may be determined by the Chief Executive Officer in his sole discretion ("Target Bonuses"), and as may be increased (but not decreased, except for across-the-board reductions generally applicable to the Company’s senior executives) from time to time, and the Executive shall be entitled to receive full payment of any award under the STIP, determined pursuant to the STIP (a “Bonus Award”).

(ii) **Long-Term Performance Bonus.** During the Employment Term, the Executive shall continue to be entitled to participate in the LTSIP with such opportunities, if any, as may be determined by the Chief Executive Officer ("LTSIP Target Award Opportunities”).

(iii) Incentive bonuses, if earned, shall be paid when incentive compensation is customarily paid to the Company’s senior executives in accordance with the terms of the applicable plans, programs or arrangements.

(iv) Pursuant to the Company’s applicable incentive or bonus plans as in effect from time to time, the Executive’s incentive compensation during the term of this Agreement may be determined according to criteria intended to qualify as performance-based compensation under Section 162(m) of the Code.

(c) **Equity Compensation.** The Executive shall continue to be eligible to participate in such equity incentive compensation plans and programs as the Company generally provides to its senior executives, including, but not limited to, the LTSIP. During the Employment Term, the Compensation Committee may, in its sole discretion, grant equity awards to the Executive, which would be subject to the terms of the respective award agreements evidencing such grants and the applicable plan or program.

(i) **Sign-On Option Award.** The Compensation Committee authorized the grant to the Executive, as of the Effective Date, of an option right ("the Sign-On Option Award") to purchase 435,730 shares of Common Stock at an option price equal to 120% of the Market Value Per Share on the Date of Grant. The Sign-On Option Award will be subject to the terms and conditions of the option agreement attached hereto as Exhibit A. Subject to the terms and conditions of the option agreement, the Sign-On Option Award shall vest on the second anniversary of the Date of Grant. Except as otherwise provided in the Executive’s award agreement evidencing the Sign-On Option Award, the Sign-On Option Award will be governed by provisions of the LTSIP.

(ii) **Sign-On RSU Award.** On the Effective Date the Compensation Committee granted to the Executive 129,032 restricted stock units (the “Sign-On RSU Award”). The Sign-On RSU Award will be subject to the terms and

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conditions of the restricted stock award agreement evidencing such grant attached here to as Exhibit B and shall vest on the second anniversary of
the Date of Grant. Except as otherwise provided in the Executive’s award agreement evidencing the Sign-On RSU Award, the Sign-On RSU
Award will be governed by provisions of the LTSIP.

(iii) 2008 LTSIP. Subject to approval by the Compensation Committee, the Executive will be eligible to participate in the 2008 LTSIP at a
target award of $3,000,000.

5. Benefits.

(a) During the Employment Term, the Company shall make available to the Executive, subject to the terms and conditions of the applicable plans,
participation for the Executive and his eligible dependents in: (i) Company-sponsored group health, major medical, dental, vision, pension and profit sharing,
401(k) and employee welfare benefit plans, programs and arrangements (the “Employee Plans”) and such other usual and customary benefits in which senior
executives of the Company participate from time to time, and (ii) such fringe benefits and perquisites as may be made available to senior executives of the
Company as a group.

(b) The Executive acknowledges that the Company may change its benefit programs from time to time, which may result in certain benefit
programs being amended or terminated for its senior executives generally.

6. Expenses. The Company shall pay or reimburse the Executive for reasonable and necessary business expenses incurred by the Executive in
connection with his duties on behalf of the Company in accordance with the Company’s Enterprise Financial Services—Employee Travel and Expense Policy,
as may be amended from time to time, or any successor policy, plan, program or arrangement thereto and any other of its expense policies applicable to senior
executives of the Company, following submission by the Executive of reimbursement expense forms in a form consistent with such expense policies.

7. Vacation. In addition to such holidays, sick leave, personal leave and other paid leave as is allowed under the Company’s policies applicable to senior
executives generally, the Executive shall be entitled to participate in the Company’s vacation policy in accordance with the Company’s policy generally
applicable to senior executives. The duration of such vacations and the time or times when they shall be taken will be determined by the Executive in
consultation with the Company.

8. Place of Performance. In connection with his employment by the Company, the Executive shall be based at the principal executive offices of the
Company in the vicinity of Overland Park, Kansas (the “Place of Performance”), except for travel reasonably required for Company business. If the Company
relocates the Executive’s place of work more than 50 miles from his place of work prior to such relocation, the Executive shall relocate to a residence within
(a) 50 miles of such relocated executive offices or (b) such total miles that does not exceed the total number of miles the Executive commuted to his place of
work prior to relocation of the Executive’s place of work. To the extent the Executive relocates his residence as provided in this Section 8, the Company will
pay or reimburse the Executive’s relocation expenses in accordance with the Company’s relocation policy applicable to senior executives.

Elfman Employment Agreement
9. Termination

(a) Termination by the Company for Cause or Resignation by the Executive Without Good Reason. If, during the Employment Term, the Executive’s employment is terminated by the Company for Cause, or if the Executive resigns without Good Reason, the Executive shall not be eligible to receive Base Salary or to participate in any Employee Plans with respect to future periods after the date of such termination or resignation except for the right to receive accrued but unpaid cash compensation and vested benefits under any Employee Plan in accordance with the terms of such Employee Plan and applicable law.

(b) Termination by the Company Without Cause or Resignation by the Executive for Good Reason outside of the CIC Severance Protection Period. If, during the Employment Term, the Executive’s employment is terminated by the Company without Cause or the Executive terminates for Good Reason prior to or following expiration of the CIC Severance Protection Period and such termination constitutes a Separation from Service or the Executive is entitled to severance compensation and benefits under this Section 9(b) pursuant to the provisions of Section 9(c), the Executive shall be entitled to receive from the Company: (1) the Executive’s accrued, but unpaid, Base Salary through the date of termination of employment, payable in accordance with the Company’s normal payroll practices, and (2) conditioned upon the Executive executing a Release within the Release Consideration Period and delivering it to the Company with the Release Revocation Period expired without revocation, and in full satisfaction of the Executive’s rights and any benefits the Executive might be entitled to under the Separation Plan and this Agreement, unless otherwise specified herein:

(i) periodic payments equal to his Base Salary in effect prior to the termination of his employment, which payments shall be paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for the Payment Period, except that (A) if the Release Consideration and Revocation Period ends on or after December 15th of the calendar year of the Executive’s Separation from Service shall be paid in a lump sum on the first business day of the following calendar year or (B) if the Executive is a Specified Employee, with respect to any amount payable by reason of the Separation from Service that constitutes deferred compensation within the meaning of Section 409A of the Code, such installments shall not commence until after the end of the six continuous month period following the date of the Executive’s Separation from Service, in which case, the Executive shall be paid a lump-sum cash payment equal to the aggregate amount of missed installments during such period on the first day of the seventh month following the date of the Executive’s Separation from Service;
(ii) (A) receive a pro rata payment of the Bonus Award for the portion of the Company’s current fiscal year prior to the date of termination of his employment; (B) receive a pro rata payment of the Capped Bonus Award for the portion of the Company’s current fiscal year following the date of termination of his employment; (C) receive for the next fiscal year following the fiscal year during which termination of his employment occurs, the Capped Bonus Award; and (D) receive payment of a pro rata portion of the Capped Bonus Award for the second year following the fiscal year during which the Executive’s employment terminates (for purposes of this Section 9(b)(ii), any pro rata payment shall be determined based on the methodology for determining pro rated awards under the STIP, each such payment shall be payable in accordance with the provisions of the STIP in the calendar year in which the Bonus Award or each Capped Bonus Award, as applicable, is determined, and, in all events, not later than December 31 of the year in which each such award is determined); provided, however, that to the extent the Executive’s employment is terminated for Good Reason due to a reduction of the Executive’s Target Bonus, in accordance with Section 29(x)(ii), the Executive’s Target Bonus for the purposes of this Section 9(b)(ii) shall be the Executive’s Target Bonus immediately prior to such reduction;

(iii) continue participation in the Company’s group health plans at then-existing participation and coverage levels for the number of months equal to the period of continuation coverage the Executive would be entitled to pursuant to Section 4980B of the Code, in accordance with Section 409A of the Code, comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements and the Company shall deduct from each payment payable to the Executive pursuant to Section 9(b)(i), the amount of any employee contributions necessary to maintain such coverage for such period, except that (A) subject to Section 9(b)(iv), following such period, the Executive shall retain any rights to continue coverage under the Company’s group health plans under the benefits continuation provisions pursuant to Section 4980B of the Code by paying the applicable premiums of such plans; and (B) the Executive shall no longer be eligible to receive the benefits otherwise receivable pursuant to this Section 9(b)(iii) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer;

(iv) continued participation at the Executive’s sole cost in the Company’s group health plans at then-existing participation and coverage levels for the remainder of the Payment Period following the period of continuation coverage the Executive would be entitled to, if any, pursuant to Section 9(b)(iii) above, in accordance with Section 409A of the Code, comparable to the terms in effect from time to time for the Company’s senior executives, but only to the extent that the Executive makes a payment to the Company in an amount equal to the monthly premium payments (both the employee and employer portions) required to maintain such comparable coverage on or before the first day of each calendar month commencing with the first calendar month of the six-month period following the period of continuation coverage specified in Section 9(b) (iii),

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and the Company shall reimburse the Executive, in accordance with the terms of Section 6 hereof, for the amount of such premiums, if any, in excess of any employee contributions necessary to maintain such coverage, except that (A) following such period, the Executive shall retain any rights to continue coverage under the Company’s group health plans under the benefits continuation provisions pursuant to Section 4980B of the Code by paying the applicable premiums of such plans; and (B) the Executive shall no longer be eligible to receive the benefits otherwise receivable pursuant to this Section 9(b)(iv) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer; and

(v) continue participation in the Company’s employee life insurance plans at then-existing participation and coverage levels for the Payment Period, comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements and the Company shall deduct from each payment payable to the Executive pursuant to Section 9(b)(i), the amount of any employee contributions necessary to maintain such coverage for such period, except that the Executive shall no longer be eligible to receive the benefits otherwise receivable pursuant to this Section 9(b)(v) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer; and

(vi) receive outplacement services by a firm selected by the Company at its expense in an amount not to exceed $35,000; provided, however, that all such outplacement services must be completed, and all payments by the Company must be made, by December 31st of the second calendar year following the calendar year in which the Executive’s Separation from Service occurs.

Notwithstanding anything in this Section 9(b) to the contrary, to the extent the Executive has not executed the Release within the Release Consideration Period and delivered it to the Company, or has revoked the executed Release within the Release Revocation Period, as determined at the end of such Release Revocation Period, the Executive will forfeit any right to receive the payments and benefits specified in this Section 9(b).

(c) Termination by the Company Without Cause or Resignation by the Executive for Good Reason During the CIC Severance Protection Period.

Subject to (i)-(iv) below, if the Executive’s employment is terminated by the Company without Cause, or the Executive terminates employment for Good Reason, before the Employment Term expires and during the CIC Severance Protection Period, and the termination constitutes a Separation from Service, subject to the terms of the CIC Severance Plan, the Executive will become entitled to severance compensation and benefits under the CIC Severance Plan as of (x) the date the Separation from Service occurs, or (y) in the event of a Pre-CIC Termination, the date the Change in Control occurs, as of which date all rights to severance benefits under this Agreement will cease:

(i) The CIC Severance Plan will not apply and the Executive will be entitled to severance compensation and benefits under Section 9(b) of this

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Agreement if (x) as of his Separation from Service, the Executive is not a Participant in, or (y) the Executive is otherwise not entitled to severance compensation and benefits under, the CIC Severance Plan.

(ii) If the Executive is entitled to severance benefits under the CIC Severance Plan as a result of a Pre-CIC Termination, any benefits payable before the Change in Control will be paid under this Agreement and any additional benefits payable after the Change in Control will be paid under the CIC Severance Plan.

(iii) In no event may there be duplication of benefits under this Agreement and the CIC Severance Plan.

(iv) The terms “Change in Control” and “Pre-CIC Termination” are defined in the CIC Severance Plan.

(d) Termination by Death. If the Executive dies during the Employment Term, the Executive’s employment will terminate and the Executive’s beneficiary or if none, the Executive’s estate, shall be entitled to receive from the Company, the Executive’s accrued, but unpaid, Base Salary through the date of termination of employment and any vested benefits under any Employee Plan in accordance with the terms of such Employee Plan and applicable law.

(e) Termination by Disability. If the Executive becomes Disabled, prior to the expiration of the Employment Term, the Executive’s employment will terminate, and provided that such termination constitutes a Separation from Service, the Executive shall be entitled to:

(i) receive periodic payments equal to his Base Salary in effect prior to the termination of his employment, which payments shall be paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for 12 months (reduced by any amounts paid under a long-term disability plan (“LTD Plan”) now or hereafter sponsored by the Company (calculated on a monthly basis)) commencing on the Separation from Service date; provided, however, that in the event that the Executive is a Specified Employee, any such payments that constitute deferred compensation within the meaning of Section 409A of the Code will not commence until earliest to occur of (A) the first business day of the seventh month following the date of the Executive’s Separation from Service or (B) death, except that the Executive on such date will be paid a lump-sum cash payment equal to the aggregate amount of any such payments that constitutes deferred compensation within the meaning of Section 409A of the Code that the Executive would have been entitled to receive during the six-month period following the Executive’s Separation from Service, and the Executive shall receive the remaining payments for six months payable in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement commencing on the first business day of the seventh month following the date of the Executive’s “Separation from Service;” and
(ii) continue participation in the Company’s group health plans at then-existing participation and coverage levels for 12 months (measured from the Executive’s Separation from Service), comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements; provided, however, that if the Executive would not be eligible for participation under the Company’s group health plans but for this Section 9(e)(ii), such continued participation will be at the Executive’s sole cost and only to the extent the Executive makes a payment to the Company in an amount equal to the monthly premium payments (both the employee and employer portions) required to maintain such comparable coverage on or before the first day of each calendar month of such coverage, and the Company shall reimburse the Executive, in accordance with the terms of Section 6 hereof, for the amount of such premiums.

(f) No Mitigation Obligation. No amounts paid under Section 9 will be reduced by any earnings that the Executive may receive from any other source. The Executive’s coverage under the Company’s medical, dental, vision and employee life insurance plans will terminate as of the date that the Executive is eligible for comparable benefits from a new employer. The Executive shall notify the Company within 30 days after becoming eligible for coverage of any such benefits.

(g) Forfeiture. Notwithstanding the foregoing, any right of the Executive to receive termination payments and benefits hereunder shall be forfeited to the extent of any amounts payable after any breach of Section 10, 11, 12, 13 or 15 by the Executive.

10. Confidential Information; Statements to Third Parties.

(a) During the Employment Term and on a permanent basis upon and following termination of the Executive’s employment, the Executive acknowledges that:

(i) all information, whether or not reduced to writing (or in a form from which information can be obtained, translated, or derived into reasonably usable form) or maintained in the mind or memory of the Executive and whether compiled or created by the Company, any of its Subsidiaries or any affiliates of the Company or its Subsidiaries (collectively, the “Company Group”), which derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from the disclosure or use of such information, of a proprietary, private, secret or confidential (including, without exception, inventions, products, processes, methods, techniques, formulas, compositions, compounds, projects, developments, sales strategies, plans, research data, clinical data, financial data, personnel data, computer programs, customer and supplier lists, trademarks, service marks, copyrights (whether registered or unregistered), artwork, and contacts at or knowledge of customers or prospective customers) nature

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concerning the Company Group’s business, business relationships or financial affairs (collectively, “Proprietary Information”) shall be the exclusive property of the Company Group;

(ii) the Proprietary Information of the Company Group gained by the Executive during the Executive’s association with the Company Group was or will be developed by and/or for the Company Group through substantial expenditure of time, effort and money and constitutes valuable and unique property of the Company Group;

(iii) reasonable efforts have been put forth by the Company Group to maintain the secrecy of its Proprietary Information;

(iv) such Proprietary Information is and will remain the sole property of the Company Group; and

(v) any retention or use by the Executive of Proprietary Information after the termination of the Executive’s services for the Company Group will constitute a misappropriation of the Company Group’s Proprietary Information.

(b) The Executive further acknowledges and agrees that he will take all affirmative steps reasonably necessary or required by the Company to protect the Proprietary Information from inappropriate disclosure during and after his employment with the Company.

(c) The Executive further agrees that all files, letters, memoranda, reports, records, data, sketches, drawings, laboratory notebooks, program listings, or other written, photographic, electronic, or other tangible material containing or constituting Proprietary Information, whether created by the Executive or others, which shall come into his custody or possession, regardless of medium, shall be and are the exclusive property of the Company to be used by him/her only in the performance of his duties for the Company. All such materials or copies thereof and all tangible things and other property of the Company Group in the Executive’s custody or possession shall be delivered to the Company (to the extent the Executive has not already returned) in good condition, on or before five business days subsequent to the earlier of: (i) a request by the Company or (ii) the Executive’s termination of employment for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive. After such delivery, the Executive shall not retain any such materials or portions or copies thereof or any such tangible things and other property and shall execute any statements or affirmations of compliance under oath that the Company may require.

(d) The Executive further agrees that his obligation not to disclose or to use information and materials of the types set forth in Sections 10(a), 10(b) and 10(c) above, and his obligation to return materials and tangible property, set forth in Section 10(c) above, also extends to such types of information, materials and tangible property of customers of the Company Group, consultants for the Company Group, suppliers to the Company Group, or other third parties who may have disclosed or entrusted the same to the Company Group or to the Executive.
(e) The Executive further acknowledges and agrees that he will continue to keep in strict confidence, and will not, directly or indirectly, at any time, disclose, furnish, disseminate, make available, use or suffer to be used in any manner any Proprietary Information of the Company Group without limitation as to when or how the Executive may have acquired such Proprietary Information and that he will not disclose any Proprietary Information to any person or entity other than appropriate employees of the Company or use the same for any purposes (other than in the performance of his duties as an employee of the Company) without written approval of the Board, either during or after his employment with the Company.

(f) Further the Executive acknowledges that his obligation of confidentiality will survive, regardless of any other breach of this Agreement or any other agreement, by any party hereto, until and unless such Proprietary Information of the Company Group has become, through no fault of the Executive, generally known to the public. In the event that the Executive is required by law, regulation, or court order to disclose any of the Company Group’s Proprietary Information, the Executive will promptly notify the Company prior to making any such disclosure to facilitate the Company seeking a protective order or other appropriate remedy from the proper authority. The Executive further agrees to cooperate with the Company in seeking such order or other remedy and that, if the Company is not successful in precluding the requesting legal body from requiring the disclosure of the Proprietary Information, the Executive will furnish only that portion of the Proprietary Information that is legally required, and the Executive will exercise all legal efforts to obtain reliable assurances that confidential treatment will be accorded to the Proprietary Information.

(g) The Executive’s obligations under this Section 10 are in addition to, and not in limitation of, all other obligations of confidentiality under the Company’s policies, general legal or equitable principles or statutes.

(h) During the Employment Term and following his termination of employment:

(i) the Executive shall not, directly or indirectly, make or cause to be made any statements, including but not limited to, comments in books or printed media, to any third parties criticizing or disparaging the Company Group or commenting on the character or business reputation of the Company Group. Without the prior written consent of the Board, unless otherwise required by law, the Executive shall not (A) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of the business of the Company Group or (B) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of any existing, threatened or potential claims or litigation involving the Company Group;

(ii) the Company shall comply with its policies regarding public statements with respect to the Executive and any such statements shall be deemed to be made by the Company only if made or authorized by a member of the Board or a senior executive officer of the Company; and
(iii) nothing herein precludes honest and good faith reporting by the Executive to appropriate Company or legal enforcement authorities.

(i) The Executive acknowledges and agrees that a violation of the foregoing provisions of this Section 10 would cause irreparable harm to the Company Group, and that the Company’s remedy at law for any such violation would be inadequate. In recognition of the foregoing, the Executive agrees that, in addition to any other relief afforded by law or this Agreement, including damages sustained by a breach of this Agreement and any forfeitures under Section 9(g), and without the necessity or proof of actual damages, the Company shall have the right to enforce this Agreement by specific remedies, which shall include, among other things, temporary and permanent injunctions, it being the understanding of the undersigned parties hereto that damages, the forfeitures described above and injunctions shall all be proper modes of relief and are not to be considered as alternative remedies.

11. Non-Competition. In consideration of the Company entering into this Agreement, for a period commencing on the Effective Date and ending on the expiration of the Restricted Period:

(a) The Executive covenants and agrees that the Executive will not, directly or indirectly, engage in any activities on behalf of or have an interest in any Competitor of the Company Group, whether as an owner, investor, executive, manager, employee, independent consultant, contractor, advisor, or otherwise. The Executive’s ownership of less than one percent (1%) of any class of stock in a publicly traded corporation shall not be a breach of this paragraph.

(b) A “Competitor” is any entity doing business directly or indirectly (e.g., as an owner, investor, provider of capital or otherwise) in the United States including any territory of the United States (the “Territory”) that provides products and/or services that are the same or similar to the products and/or services that are currently being provided at the time of Executive’s termination or that were provided by the Company Group during the two-year period prior to the Executive’s separation from service with the Company Group.

(c) The Executive acknowledges and agrees that due to the continually evolving nature of the Company Group’s industry, the scope of its business and/or the identities of Competitors may change over time. The Executive further acknowledges and agrees that the Company Group markets its products and services on a nationwide basis, encompassing the Territory and that the restrictions imposed by this covenant, including the geographic scope, are reasonably necessary to protect the Company Group’s legitimate interests.

(d) The Executive covenants and agrees that should a court at any time determine that any restriction or limitation in this Section 11 is unreasonable or unenforceable, it will be deemed amended so as to provide the maximum protection to the Company Group and be deemed reasonable and enforceable by the court.

12. Non-Solicitation. In consideration of the Company entering into this Agreement, for a period commencing on the Effective Date and ending on the expiration of the Restricted Period, the Executive hereby covenants and agrees that he shall not, directly or indirectly, individually or on behalf of any other person or entity do or suffer any of the following:

(a) hire or employ or assist in hiring or employing any person who was at any time during the last 18 months of the Executive’s employment an employee, representative or agent of any member of the Company Group or solicit, aid, induce or attempt to solicit, aid, induce or persuade, directly or indirectly, any person who is an employee, representative, or agent of any member of the Company Group to leave his or her employment with any member of the Company Group to accept employment with any other person or entity;

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(b) induce any person who is an employee, officer or agent of the Company Group, or any of its affiliated, related or subsidiary entities to terminate such relationship;

(c) solicit any customer of the Company Group, or any person or entity whose business the Company Group had solicited during the 180-day period prior to termination of the Executive’s employment for purposes of business which is competitive to the Company Group within the Territory; or

(d) solicit, aid, induce, persuade or attempt to solicit, aid, induce or persuade any person or entity to take any action that would result in a Change in Control of the Company or to seek to control the Board in a material manner.

(e) For purposes of this Section 12, the term “solicit or persuade” includes, but is not limited to, (i) initiating communications with an employee of the Company Group relating to possible employment, (ii) offering bonuses or additional compensation to encourage an employee of the Company Group to terminate his employment, (iii) referring employees of the Company Group to personnel or agents employed by competitors, suppliers or customers of the Company Group, and (iv) initiating communications with any person or entity relating to a possible Change in Control.


(a) The Executive acknowledges and agrees that he will make full and prompt disclosure to the Company of all inventions, improvements, discoveries, methods, developments, software, mask works, and works of authorship, whether patentable or copyrightable or not, (i) which relate to the Company’s business and have heretofore been created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others, and not assigned to prior employers, or (ii) which have utility in or relate to the Company’s business and are created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others during his employment with the Company, whether or not during normal working hours or on the premises of the Company (all of the foregoing of which are collectively referred to in this Agreement as “Developments”).

(b) The Executive further agrees to assign and does hereby assign to the Company (or any person or entity designated by the Company) all of the Executive’s rights, title and interest worldwide in and to all Developments and all related patents, patent applications, copyrights and copyright applications, and any other applications for registration of a proprietary right. This Section 13(b) shall not apply to Developments that the Executive developed entirely on the premises of the Company.
on his own time without using the Company’s equipment, supplies, facilities, or Proprietary Information and that does not, at the time of conception or reduction to practice, have utility in or relate to the Company’s business, or actual or demonstrably anticipated research or development. The Executive understands that, to the extent this Agreement shall be construed in accordance with the laws of any Territory which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this Section 13(b) shall be interpreted not to apply to any invention which a court rules or the Company agrees falls within such classes.

(c) The Executive further agrees to cooperate fully with the Company, both during and after his employment with the Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and other countries) relating to Developments. The Executive shall not be required to incur or pay any costs or expenses in connection with the rendering of such cooperation. The Executive will sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, and do all things that the Company may reasonably deem necessary or desirable in order to protect its rights and interests in any Development.

(d) The Executive further acknowledges and agrees that if the Company is unable, after reasonable effort, to secure the Executive’s signature on any such papers, any executive officer of the Company shall be entitled to execute any such papers as the Executive’s agent and attorney-in-fact, and the Executive hereby irrevocably designates and appoints each executive officer of the Company as his agent and attorney-in-fact to execute any such papers on the Executive’s behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Development, under the conditions described in this sentence.

14. Remedies. The Executive and the Company agree that the covenants contained in Sections 10, 11, 12 and 13 are reasonable under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction any such covenant is not reasonable in any respect, such court will have the right, power and authority to sever or modify any provision or provisions of such covenants as to the court will appear not reasonable and to enforce the remainder of the covenants as so amended. The Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of the Executive’s obligations under Sections 10, 11, 12 and 13 would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, the Executive acknowledges, consents and agrees that, in addition to any other rights or remedies that the Company may have at law, in equity or under this Agreement, upon adequate proof of the Executive’s violation of any such provision of this Agreement, the Company will be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach, without the necessity of proof of actual damage. Without limiting the applicability of this Section 14 or in any way affecting the right of the Company to seek equitable remedies hereunder, in the event that the Executive breaches any of the provisions of Sections 10, 11, 12 or 13 or engages in any activity that would constitute a breach save for the Executive’s action being in a state where any of the provisions of Sections 10, 11, 12, 13 or this Section 14 is not enforceable as a matter of law, then the Company’s obligation to pay any

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remaining severance compensation and benefits that has not already been paid to Executive pursuant to Section 9 shall be terminated and within ten days of notice of such termination of payment, the Executive shall return all severance compensation and the value of such benefits, or profits derived or received from such benefits.

15. Continued Availability and Cooperation.

(a) Following termination of the Executive’s employment, the Executive shall cooperate fully with the Company and with the Company’s counsel in connection with any present and future actual or threatened litigation, administrative proceeding or investigation involving the Company that relates to events, occurrences or conduct occurring (or claimed to have occurred) during the period of the Executive’s employment by the Company. Cooperation will include, but is not limited to:

(i) Making himself reasonably available for interviews and discussions with the Company’s counsel as well as for depositions and trial testimony;
(ii) if depositions or trial testimony are to occur, making himself reasonably available and cooperating in the preparation therefore, as and to the extent that the Company or the Company’s counsel reasonably requests;
(iii) refraining from impeding in any way the Company’s prosecution or defense of such litigation or administrative proceeding; and
(iv) cooperating fully in the development and presentation of the Company’s prosecution or defense of such litigation or administrative proceeding.

(b) The Company will reimburse the Executive for reasonable travel, lodging, telephone and similar expenses, as well as reasonable attorneys’ fees (if independent legal counsel is necessary), incurred in connection with any cooperation, consultation and advice rendered under this Agreement after the Executive’s termination of employment.

16. Dispute Resolution.

(a) In the event that the Parties are unable to resolve any controversy or claim arising out of or in connection with this Agreement or breach thereof, either Party shall refer the dispute to binding arbitration, which shall be the exclusive forum for resolving such claims. Such arbitration will be administered by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) pursuant to its Employment Arbitration Rules and Procedures and governed by Kansas law. The arbitration shall be conducted by a single arbitrator selected by the Parties according to the rules of JAMS. In the event that the Parties fail to agree on the selection of the arbitrator within 30 days after either Party’s request for arbitration, the arbitrator will be chosen by JAMS. The arbitration proceeding shall commence on a mutually agreeable date within 90 days after the request for arbitration, unless otherwise agreed by the Parties, and in the location where the Executive worked during the six months immediately prior to the request for arbitration if that location is in Kansas or Virginia, and if not, the location will be Kansas, unless the Parties agree otherwise.
(b) The Parties agree that each will bear their own costs and attorneys’ fees. The arbitrator shall not have authority to award attorneys’ fees or costs to any Party.

(c) The arbitrator shall have no power or authority to make awards or orders granting relief that would not be available to a Party in a court of law. The arbitrator’s award is limited by and must comply with this Agreement and applicable federal, state, and local laws. The decision of the arbitrator shall be final and binding on the Parties.

(d) Notwithstanding the foregoing, no claim or controversy for injunctive or equitable relief contemplated by or allowed under applicable law pursuant to Sections 10, 11, 12 and 13 of this Agreement will be subject to arbitration under this Section 16, but will instead be subject to determination in a court of competent jurisdiction in Kansas, which court shall apply Kansas law consistent with Section 21 of this Agreement, where either Party may seek injunctive or equitable relief.

17. Other Agreements. No agreements (other than the agreements evidencing any grants of equity awards) 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. Each party to this Agreement acknowledges that no representations, inducements, promises, or other agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, pertaining to the subject matter hereof, which are not embodied herein, and that no prior and/or contemporaneous agreement, statement or promise pertaining to the subject matter hereof that is not contained in this Agreement shall be valid or binding on either party.

18. Withholding of Taxes. The Company will withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.

19. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the “Company” for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company, except that the Company may assign and transfer this Agreement and delegate its duties thereunder to a wholly owned Subsidiary.

(b) This Agreement will inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.
(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 19(a) and 19(b). Without limiting the generality or effect of the foregoing, the Executive’s right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive’s will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 19(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

20. Notices. All communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as Federal Express or UPS, addressed to the Company (to the attention of the General Counsel of the Company) at its principal executive offices and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.


(a) This Agreement will be construed and enforced according to the laws of the State of Kansas, without giving effect to the conflict of laws principles thereof.

(b) To the extent not otherwise provided for by Section 16 of this Agreement, the Executive and the Company consent to the jurisdiction of all state and federal courts located in Overland Park, Johnson County, Kansas, as well as to the jurisdiction of all courts of which an appeal may be taken from such courts, for the purpose of any suit, action, or other proceeding arising out of, or in connection with, this Agreement or that otherwise arise out of the employment relationship. Each party hereby expressly waives any and all rights to bring any suit, action, or other proceeding in or before any court or tribunal other than the courts described above and covenants that it shall not seek in any manner to resolve any dispute other than as set forth in this paragraph. Further, the Executive and the Company hereby expressly waive any and all objections either may have to venue, including, without limitation, the inconvenience of such forum, in any of such courts. In addition, each of the Parties consents to the service of process by personal service or any manner in which notices may be delivered hereunder in accordance with this Agreement.

22. Validity/Severability. If any provision of this Agreement or the application of any provision is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal. To the extent any provisions held to be invalid, unenforceable or otherwise illegal cannot be reformed, such provisions are to be stricken herefrom and the remainder of this Agreement will be binding on the parties and their successors and assigns as if such invalid or illegal provisions were never included in this Agreement from the first instance.

Elfman Employment Agreement
23. Survival of Provisions. Notwithstanding any other provision of this Agreement, the parties’ respective rights and obligations under Sections 10, 11, 12, 13, 14, 15, 16, 18, 22 and 26 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment.

24. Representations and Acknowledgements.

(a) The Executive hereby represents that he is not subject to any restriction of any nature whatsoever on his ability to enter into this Agreement or to perform his duties and responsibilities hereunder, including, but not limited to, any covenant not to compete with any former employer, any covenant not to disclose or use any non-public information acquired during the course of any former employment or any covenant not to solicit any customer of any former employer.

(b) The Executive hereby represents that, except as he has disclosed in writing to the Company, he is not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of the Executive’s employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party.

(c) The Executive further represents that, to the best of his knowledge, his performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement with another party, including without limitation any agreement to keep in confidence proprietary information, knowledge or data the Executive acquired in confidence or in trust prior to his employment with the Company, and that he will not knowingly disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

(d) The Executive acknowledges that he will not be entitled to any consideration or reimbursement of legal fees in connection with execution of this Agreement.

(e) The Executive hereby represents and agrees that, during the Restricted Period, if the Executive is offered employment or the opportunity to enter into any business activity, whether as owner, investor, executive, manager, employee, independent consultant, contractor, advisor or otherwise, the Executive will inform the offeror of the existence of Sections 10, 11, 12 and 13 of this Agreement and provide the offeror a copy thereof. The Executive authorizes the Company to provide a copy of the relevant provisions of this Agreement to any of the persons or entities described in this Section 24(e) and to make such persons aware of the Executive’s obligations under this Agreement.

25. Compliance with Code Section 409A. With respect to reimbursements or in-kind benefits provided under this Agreement: (a) the Company will not provide for cash in lieu of a right to reimbursement or in-kind benefits to which the Executive has a right under this Agreement, (b) any reimbursement or provision of in-kind benefits made during the Executive’s lifetime (or such shorter period prescribed by a specific provision of this Agreement) shall be

Elfman Employment Agreement
made not later than December 31 of the year following the year in which the Executive incurs the expense, and (c) in no event will the amount of expenses so reimbursed, or in-kind benefits provided, by the Company in any tax year affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Each payment, reimbursement or in-kind benefit made pursuant to the provisions of this Agreement shall be regarded as a separate payment and not one of a series of payments for purposes of Section 409A of the Code. It is intended that any amounts payable under this Agreement and the Company’s and the Executive’s exercise of authority or discretion hereunder shall comply with the provisions of Section 409A of the Code and the treasury regulations relating thereto so as not to subject the Executive to the payment of the additional tax, interest and any tax penalty which may be imposed under Code Section 409A. In furtherance of this interest, to the extent that any provision hereof would result in the Executive being subject to payment of the additional tax, interest and tax penalty under Code Section 409A, the parties agree to amend this Agreement in order to bring this Agreement into compliance with Code Section 409A; and thereafter interpret its provisions in a manner that complies with Section 409A of the Code. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of Treasury or the Internal Revenue Service. Notwithstanding the foregoing, no particular tax result for the Executive with respect to any income recognized by the Executive in connection with the Agreement is guaranteed, and the Executive shall be responsible for any taxes, penalties and interest imposed on him under or as a result of Section 409A of the Code in connection with the Agreement.

26. Amendment; Waiver. Except as otherwise provided herein, this Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by both Parties hereto. No waiver by either Party at any time of any breach by the other Party hereto or compliance with any condition or provision of this Agreement to be performed by such other Party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

27. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

28. Headings. Unless otherwise noted, the headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

29. Defined Terms.

(a) “Agreement” has the meaning set forth in the preamble.

(b) “Base Salary” has the meaning set forth in Section 4(a).

(c) “Board” has the meaning set forth in Section 3(a).

(d) “Bonus Award” has the meaning set forth in Section 4(b)(i).

Elfman Employment Agreement
(e) “Bylaws” means the Amended and Restated Sprint Nextel Corporation Bylaws, as may be amended from time to time.

(f) “Capped Bonus Award” shall mean the lesser of the annual Target Bonus or actual performance for such fiscal year in accordance with the then existing terms of the STIP, which shall not be payable until the Compensation Committee has determined that any incentive targets have been achieved and the subsequent designated payout date has arrived.

(g) “Cause” shall mean:

(i) any act or omission constituting a material breach by the Executive of any provisions of this Agreement;

(ii) the willful failure by the Executive to perform his duties hereunder (other than any such failure resulting from the Executive’s Disability), after demand for performance is delivered by the Company that identifies the manner in which the Company believes the Executive has not performed his duties, if, within 30 days of such demand, the Executive fails to cure any such failure capable of being cured;

(iii) any intentional act or misconduct materially injurious to the Company or any Subsidiary, financial or otherwise, or including, but not limited to, misappropriation, fraud including with respect to the Company’s accounting and financial statements, embezzlement or conversion by the Executive of the Company’s or any of its Subsidiary’s property in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(iv) the conviction (or plea of no contest) of the Executive for any felony or the indictment of the Executive for any felony including, but not limited to, any felony involving fraud, moral turpitude, embezzlement or theft in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(v) the commission of any intentional or knowing violation of any antifraud provision of the federal or state securities laws;

(vi) the Board reasonably believes in its good faith judgment that the Executive has committed any of the acts referred to in this Section 29 (g)(v);

(vii) there is a final, non-appealable order in a proceeding before a court of competent jurisdiction or a final order in an administrative proceeding finding that the Executive committed any willful misconduct or criminal activity (excluding minor traffic violations or other minor offenses) which commission is materially inimical to the interests of the Company or any Subsidiary, whether for his personal benefit or in connection with his duties for the Company or any Subsidiary;

Elfman Employment Agreement
(viii) current alcohol or prescription drug abuse affecting work performance;
(ix) current illegal use of drugs; or
(x) violation of the Company’s Code of Conduct, with written notice of termination by the Company for Cause in each case provided under this Section 29(g).

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed “intentional” if it was due primarily to an error in judgment or negligence, but shall be deemed “intentional” only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company.

(h) “Change in Control” has the meaning set forth in the CIC Severance Plan.
(i) “Chief Executive Officer” has the meaning set forth in Section 3(a).
(j) “CIC Severance Plan” means the Company’s Change in Control Severance Plan, as may be amended from time to time, or any successor plan, program or arrangement thereto.
(k) “CIC Severance Protection Period” has the meaning set forth in the CIC Severance Plan.
(l) “Certificate of Incorporation” means the Amended and Restated Articles of Incorporation of Sprint Nextel Corporation, as may be amended from time to time.
(m) “Code” means the Internal Revenue Code of 1986, as amended from time to time, including any rules and regulations promulgated thereunder, along with Treasury and IRS Interpretations thereof. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.
(n) “Company” has the meaning set forth in the preamble.
(o) “Company Group” has the meaning set forth in Section 10(a)(i).
(p) “Compensation Committee” means the Human Capital and Compensation Committee of the Board.
(q) “Competitor” has the meaning set forth in Section 11(b).
(r) “Developments” has the meaning set forth in Section 13(a).
(s) “Disability” or “Disabled” shall mean:

(i) the Executive’s incapacity due to physical or mental illness to substantially perform his duties and the essential functions of his position, with or without reasonable accommodation, on a full-time basis for six months as determined by the Board in its reasonable discretion, and within 30 days after a notice of termination is thereafter given by the Company, the Executive shall not have returned to the full-time performance of the Executive’s duties; and, further,
(ii) the Executive becomes eligible to receive benefits under the LTD Plan; provided, however, if the Executive shall not agree with a determination to terminate his employment because of Disability, the question of the Executive’s disability shall be subject to the certification of a qualified medical doctor agreed to by the Company and the Executive. The costs of such qualified medical doctor shall be paid for by the Company.

(t) “Effective Date” has the meaning set forth in the preamble.

(u) “Employee Plans” has the meaning set forth in Section 5(a).

(v) “Employment Term” means the Initial Employment Term and any Renewal Term.

(w) “Executive” has the meaning set forth in the preamble.

(x) “Good Reason” means the occurrence of any of the following without the Executive’s written consent, unless within 30 days of the Executive’s written notice of termination of employment for Good Reason, the Company cures any such occurrence:

(i) the Company’s material breach of this Agreement;

(ii) a material reduction in the Executive’s Base Salary, as set forth in Section 4(a), or Target Bonus, as set forth in Section 4(b)(i) (that is not in either case agreed to by the Executive), as compared to the corresponding circumstances in place on the Effective Date as may be increased pursuant to Section 4, except for across-the-board reductions generally applicable to all senior executives; or

(iii) relocation of the Executive’s principal place of work more than 50 miles without the Executive’s consent.

Any occurrence of Good Reason shall be deemed to be waived by the Executive unless the Executive provides the Company written notice of termination of employment for Good Reason within 60 days of the event giving rise to Good Reason.

(y) “Initial Employment Term” has the meaning set forth in Section 2.

(z) “JAMS” has the meaning set forth in Section 16.

Elfman Employment Agreement
(aa) “LTD Plan” has the meaning set forth in Section 9(e).

(bb) “LTSIP” means the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007 as may be amended from time to time, or any successor plan, program or arrangement thereto.

(cc) “LTSIP Target Award Opportunities” has the meaning set forth in Section 4(b)(ii).

(dd) “Participant” has the meaning set forth in the CIC Severance Plan.

(ee) “Parties” has the meaning set forth in the preamble.

(ff) “Party” has the meaning set forth in the preamble.

(gg) “Payment Period” means the period of 24 continuous months, as measured from the Executive’s Separation from Service.

(hh) “Place of Performance” has the meaning set forth in Section 8.

(ii) “Proprietary Information” has the meaning set forth in Section 10(a)(i).

(jj) “Release” means a release of claims in a form provided to the Executive by the Company in connection with the payment of benefits under this Agreement.

(kk) “Release Consideration and Revocation Period” means the combined total of the Release Consideration Period and the Release Revocation Period.

(ll) “Release Consideration Period” means the period of time pursuant to the terms of the Release afforded the Executive to consider whether to sign it.

(mm) “Release Revocation Period” means the period pursuant to the terms of an executed Release in which it may be revoked by the Executive.

(nn) “Renewal Term” has the meaning set forth in Section 2.

(oo) “Restricted Period” means the 24-month period following the Executive’s date of termination of employment with the Company for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive.

(pp) “Separation from Service” means “separation from service” from the Company and its subsidiaries as described under Section 409A of the Code and the guidance and Treasury regulations issued thereunder. Separation from Service will occur on the date on which the Executive’s level of services to the Company decreases to 21 percent or less of the average level of services performed by the Executive over the immediately preceding 36-month period (or if providing services for less than 36 months, such lesser period) after taking into account any services that the Executive provided prior to such date or that the Company and the Executive

Elfman Employment Agreement
reasonably anticipate the Executive may provide (whether as an employee or as an independent contractor) after such date. For purposes of the determination of whether the Executive has had a Separation from Service, the term “Company” shall mean the Company and any affiliate with which the Company would be considered a single employer under Section 414(b) or 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2. In addition, where the use of such definition of “Company” for purposes of determining a Separation from Service is based upon legitimate business criteria, in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Treasury Regulation Section 1.414(c)-2.

(qq) “Separation Plan” means the Company’s Separation Plan Amended and Restated Effective August 13, 2006, as may be amended from time to time or any successor plan, program, arrangement or agreement thereto.

(rr) “Specified Employee” shall mean an Executive who is a “specified employee” for purposes of Section 409A of the Code, as administratively determined by the Board in accordance with the guidance and Treasury regulations issued under Section 409A of the Code.

(ss) “STIP” means the Company’s short-term incentive plan under Section 8 of the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007, as may be amended from time to time, or any successor plan, program or arrangement thereto.

(tt) “Subsidiary” shall mean any entity, corporation, partnership (general or limited), limited liability company, entity, firm, business organization, enterprise, association or joint venture in which the Company directly or indirectly controls ten percent (10%) or more of the voting interest. Notwithstanding the foregoing, for purposes of Section 3(a), “Subsidiary” shall mean any affiliate with which the Company would be considered a single employer as described in the definition of Separation from Service.

(uu) “Target Bonuses” has the meaning set forth in Section 4(b)(i).

(vv) “Territory” has the meaning set forth in Section 11(b).
IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by an officer pursuant to the authority of its Board, and the Executive has executed this Agreement, as of the day and year first written above.

SPRINT NEXTEL CORPORATION

By: /s/ Sandra J. Price

/s/ Steve Elfman
Steven L. Elfman
Throughout this Award Agreement we sometimes refer to Sprint Nextel Corporation and its subsidiaries as “we” or “us.”

1. Award of Option Right

The Human Capital and Compensation Committee (the “Compensation Committee”) of the Board of Directors of Sprint Nextel granted you an Option Right to purchase from us 435,730 shares of Series 1 common stock, par value $2.00 per share of Sprint Nextel (the “Common Stock”) at an Option Price of $9.47 per share. The Option Right is governed by the terms of the Sprint Nextel Corporation 2007 Omnibus Incentive Plan (the “Plan”) and is subject to the terms and conditions described in this Award Agreement. The Option Right is not intended to qualify as an “incentive stock option” within the meaning of Section 422 of the Internal Revenue Code of 1986 (the “Code”).

2. When the Option Right Becomes Exercisable

Your Option Right becomes exercisable on the second anniversary of the Date of Grant, conditioned upon you continuously serving as our employee through that vesting date. You will forfeit the unvested shares under your Option Right if your service with us ends for any reason, unless vesting accelerates as described in paragraph 3 below.

3. Acceleration of Vesting

Unvested shares under your Option Right may become vested before the time at which they would normally become vested by the passage of time — that is, the vesting may accelerate. Accelerated vesting can apply in the four circumstances described below.

<table>
<thead>
<tr>
<th>Event</th>
<th>Condition for acceleration</th>
<th>Effective date of acceleration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Death</td>
<td>If you die before your Termination Date</td>
<td>Death</td>
</tr>
<tr>
<td>Disability</td>
<td>If you have a termination of employment under circumstances that would make you eligible for benefits under the company’s long-term disability plan</td>
<td>Your Termination Date</td>
</tr>
<tr>
<td>Termination Without Cause or Resignation with Good Reason</td>
<td>If you are involuntarily terminated without Cause or you resign for Good Reason under circumstances that you receive severance benefits under Section 9(b) of your Employment Agreement</td>
<td>The date of your involuntary termination (i.e., last day worked)</td>
</tr>
</tbody>
</table>

Termination Date means your termination of employment, or if, after your involuntary termination you receive severance from us paid according to our payroll cycle (i.e., not in a lump sum), Termination Date means the last day of your severance pay period.
4. Exercise of Option Right

To the extent it has vested, you may exercise your Option Right under this Award in whole or in part at the time or times as permitted by the Plan if the Option Right has not otherwise expired, been forfeited or terminated. To exercise you must:

- deliver a written election under procedures established by the Treasurer of Sprint Nextel (including by approved electronic medium) and
- pay the Option Price.

You may pay the Option Price by

- check or by wire transfer of immediately available funds,
- actual or constructive transfer of shares of Common Stock you have owned for at least six months having a market value on the Exercise Date equal to the total Option Price, or
- any combination of cash, shares of Common Stock and other consideration as the Compensation Committee may permit.

If you pay the Option Price by delivery of funds or shares of Common Stock, the value per share for purposes of determining your taxable income from such an exercise will be the Market Value Per Share of the Common Stock on the immediately preceding day before the exercise except that we will use the average of the high and low prices on that date in lieu of the closing price.

To the extent permitted by law, you may pay the Option Price from the proceeds of a sale through a broker designated by the Treasurer of Sprint Nextel. The Market Value Per Share for purposes of determining your taxable income from such an exercise will be the actual price at which the broker sold the shares.

5. Expiration of Option Right

Unless terminated earlier in accordance with the terms of this Award Agreement or the Plan, the Option Right granted herein will expire at 4:00 P.M., U.S. Eastern Time, on the tenth anniversary of the Grant Date (the “Expiration Date”). If the tenth anniversary of the Grant Date, however, is a Saturday, Sunday or any other day on which the market on which our Common Stock trades is closed (a “Non-Business Day”), then the Expiration Date will occur at 4:00 P.M., U.S. Eastern Time, on the first business day before the tenth anniversary of the Grant Date.

6. Effect of your Termination of Employment

The length of time you have to exercise your vested Option Right after your termination of employment from us depends on the reason for your termination. The table below describes the post-termination exercise period for the various termination reasons. In no event, however, may you exercise your Option Right after the Expiration Date.

- 2 -
<table>
<thead>
<tr>
<th>Termination Event</th>
<th>Time to Exercise Vested Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resignation</td>
<td>May exercise up to 90 days after your Termination Date</td>
</tr>
<tr>
<td>Death *</td>
<td>May exercise up to 12 months after your Termination Date</td>
</tr>
<tr>
<td>Disability *</td>
<td>May exercise up to 60 months after your termination of employment under circumstances that would make you eligible for benefits under the company’s long-term disability plan</td>
</tr>
<tr>
<td>Early Retirement (i.e., on your Termination Date you would be eligible to commence early or special early retirement benefits under the Sprint Retirement Pension Plan whether or not you are a participant in that plan)</td>
<td>May exercise up to 60 months after your Termination Date</td>
</tr>
<tr>
<td>Involuntary termination (not for Cause) not in connection with a Change in Control</td>
<td>May exercise up to:</td>
</tr>
<tr>
<td></td>
<td>• 90 days after your Termination Date, or</td>
</tr>
<tr>
<td></td>
<td>• 60 months after your Termination Date if you are eligible for Early Retirement on your Termination Date</td>
</tr>
<tr>
<td>Involuntary termination (not for Cause) during the CIC Severance Protection Period *</td>
<td>May exercise up to:</td>
</tr>
<tr>
<td></td>
<td>• 90 days after your Termination Date, or</td>
</tr>
<tr>
<td></td>
<td>• 60 months after your Termination Date if you are eligible for Early Retirement on your Termination Date</td>
</tr>
<tr>
<td>For Cause</td>
<td>Forfeited</td>
</tr>
</tbody>
</table>

* See paragraph 3 for rules regarding acceleration of vesting.

If the last day to exercise under the schedule described in the table above is a Non-Business Day, then you must exercise no later than the previous business day.

You are solely responsible for managing the exercise of your Option Award in order to avoid inadvertent expiration.

7. Transfer of your Option Right and Designation of Beneficiaries

Your Option Right represents a contract between Sprint Nextel and you, and your rights under the contract are not assignable to any other party during your lifetime. Upon your death, your Option Right may be exercised in accordance with the terms of the Award by any beneficiary you name in a beneficiary designation or, if you make no designation, by your estate.
8. Plan Terms

All capitalized terms used in this Award Agreement that are not defined in this Award Agreement have the same meaning as those terms have in the Plan. The terms of the Plan are hereby incorporated by this reference. A copy of the Plan will be furnished upon request. “Cause” and “Good Reason” have the meanings set forth in your Employment Agreement.

9. Adjustment

In the event of any change in the number or kind of outstanding shares of our Common Stock by reason of a recapitalization, merger, consolidation, reorganization, separation, liquidation, stock split, stock dividend, combination of shares or any other change in our corporate structure or shares of our Common Stock, an appropriate adjustment will be made consistent with applicable provisions of the Code and applicable Treasury Department rulings and regulations in the number and kind of shares subject to outstanding Awards and any other adjustments as the Board deems appropriate.

10. Amendment; Discretionary Nature of Plan

This Award Agreement is subject to the terms of the Plan, as may be amended from time to time, except that the Award which is the subject of this Award Agreement may not be materially impaired by any amendment or termination of the Plan approved after the Date of Grant without your written consent. You acknowledge and agree that the Plan is discretionary in nature and may be amended, cancelled, or terminated by the Company, in its sole discretion, at any time. The grant of the Option Award under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of Option Awards, other types of grants under the Plan, or benefits in lieu of such grants in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the number of shares underlying the Option Award granted, and vesting provisions.

11. Data Privacy

By entering into this agreement, you (i) authorize us, and any agent of ours administering the Plan or providing Plan recordkeeping services, to disclose to us or our subsidiaries such information and data as we or our subsidiaries request in order to facilitate the grant of the Option Right and the administration of the Plan; (ii) waive any data privacy rights you may have with respect to such information; and (iii) authorize us to store and transmit such information in electronic form.

12. Governing Law

This Award Agreement will be governed by the laws of the State of Kansas. No shares of Common Stock will be delivered upon the exercise of the Option Right unless counsel for the Company is satisfied that such delivery will be in compliance with all applicable laws.

13. Severability

The various provisions of this Award Agreement are severable, and any determination of invalidity or unenforceability of any one provision shall have no effect on the remaining provisions.
14. Entire Agreement

This Award Agreement contains the entire understanding of the parties. This Award Agreement may not be modified or amended except in writing duly signed by the parties, except that we may adopt a modification or amendment to the Award Agreement that is not materially adverse to you. Any waiver or any right or failure to perform under this Award Agreement must be in writing signed by the party granting the waiver and will not be deemed a waiver of any subsequent failure to perform.

Sprint Nextel Corporation
By: /s/ Sandra J. Price

/s/ Steve Elfman
Steven L. Elfman

*This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933*
Restricted Stock Unit Award Agreement
Sign-on Award

Throughout this Award Agreement we sometimes refer to Sprint Nextel Corporation and its subsidiaries as “we” or “us.”

1. Award of Restricted Stock Units

The Human Capital and Compensation Committee (the “Compensation Committee”) of the Board of Directors of Sprint Nextel granted you an Award of 129,032 Restricted Stock Units (RSUs) under the terms of the Sprint Nextel Corporation 2007 Omnibus Incentive Plan (the “Plan”) as of the Date of Grant. Subject to the restrictions and conditions of the Plan and this Award Agreement, each RSU represents the right for you to receive from us one share of Common Stock on the Vesting Date and gives you the right to dividend equivalents as described in paragraph 5 below. Your right to receive shares of Common Stock under the RSUs is a contractual right between you and us and does not give you a preferred claim to any particular assets or shares of Sprint Nextel.

2. Restriction Period

Your RSUs vest 100 percent on the second anniversary of the date of Grant, or on the date vesting is accelerated as described in paragraph 4 below (the “Vesting Date”), conditioned upon you continuously serving as our employee through that Vesting Date. RSUs that are subject to forfeiture on your termination of service as an employee are called “unvested RSUs,” and RSUs no longer subject to forfeiture or restrictions on transfer are called “vested RSUs.”

3. Forfeiture of RSUs

You will forfeit unvested RSUs if you terminate your service with us for any reason (unless vesting of your RSUs accelerates under paragraph 4).

4. Acceleration of Vesting; Continued Vesting during Separation Pay Period

Unvested RSUs may become vested RSUs before the time at which they would normally become vested — that is, the vesting of RSUs may accelerate. Accelerated vesting occurs under the three circumstances described below and you will receive the Common Stock underlying the number of RSUs in paragraph 1.

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<td>Disability</td>
<td>If you have a Separation from Service under circumstances that make you eligible for benefits under the company’s long-term disability plan.</td>
<td>Your Separation from Service (or after the Six-Month Payment Delay if you are a specified employee)</td>
</tr>
<tr>
<td>Termination by us without Cause or your Resignation for Good Reason</td>
<td>If you have a Separation from Service under circumstances that you receive severance benefits under Section 9(b) of your employment agreement.</td>
<td>Your Separation from Service (or after the Six-Month Payment Delay if you are a specified employee)</td>
</tr>
</tbody>
</table>
Termination Date means your termination of employment, or if, after your involuntary termination you receive severance from us paid according to our payroll cycle (i.e., not in a lump sum), Termination Date means the last day of your severance pay period.

Separation from Service is defined in the Plan. Generally, it means the date of your termination of employment with us. To contrast the date of your Separation from Service from your Termination Date, if you are involuntarily terminated and receive severance pay from us, your Separation from Service would occur on the last day you actually worked for us and your Termination Date would occur on the last day of your severance pay period.

Six-Month Payment Delay is defined in the Plan to mean the required delay in payment to a Participant who is a “specified employee” of amounts subject to Section 409A of the Internal Revenue Code (the “Code”) that are paid upon Separation from Service. Specified employees, generally, are our 50 highest paid officers.

5. Dividend Equivalents

If cash dividends are paid on the Common Stock underlying your unvested RSUs, and you hold those RSUs on the dividend record date, you will accrue additional whole or fractional RSUs equal to the number of shares of Common Stock the dividend would buy at the market Value Per Share on the dividend payment date. These additional RSUs will vest and be subject to delivery at the same time, and have the same terms, as the original RSU award.

6. Delivery Date; Market Value Per Share

The Delivery Date is the date as of which we distribute the Common Stock underlying the RSUs to you. It is the Vesting Date, or the day after the Six-Month Payment Delay if that delay applies to your RSUs. We calculate your taxable income on the Delivery Date using the Market Value Per Share on the immediately preceding trading day, but we use the average of the high and low reported prices of our Common Stock instead of the closing price. We will distribute the Common Stock underlying the RSUs, and any associated dividend equivalents in cash, as soon as practicable after the Delivery Date, but in no event later than 45 days after the Delivery Date.

7. Transfer of your RSUs and Designation of Beneficiaries

Your RSUs represents a contract between Sprint Nextel and you, and your rights under the contract are not assignable to any other party during your lifetime. Upon your death, shares of Common Stock underlying your RSUs will be delivered in accordance with the terms of the Award to any beneficiaries you name in a beneficiary designation or, if you make no designation, to your estate.

8. Plan Terms

All capitalized terms used in this Award Agreement that are not defined in this Award Agreement have the same meaning as those terms have in the Plan. The terms of the Plan are hereby incorporated by this reference. A copy of the Plan will be furnished upon request. “Cause” and “Good Reason” have the meanings set forth in your Employment Agreement.
9. Adjustment

In the event of any change in the number or kind of outstanding shares of our Common Stock by reason of a recapitalization, merger, consolidation, reorganization, separation, liquidation, stock split, stock dividend, combination of shares or any other change in our corporate structure or shares of our Common Stock, an appropriate adjustment will be made consistent with applicable provisions of the Code and applicable Treasury Department rulings and regulations in the number and kind of shares subject to outstanding Awards and any other adjustments as the Board deems appropriate.

10. Amendment; Discretionary Nature of Plan

This Award Agreement is subject to the terms of the Plan, as may be amended from time to time, except that the Award which is the subject of this Award Agreement may not be materially impaired by any amendment or termination of the Plan approved after the Date of Grant without your written consent. You acknowledge and agree that the Plan is discretionary in nature and may be amended, cancelled, or terminated by us, in our sole discretion, at any time. The grant of RSUs under the Plan is a one-time benefit and does not create any contractual or other right to receive a grant of RSUs, other types of grants under the Plan, or benefits in lieu of such grants in the future. Future grants, if any, will be at the sole discretion of the Company, including, but not limited to, the timing of any grant, the number of RSUs granted, the payment of dividend equivalents, and vesting provisions.

11. Data Privacy

By entering into this agreement, you (i) authorize us, and any agent of ours administering the Plan or providing Plan recordkeeping services, to disclose to us or our subsidiaries such information and data as we or our subsidiaries request in order to facilitate the grant of the RSUs and the administration of the Plan; (ii) waive any data privacy rights you may have with respect to such information; and (iii) authorize us to store and transmit such information in electronic form.

12. Governing Law

This Award Agreement will be governed by the laws of the State of Kansas. No shares of Common Stock will be delivered to you upon the vesting of the RSUs unless counsel for the Company is satisfied that such delivery will be in compliance with all applicable laws.

13. Severability

The various provisions of this Award Agreement are severable, and any determination of invalidity or unenforceability of any one provision shall have no effect on the remaining provisions.

14. Taxes

You are liable for any and all taxes, including withholding taxes, arising out of this grant or the issuance of the Common Stock on vesting of RSUs. The Company is authorized to deduct the amount of the tax withholding from the amount payable to you upon settlement of the RSUs. We will withhold from the total number of shares of Common Stock you are to receive the value equal to the amount necessary to satisfy any such withholding obligation at the minimum applicable withholding rate. In addition, if you become subject to FICA or Medicare tax, but you are not yet entitled to delivery of the shares of Common Stock underlying the RSUs, you hereby authorize us to withhold the resulting FICA or Medicare tax from other income payable to you.
15. Entire Agreement

This Award Agreement contains the entire understanding of the parties. This Award Agreement may not be modified or amended except in writing duly signed by the parties, except that we may adopt a modification or amendment to the Award Agreement that is not materially adverse to you. Any waiver or any right or failure to perform under this Award Agreement must be in writing signed by the party granting the waiver and will not be deemed a waiver of any subsequent failure to perform.

Sprint Nextel Corporation

By: /s/ Sandra J. Price

/s/ Steve Elfman
Steven L. Elfman

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933

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AMENDED AND RESTATED EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of December 31, 2008 and amends and restates the Employment Agreement (the “Original Employment Agreement”), originally entered into as of November 17, 2003 (the “Effective Date”), by and among SPRINT CORPORATION, renamed SPRINT NEXTEL 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 PAGET L. ALVES (“Executive”).

Recitals

1. Because the Company is mindful of Executive’s attractiveness in the competitive marketplace, both within and outside of the telecommunications industry, it desires to insure his employment with the Company and to provide him appropriate compensation arrangements that continue to motivate him to focus on and increase shareholder value.

2. The Company desires to continue to secure the long-term employment of Executive.

3. Executive and the Company desire to amend and restate the Original Employment Agreement as provided herein.

4. 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 amend and restate the Original Employment Agreement as follows:

1. Employment and Termination

1.01. Conditions of Employment

Subject to the terms of this Agreement, the Company hereby agrees to continue to employ Executive as President—Sales and Distribution, 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”) began 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 6.06 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 6.18 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 date of Separation from Service,
(ii) any payment under the Incentive Plan for Performance Periods ending before the date of Separation from Service, 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 date of Separation from Service.

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 4 are conditioned on Executive’s compliance with the requirements of Section 4.02(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 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. **Confidentiality of Agreement.**

Executive shall not disclose or discuss the existence of this Agreement or any of the terms of this Agreement except

(i) to members of his immediate family,

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2.05. **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. **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.

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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.

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.

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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 1/250th of his Base Salary rate at his Termination Date) for Executive’s services within 30 days of such 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**

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 and, in either event, such termination constitutes a Separation from Service, then Executive shall, subject to the applicable provisions of this Section 4, be entitled to the following payments and benefits (the “Severance Benefits”):

(i) The Company will pay Executive his Base Salary, at the rate in effect prior to his termination of employment, in equal bi-weekly installments on the regular payroll dates under the Company’s payroll practices applicable to Executive on the date of this Agreement for the Severance Period, except that (A) if the Release Consideration and Revocation Period ends on or after December 15th of the calendar year of Executive’s Separation from Service, such installments that are otherwise payable in the year of the Executive’s Separation from Service shall be paid in a lump sum on the first business day of the following calendar year or (B) if Executive is a Specified Employee, with respect to any amount payable by reason of the Separation from Service that constitutes deferred compensation within the meaning of Section 409A of the Code, such installments shall not commence until after the end of the six continuous month period following the date of the Executive’s Separation from Service, in which case, the Executive shall be paid a lump-sum cash payment equal to the aggregate amount of missed installments during such period on the first day of the seventh month following the date of the Executive’s Separation from Service;
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 date of Separation from Service 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.

(C) 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 4.01(ii) (B) and (C), in determining whether to count the month in which the Severance Period ends, if the end of the Severance Period - 8 -

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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 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 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 Severance Period had the Performance Periods remained 12 months in length.

Notwithstanding anything in this Section 4.01(ii) to the contrary, each such payment shall be payable in accordance with the provisions of the Incentive Plan in the calendar year in which the Termination Period Incentive Payout or Capped Incentive Payout, as applicable, is determined, and in all events, not later than December 31st of the year in which each such payout is determined.

(iii) 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 date of Separation from Service, except that long-term disability and short-term disability benefits shall cease on Executive’s date of Separation from Service, 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.

(iv) 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; provided, however, that all such outplacement services must be completed, and all payments by the Company must be made, by December 31st of the second calendar year following the calendar year in which Executive’s Separation from Service occurs.

(v) 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 5 shall continue.

4.02. 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 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 his employment with the Company or the termination thereof except for any claims Executive may have against the Company under this Agreement and any 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 Executive executing a Release within the Release Consideration Period and delivering it to the Company with the Release Revocation Period expired without revocation.

Notwithstanding anything in the Release and Section 4.01 to the contrary, to the extent Executive has not executed the Release within the Release Consideration Period and delivered it to the Company, or has revoked the executed Release within the Release Revocation Period, as determined at the end of such Release Revocation Period, Executive will forfeit any right to receive the payments and benefits specified in Section 4.01.

(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) Other Severance Arrangements

Except as otherwise provided in this Section 4.02(d), 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 any Company separation plans or policies or any other similar arrangement of the Company providing benefits upon termination of employment. If the Executive is a Participant in, and is entitled to severance benefits under, the CIC Severance Plan, severance compensation and benefits payable under Section 4.01 of this Agreement will be reduced dollar for dollar (but not below zero) by

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compensation and benefits payable to Executive under the CIC Severance Plan, if any, it being the intent that the Executive receive the greatest of the severance compensation and benefits under the CIC Severance Plan or this Agreement.

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 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 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.

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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

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(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

(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

Alves Employment Agreement
For purposes of clarification, (x) a change in the voting power of Sprint 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 Severance Plan**

“CIC Severance Plan” means the Sprint Nextel Corporation Change in Control Severance Plan, as may be amended from time to time, or any successor plan, program or arrangement thereto.

6.09. **Code**

“Code” means the Internal Revenue Code of 1986, as amended from time to time, including any rules and regulations promulgated thereunder, along with Treasury and IRS Interpretations thereof. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

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Alves Employment Agreement
6.10. **Committee**
“Committee” means the Human Capital and Compensation Committee of the Board or any successor committee primarily responsible for executive compensation.

6.11. **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.

6.12. **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, web hosting and network security services);
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.

6.13. **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.

6.14. **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.

6.15. **Employment Term**

“Employment Term” shall have the meaning as defined in Section 1.03 of this Agreement.

6.16. **End Date**

“End Date” shall have the meaning as defined in Section 1.03 of this Agreement.

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6.17. **Final Targeted Compensation**

“Final Targeted Compensation” means the Targeted Compensation of Executive for the Termination Performance Period.

6.18. **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.

6.19. **Incentive Plan**

“Incentive Plan” means the Company’s short-term incentive plan under Section 8 of the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007, as may be amended from time to time, or any successor plan, program or arrangement thereto.

6.20. **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.

6.21. **Participant**

“Participant” shall have the meaning set forth in the CIC Severance Plan.

6.22. **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.
6.23. **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.

6.24. **Post I Termination Performance Period**

“Post I Termination Performance Period” means the Performance Period immediately following the Termination Performance Period.

6.25. **Post II Termination Performance Period**

“Post II Termination Performance Period” means the Performance Period immediately following the Post I Termination Performance Period.

6.26. **Proceeding**

“Proceeding” shall have the meaning as defined in Section 3.08 of this Agreement.

6.27. **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.

6.28. **Release**

“Release” means a release of claims in a form provided to Executive by the Company in connection with the payment of benefits under this Agreement.

6.29. **Release Consideration and Revocation Period**

“Release Consideration and Revocation Period” means the combined total of the Release Consideration Period and the Release Revocation Period.
6.30. **Release Consideration Period**

“Release Consideration Period” means the forty-five (45) day period after Executive’s Separation from Service afforded Executive to consider whether to sign the Release.

6.31. **Release Revocation Period**

“Release Revocation Period” means the period pursuant to the terms of an executed Release in which it may be revoked by Executive.

6.32. **Restrictive Covenants**

“Restrictive Covenants” means those covenants applicable to Executive set forth in Section 3.02 through 3.07 of this Agreement.

6.33. **Separation from Service.**

“Separation from Service” means “separation from service” from the Company as described under Section 409A of the Code and the guidance and Treasury regulations issued thereunder. Separation from Service will occur on the date on which Executive’s level of services to the Company decreases to 21 percent or less of the average level of services performed by Executive over the immediately preceding 36-month period (or if providing services for less than 36 months, such lesser period) after taking into account any services that Executive provided prior to such date or that the Company and Executive reasonably anticipate Executive may provide (whether as an employee or as an independent contractor) after such date. For purposes of the determination of whether Executive has had a Separation from Service, the term the “Company” shall mean Sprint and any affiliate with which Sprint would be considered a single employer under Section 414(b) or 414(c) of the Code, provided that in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2. In addition, where the use of such definition of “Sprint” for purposes of determining a Separation from Service is based upon legitimate business criteria, in applying Sections 1563(a)(1), (2), and (3) of the Code for purposes of determining a controlled group of corporations under Section 414(b) of the Code, the language “at least 20 percent” is used instead of “at least 80 percent” each place it appears in Sections 1563(a)(1), (2) and (3) of the Code, and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Section 414(c) of the Code, “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Treasury Regulation Section 1.414(c)-2.

6.34. **Severance Benefits**

“Severance Benefits” shall have the meaning as defined in Section 4.01 of this Agreement.

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Alves Employment Agreement
6.35. **Severance Period**
“Severance Period” means the period beginning on Executive’s Separation of Service and ending on the earlier to occur of (A) the 18-month period following the date of Executive’s Separation from Service or (B) the End Date.

6.36. **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.

6.37. **Specified Employee**
“Specified Employee” shall mean an Executive who is a “specified employee” for purposes of Section 409A of the Code, as administratively determined by the Board in accordance with the guidance and Treasury regulations issued under Section 409A of the Code.

6.38. **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.

6.39. **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%.

6.40. **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.

6.41. **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).

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6.42. **Termination Performance Period**

“Termination Performance Period” means the Performance Period in which Executive’s Separation from Service occurs.

6.43. **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 date of Separation from Service, and, for clause (2), the number of months in the Performance Period occurring after the date of Separation from Service 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 date of Separation from Service will be rounded to the nearest month, rounding to the beginning of the month if the date of Separation from Service falls on or before the 15th of the month and to the beginning of the following month if the date of Separation from Service falls after the 15th of the month.

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.

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Alves Employment Agreement
8. **Compliance with Section 409A of the Code.**

With respect to reimbursements or in-kind benefits provided under this Agreement: (a) the Company will not provide for cash in lieu of a right to reimbursement or in-kind benefits to which the Executive has a right under this Agreement, (b) any reimbursement or provision of in-kind benefits made during the Executive’s lifetime (or such shorter period prescribed by a specific provision of this Agreement) shall be made not later than December 31st of the year following the year in which the Executive incurs the expense, and (c) in no event will the amount of expenses so reimbursed, or in-kind benefits provided, by the Company in one year affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Each payment, reimbursement or in-kind benefit made pursuant to the provisions of this Agreement shall be regarded as a separate payment and not one of a series of payments for purposes of Section 409A of the Code. It is intended that any amounts payable under this Agreement and the Company’s and the Executive’s exercise of authority or discretion hereunder shall comply with the provisions of Section 409A of the Code and the treasury regulations relating thereto so as not to subject the Executive to the payment of the additional tax, interest and any tax penalty which may be imposed under Section 409A of the Code. In furtherance of this interest, to the extent that any provision hereof would result in the Executive being subject to payment of the additional tax, interest and tax penalty under Code Section 409A, the parties agree to amend this Agreement in order to bring this Agreement into compliance with Code Section 409A; and thereafter interpret its provisions in a manner that complies with Section 409A of the Code. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of Treasury or the Internal Revenue Service. Notwithstanding the foregoing, no particular tax result for the Executive with respect to any income recognized by the Executive in connection with the Agreement is guaranteed, and the Executive shall be responsible for any taxes, penalties and interest imposed on him under or as a result of Section 409A of the Code in connection with the Agreement.

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.

Alves Employment Agreement
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:

Paget L. Alves  
11521 Canterbury Cir.  
Leawood, KS 66211

If to Company:

Sprint Nextel Corporation  
Attn: Corporate Secretary  
6200 Sprint Parkway  
Overland Park, KS 66251

with copy to:

Sprint Nextel 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.

Alves Employment Agreement
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. Surviviorship
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.

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.

[Signature page follows]

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Alves Employment Agreement
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date set forth above.

SPRINT NEXTEL CORPORATION

By: /s/ Sandra J. Price

SPRINT/UNITED MANAGEMENT COMPANY

By: /s/ Paget L. Alves

Paget L. Alves, “Executive”

Alves Employment Agreement
Exhibit A
Boards of Directors of For-Profit Businesses

None

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Alves Employment Agreement
THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of December 31, 2008 and amends and restates the Employment Agreement (the “Original Employment Agreement”) originally entered into as of October 13, 2008, (the “Effective Date”), by and between Sprint Nextel Corporation, a Kansas corporation (the “Company”) on behalf of itself and any of its subsidiaries, affiliates and related entities, and Charles R. Wunsch (the “Executive”) (the Company and the Executive, collectively, the “Parties,” and each, a “Party”). Certain capitalized terms are defined in Section 29.

WHEREAS, the Executive serves as General Counsel and Corporate Secretary and the Executive desires to continue such employment; and

WHEREAS, the Executive and the Company desire to amend and restate the Original Employment Agreement as provided herein;

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth herein and for other good and valuable consideration, the sufficiency and receipt of which are hereby acknowledged, the Company and the Executive amend and restate the Original Employment Agreement as follows:

1. Employment.
   (a) The Company will continue to employ the Executive and the Executive will continue to be employed by the Company upon the terms and conditions set forth herein.
   (b) The employment relationship between the Company and the Executive shall be governed by the general employment policies and practices of the Company, including without limitation, those relating to the Company’s Code of Conduct, confidential information and avoidance of conflicts, except that when the terms of this Agreement differ from or are in conflict with the Company’s general employment policies or practices, this Agreement shall control.

2. Term. Subject to termination under Section 9, the Executive’s employment shall be for an initial term of 24 months commencing on the Effective Date and shall continue through the second anniversary of the Effective Date (the “Initial Employment Term”). At the end of the Initial Employment Term and on each succeeding anniversary of the Effective Date, the Employment Term will be automatically extended by an additional 12 months (each, a “Renewal Term”), unless, not less than 12 months prior to the end of the Initial Employment Term or any Renewal Term, either the Executive or the Company has given the other written notice (in accordance with Section 20) of nonrenewal. The Executive shall provide the Company with written notice of his intent to terminate employment with the Company at least 30 days prior to the effective date of such termination.
3. Position and Duties of the Executive.

(a) The Executive serves as General Counsel and Corporate Secretary of the Company, and agrees to serve as an officer of any enterprise and/or agrees to be an employee of any Subsidiary as may be requested from time to time by the Board of Directors of the Company (the “Board”), any committee or person delegated by the Board or the Chief Executive Officer of the Company (the “Chief Executive Officer”). In such capacity, the Executive shall report directly to the Chief Executive Officer of the Company or such other officer of the Company as may be designated by the Chief Executive Officer. The Executive shall have such duties, responsibility and authority as may be assigned to the Executive from time to time by the Chief Executive Officer, the Board or such other officer of the Company as may be designated by the Chief Executive Officer or the Board.

(b) During the Employment Term, the Executive shall, except as may from time to time be otherwise agreed to in writing by the Company, during reasonable vacations (as set forth in Section 7 hereof) and authorized leave and except as may from time to time otherwise be permitted pursuant to Section 3 (c), devote his best efforts, full attention and energies during his normal working time to the business of the Company, any duties as may be delineated in the Company’s Bylaws for the Executive’s position and title and such other related duties and responsibilities as may from time to time be reasonably prescribed by the Board, any committee or person designated by the Board, or the Chief Executive Officer, in each case, within the framework of the Company’s policies and objectives.

(c) During the Employment Term, and provided that such activities do not contravene the provisions of Section 3(a) or (b) or Sections 10, 11, 12 or 13 hereof and, provided further, the Executive does not engage in any other substantial business activity for gain, profit or other pecuniary advantage which materially interferes with the performance of his duties hereunder, the Executive may participate in any governmental, educational, charitable or other community affairs and, subject to the prior approval of the Chief Executive Officer, serve as a member of the governing board of any such organization or any private or public for-profit company. The Executive may retain all fees and other compensation from any such service, and the Company shall not reduce his compensation by the amount of such fees.


(a) Base Salary. During the Employment Term, the Company shall pay to the Executive an annual base salary of $425,000 (the “Base Salary”), which Base Salary shall be payable at the times and in the manner consistent with the Company’s general policies regarding compensation of the Company’s senior executives. The Base Salary will be reviewed periodically by the Chief Executive Officer and may be increased (but not decreased, except for across-the-board reductions generally applicable to the Company’s senior executives) from time to time in the Chief Executive Officer’s sole discretion.

(b) Incentive Compensation. The Executive will continue to be eligible to participate in any short-term and long-term incentive compensation plans, annual bonus plans and such other management incentive programs or arrangements of the Company approved by the Board that are generally available to the Company’s senior executives, including, but not limited to, the STIP and the LTSIP. Incentive compensation shall be paid in accordance with the terms and conditions of the applicable plans, programs and arrangements.
(i) **Annual Performance Bonus.** During the Employment Term, the Executive shall continue to be entitled to participate in the STIP, with such opportunities as may be determined by the Chief Executive Officer in his sole discretion ("Target Bonuses"), and as may be increased (but not decreased, except for across-the-board reductions generally applicable to the Company’s senior executives) from time to time, and the Executive shall be entitled to receive full payment of any award under the STIP, determined pursuant to the STIP (a "Bonus Award").

(ii) **Long-Term Performance Bonus.** During the Employment Term, the Executive shall continue to be entitled to participate in the LTSIP with such opportunities, if any, as may be determined by the Chief Executive Officer ("LTSIP Target Award Opportunities").

(iii) Incentive bonuses, if earned, shall be paid when incentive compensation is customarily paid to the Company’s senior executives in accordance with the terms of the applicable plans, programs or arrangements.

(iv) Pursuant to the Company’s applicable incentive or bonus plans as in effect from time to time, the Executive’s incentive compensation during the term of this Agreement may be determined according to criteria intended to qualify as performance-based compensation under Section 162(m) of the Code.

(c) **Equity Compensation.** The Executive shall continue to be eligible to participate in such equity incentive compensation plans and programs as the Company generally provides to its senior executives, including, but not limited to, the LTSIP. During the Employment Term, the Compensation Committee may, in its sole discretion, grant equity awards to the Executive, which would be subject to the terms of the respective award agreements evidencing such grants and the applicable plan or program.

5. **Benefits.**

(a) During the Employment Term, the Company shall make available to the Executive, subject to the terms and conditions of the applicable plans, participation for the Executive and his eligible dependents in: (i) Company-sponsored group health, major medical, dental, vision, pension and profit sharing, 401(k) and employee welfare benefit plans, programs and arrangements (the "Employee Plans") and such other usual and customary benefits in which senior executives of the Company participate from time to time, and (ii) such fringe benefits and perquisites as may be made available to senior executives of the Company as a group.

(b) The Executive acknowledges that the Company may change its benefit programs from time to time, which may result in certain benefit programs being amended or terminated for its senior executives generally.
6. Expenses. The Company shall pay or reimburse the Executive for reasonable and necessary business expenses incurred by the Executive in connection with his duties on behalf of the Company in accordance with the Company’s Enterprise Financial Services—Employee Travel and Expense Policy, as may be amended from time to time, or any successor policy, plan, program or arrangement thereto and any other of its expense policies applicable to senior executives of the Company, following submission by the Executive of reimbursement expense forms in a form consistent with such expense policies.

7. Vacation. In addition to such holidays, sick leave, personal leave and other paid leave as is allowed under the Company’s policies applicable to senior executives generally, the Executive shall be entitled to participate in the Company’s vacation policy in accordance with the Company’s policy generally applicable to senior executives. The duration of such vacations and the time or times when they shall be taken will be determined by the Executive in consultation with the Company.

8. Place of Performance. In connection with his employment by the Company, the Executive shall be based at the principal executive offices of the Company in the vicinity of Overland Park, Kansas (the “Place of Performance”), except for travel reasonably required for Company business. If the Company relocates the Executive’s place of work more than 50 miles from his place of work prior to such relocation, the Executive shall relocate to a residence within (a) 50 miles of such relocated place of work or (b) such total miles that does not exceed the total number of miles the Executive commuted to his place of work prior to relocation of the Executive’s place of work. To the extent the Executive relocates his residence as provided in this Section 8, the Company will pay or reimburse the Executive’s relocation expenses in accordance with the Company’s Relocation Policy applicable to senior executives.


(a) Termination by the Company for Cause or Resignation by the Executive Without Good Reason. If, during the Employment Term, the Executive’s employment is terminated by the Company for Cause, or if the Executive resigns without Good Reason, the Executive shall not be eligible to receive Base Salary or to participate in any Employee Plans with respect to future periods after the date of such termination or resignation except for the right to receive accrued but unpaid cash compensation and vested benefits under any Employee Plan in accordance with the terms of such Employee Plan and applicable law.

(b) Termination by the Company Without Cause or Resignation by the Executive for Good Reason outside of the CIC Severance Protection Period. If, during the Employment Term, the Executive’s employment is terminated by the Company without Cause or the Executive terminates for Good Reason prior to or following expiration of the CIC Severance Protection Period and such termination constitutes a Separation from Service or the Executive is entitled to severance compensation and benefits under this Section 9(b) pursuant to the provisions of Section 9(c), the Executive shall be entitled to receive from the Company: (1) the Executive’s accrued, but unpaid, Base Salary through the date of termination of employment, payable in accordance with the Company’s normal payroll practices; and (2) conditioned upon the Executive executing a Release within the Release Consideration Period and delivering it to the Company with the Release Revocation Period expired without revocation, and in full satisfaction of the Executive’s rights and any benefits the Executive might be entitled to under the Separation Plan and this Agreement, unless otherwise specified herein:

(i) periodic payments equal to his Base Salary in effect prior to the termination of his employment, which payments shall be paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this Agreement for the Payment Period, except that if the Executive is a Specified Employee, with respect to any amount payable by reason of the Separation from Service that constitutes deferred compensation within the meaning of Code Section 409A, such installments shall not commence until after the end of the six continuous month period following the date of the Executive’s Separation from Service, in which case, the Executive shall be paid a lump-sum cash payment equal to the aggregate amount of missed installments during such period on the first day of the seventh month following the date of the Executive’s Separation from Service;
(ii) (A) receive a pro rata payment of the Bonus Award for the portion of the Company’s current fiscal year prior to the date of termination of his employment; (B) receive a pro rata payment of the Capped Bonus Award for the portion of the Company’s current fiscal year following the date of termination of his employment; (C) receive for the next fiscal year following the fiscal year during which termination of his employment occurs, the Capped Bonus Award; and (D) receive payment of a pro rata portion of the Capped Bonus Award for the second year following the fiscal year during which the Executive’s employment terminates (for purposes of this Section 9(b)(ii), any pro rata payment shall be determined based on the methodology for determining pro rated awards under the STIP, each such payment shall be payable in accordance with the provisions of the STIP in the calendar year in which the Bonus Award or each Capped Bonus Award, as applicable, is determined, and in all events, not later than December 31st of the year in which each such award is determined); provided, however, that to the extent the Executive’s employment is terminated for Good Reason due to a reduction of the Executive’s Target Bonus, in accordance with Section 29(x)(ii), the Executive’s Target Bonus for the purposes of this Section 9(b)(ii) shall be the Executive’s Target Bonus immediately prior to such reduction;

(iii) continue from the date of Separation from Service participation in the Company’s group health plans at then-existing participation and coverage levels for the number of months equal to the period of continuation coverage the Executive would be entitled to pursuant to Section 4980B of the Code, in accordance with Section 409A of the Code, comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements and the Company shall deduct from each payment payable to the Executive pursuant to Section 9(b)(i), the amount of any employee contributions necessary to maintain such coverage for such period, except that (A) following such period, the Executive shall retain any rights to continue coverage under the Company’s group health plans under the benefits continuation provisions pursuant to Section 4980B of the Code by paying the
applicable premiums of such plans; and (B) the Executive shall no longer be eligible to receive the benefits otherwise receivable pursuant to this Section 9(b)(iii) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer;

(iv) continue participation at the Executive’s sole cost in the Company’s group health plans at then-existing participation and coverage levels commencing at the beginning of and continuing for the remainder of the Payment Period following the period of continuation coverage the Executive would be entitled to, if any, pursuant to Section 9(b)(iii) above, in accordance with Section 409A of the Code, comparable to the terms in effect from time to time for the Company’s senior executives, but only to the extent that the Executive makes a payment to the Company in an amount equal to the monthly premium payments (both the employee and employer portions) required to maintain such comparable coverage on or before the first day of each calendar month commencing with the first calendar month of the six-month period following the period of continuation coverage specified in Section 9(b)(iii), and the Company shall reimburse the Executive, in accordance with the terms of Section 6 hereof, for the amount of such premiums, if any, in excess of any employee contributions necessary to maintain such coverage, except that (A) following such period, the Executive shall retain any rights to continue coverage under the Company’s group health plans under the benefits continuation provisions pursuant to Section 4980B of the Code by paying the applicable premiums of such plans; and (B) the Executive shall no longer be eligible to receive the benefits otherwise receivable pursuant to this Section 9(b)(iv) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer;

(v) continue participation in the Company’s employee life insurance plans at then-existing participation and coverage levels, for the Payment Period comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements and the Company shall deduct from each payment payable to the Executive pursuant to Section 9(b)(i), the amount of any employee contributions necessary to maintain such coverage for such period, except that the Executive shall no longer be eligible to receive the benefits otherwise receivable pursuant to this Section 9(b)(v) as of the date that the Executive becomes eligible to receive comparable benefits from a new employer; and

(vi) receive outplacement services by a firm selected by the Company at its expense in an amount not to exceed $35,000; provided, however, that all such outplacement services must be completed, and all payments by the Company must be made, by December 31st of the second calendar year following the calendar year in which the Executive’s Separation from Service occurs.

Notwithstanding anything in this Section 9(b) to the contrary, to the extent the Executive has not executed the Release within the Release Consideration Period and delivered it to the Company, or has revoked the executed Release within the Release Revocation Period, as determined at the end of such Release Revocation Period, the Executive will forfeit any right to receive the payments and benefits specified in this Section 9(b).
(c) Termination by the Company Without Cause or Resignation by the Executive for Good Reason During the CIC Severance Protection Period. Subject to (i)-(iv) below, if the Executive’s employment is terminated by the Company without Cause, or the Executive terminates employment for Good Reason, before the Employment Term expires and during the CIC Severance Protection Period, and the termination constitutes a Separation from Service, subject to the terms of the CIC Severance Plan, the Executive will become entitled to severance compensation and benefits under the CIC Severance Plan as of (x) the date the Separation from Service occurs, or (y) in the event of a Pre-CIC Termination, the date the Change in Control occurs, as of which date all rights to severance benefits under this Agreement will cease.

(i) The CIC Severance Plan will not apply and the Executive will be entitled to severance compensation and benefits under Section 9(b) of this Agreement if (x) as of his Separation from Service, the Executive is not a Participant in, or (y) the Executive is otherwise not entitled to severance compensation and benefits under, the CIC Severance Plan.

(ii) If the Executive is entitled to severance benefits under the CIC Severance Plan as a result of a Pre-CIC Termination, any benefits payable before the Change in Control will be paid under this Agreement and any additional benefits payable after the Change in Control will be paid under the CIC Severance Plan.

(iii) In no event may there be duplication of benefits under this Agreement and the CIC Severance Plan.

(iv) The terms “Change in Control” and “Pre-CIC Termination” are defined in the CIC Severance Plan.

(d) Termination by Death. If the Executive dies during the Employment Term, the Executive’s employment will terminate and the Executive’s beneficiary or, if none, the Executive’s estate, shall be entitled to receive from the Company the Executive’s accrued, but unpaid, Base Salary through the date of termination of employment and any vested benefits under any Employee Plan in accordance with the terms of such Employee Plan and applicable law.

(e) Termination by Disability. If the Executive becomes Disabled, prior to the expiration of the Employment Term, the Executive’s employment will terminate and, provided that such termination constitutes a Separation from Service the Executive shall be entitled to:

(i) receive from the Company periodic payments equal to his Base Salary in effect prior to the termination of his employment, which payments shall be paid to the Executive in equal installments on the regular payroll dates under the Company’s payroll practices applicable to the Executive on the date of this
Agreement for 12 months (reduced by any amounts paid under a long-term disability plan (“LTD Plan”) now or hereafter sponsored by the Company (calculated on a monthly basis)) commencing on the Separation from Service date; provided, however, that in the event that the Executive is a Specified Employee, with respect to any amount payable by reason of the Separation from Service that constitutes deferred compensation within the meaning of Code Section 409A, such installments shall not commence until the earlier to occur of (A) the first business day of the seventh month following the date of the Executive’s Separation from Service or (B) death, except that on the first day of the seventh month following the date of the Executive’s Separation from Service (or the Executive’s death, if earlier), the Executive shall be paid a lump-sum cash payment equal to the aggregate amount of any such payments that constitutes deferred compensation within the meaning of Code Section 409A that the Executive would have been entitled to receive during the six-month period following the Executive’s Separation from Service; and

(ii) continue participation in the Company’s group health plans at then-existing participation and coverage levels for 12 months (measured from the Executive’s Separation from Service), comparable to the terms in effect from time to time for the Company’s senior executives, including any co-payment and premium payment requirements.

(f) No Mitigation Obligation. No amounts paid under Section 9 will be reduced by any earnings that the Executive may receive from any other source. The Executive’s coverage under the Company’s medical, dental, vision and employee life insurance plans will terminate as of the date that the Executive is eligible for comparable benefits from a new employer. The Executive shall notify the Company within 30 days after becoming eligible for coverage of any such benefits.

(g) Forfeiture. Notwithstanding the foregoing, any right of the Executive to receive termination payments and benefits hereunder shall be forfeited to the extent of any amounts payable after any breach of Section 10, 11, 12, 13 or 15 by the Executive.

10. Confidential Information; Statements to Third Parties.

(a) During the Employment Term and on a permanent basis upon and following termination of the Executive’s employment, the Executive acknowledges that:

(i) all information, whether or not reduced to writing (or in a form from which information can be obtained, translated, or derived into reasonably usable form) or maintained in the mind or memory of the Executive and whether compiled or created by the Company, any of its Subsidiaries or any affiliates of the Company or its Subsidiaries (collectively, the “Company Group”), which derives independent economic value from not being readily known to or ascertainable by proper means by others who can obtain economic value from the disclosure or use of such information, of a proprietary, private, secret or confidential (including, without exception, inventions, products, processes,
methods, techniques, formulas, compositions, compounds, projects, developments, sales strategies, plans, research data, clinical data, financial data, personnel data, computer programs, customer and supplier lists, trademarks, service marks, copyrights (whether registered or unregistered), artwork, and contacts at or knowledge of customers or prospective customers) nature concerning the Company Group’s business, business relationships or financial affairs (collectively, “Proprietary Information”) shall be the exclusive property of the Company Group.

(ii) the Proprietary Information of the Company Group gained by the Executive during the Executive’s association with the Company Group was or will be developed by and/or for the Company Group through substantial expenditure of time, effort and money and constitutes valuable and unique property of the Company Group;

(iii) reasonable efforts have been put forth by the Company Group to maintain the secrecy of its Proprietary Information;

(iv) such Proprietary Information is and will remain the sole property of the Company Group; and

(v) any retention or use by the Executive of Proprietary Information after the termination of the Executive’s services for the Company Group will constitute a misappropriation of the Company Group’s Proprietary Information.

(b) The Executive further acknowledges and agrees that he will take all affirmative steps reasonably necessary or required by the Company to protect the Proprietary Information from inappropriate disclosure during and after his employment with the Company.

(c) The Executive further agrees that all files, letters, memoranda, reports, records, data, sketches, drawings, laboratory notebooks, program listings, or other written, photographic, electronic, or other tangible material containing or constituting Proprietary Information, whether created by the Executive or others, which shall come into his custody or possession, regardless of medium, shall be and are the exclusive property of the Company to be used by him/her only in the performance of his duties for the Company. All such materials or copies thereof and all tangible things and other property of the Company Group in the Executive’s custody or possession shall be delivered to the Company (to the extent the Executive has not already returned) in good condition, on or before five business days subsequent to the earlier of: (i) a request by the Company or (ii) the Executive’s termination of employment for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive. After such delivery, the Executive shall not retain any such materials or portions or copies thereof or any such tangible things and other property and shall execute any statements or affirmations of compliance under oath that the Company may require.

(d) The Executive further agrees that his obligation not to disclose or to use information and materials of the types set forth in Sections 10(a), 10(b) and 10(c) above, and his

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obligation to return materials and tangible property, set forth in Section 10(c) above, also extends to such types of information, materials and tangible property of customers of the Company Group, consultants for the Company Group, suppliers to the Company Group, or other third parties who may have disclosed or entrusted the same to the Company Group or to the Executive.

(e) The Executive further acknowledges and agrees that he will continue to keep in strict confidence, and will not, directly or indirectly, at any time, disclose, furnish, disseminate, make available, use or suffer to be used in any manner any Proprietary Information of the Company Group without limitation as to when or how the Executive may have acquired such Proprietary Information and that he will not disclose any Proprietary Information to any person or entity other than appropriate employees of the Company or use the same for any purposes (other than in the performance of his duties as an employee of the Company) without written approval of the Board, either during or after his employment with the Company.

(f) Further the Executive acknowledges that his obligation of confidentiality will survive, regardless of any other breach of this Agreement or any other agreement, by any party hereto, until and unless such Proprietary Information of the Company Group has become, through no fault of the Executive, generally known to the public. In the event that the Executive is required by law, regulation, or court order to disclose any of the Company Group’s Proprietary Information, the Executive will promptly notify the Company prior to making any such disclosure to facilitate the Company seeking a protective order or other appropriate remedy from the proper authority. The Executive further agrees to cooperate with the Company in seeking such order or other remedy and that, if the Company is not successful in precluding the requesting legal body from requiring the disclosure of the Proprietary Information, the Executive will furnish only that portion of the Proprietary Information that is legally required, and the Executive will exercise all legal efforts to obtain reliable assurances that confidential treatment will be accorded to the Proprietary Information.

(g) The Executive’s obligations under this Section 10 are in addition to, and not in limitation of, all other obligations of confidentiality under the Company’s policies, general legal or equitable principles or statutes.

(h) During the Employment Term and following his termination of employment:

(i) the Executive shall not, directly or indirectly, make or cause to be made any statements, including but not limited to, comments in books or printed media, to any third parties criticizing or disparaging the Company Group or commenting on the character or business reputation of the Company Group. Without the prior written consent of the Board, unless otherwise required by law, the Executive shall not (A) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of the business of the Company Group or (B) publicly comment in a manner adverse to the Company Group concerning the status, plans or prospects of any existing, threatened or potential claims or litigation involving the Company Group;
(ii) the Company shall comply with its policies regarding public statements with respect to the Executive and any such statements shall be deemed to be made by the Company only if made or authorized by a member of the Board or a senior executive officer of the Company; and

(iii) nothing herein precludes honest and good faith reporting by the Executive to appropriate Company or legal enforcement authorities.

(i) The Executive acknowledges and agrees that a violation of the foregoing provisions of this Section 10 would cause irreparable harm to the Company Group, and that the Company’s remedy at law for any such violation would be inadequate. In recognition of the foregoing, the Executive agrees that, in addition to any other relief afforded by law or this Agreement, including damages sustained by a breach of this Agreement and any forfeitures under Section 9(g), and without the necessity or proof of actual damages, the Company shall have the right to enforce this Agreement by specific remedies, which shall include, among other things, temporary and permanent injunctions, it being the understanding of the undersigned parties hereto that damages, the forfeitures described above and injunctions shall all be proper modes of relief and are not to be considered as alternative remedies.

11. Non-Competition. In consideration of the Company entering into this Agreement, for a period commencing on the Effective Date and ending on the expiration of the Restricted Period:

(a) The Executive covenants and agrees that the Executive will not, directly or indirectly, engage in any activities on behalf of or have an interest in any Competitor of the Company Group, whether as an owner, investor, executive, manager, employee, independent consultant, contractor, advisor, or otherwise. The Executive’s ownership of less than one percent (1%) of any class of stock in a publicly traded corporation shall not be a breach of this paragraph.

(b) A “Competitor” is any entity doing business directly or indirectly (e.g., as an owner, investor, provider of capital or otherwise) in the United States including any territory of the United States (the “Territory”) that provides products and/or services that are the same or similar to the products and/or services that are currently being provided at the time of Executive’s termination or that were provided by the Company Group during the two-year period prior to the Executive’s separation from service with the Company Group.

(c) The Executive acknowledges and agrees that due to the continually evolving nature of the Company Group’s industry, the scope of its business and/or the identities of Competitors may change over time. The Executive further acknowledges and agrees that the Company Group markets its products and services on a nationwide basis, encompassing the Territory and that the restrictions imposed by this covenant, including the geographic scope, are reasonably necessary to protect the Company Group’s legitimate interests.

(d) The Executive covenants and agrees that should a court at any time determine that any restriction or limitation in this Section 11 is unreasonable or unenforceable, it will be deemed amended so as to provide the maximum protection to the Company Group and be deemed reasonable and enforceable by the court.

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12. **Non-Solicitation**. In consideration of the Company entering into this Agreement, for a period commencing on the Effective Date and ending on the expiration of the Restricted Period, the Executive hereby covenants and agrees that he shall not, directly or indirectly, individually or on behalf of any other person or entity do or suffer any of the following:

(a) hire or employ or assist in hiring or employing any person who was at any time during the last 18 months of the Executive’s employment an employee, representative or agent of any member of the Company Group or solicit, aid, induce or attempt to solicit, aid, induce or persuade, directly or indirectly, any person who is an employee, representative, or agent of any member of the Company Group to leave his or her employment with any member of the Company Group to accept employment with any other person or entity;

(b) induce any person who is an employee, officer or agent of the Company Group, or any of its affiliated, related or subsidiary entities to terminate such relationship;

(c) solicit any customer of the Company Group, or any person or entity whose business the Company Group had solicited during the 180-day period prior to termination of the Executive’s employment for purposes of business which is competitive to the Company Group within the Territory; or

(d) solicit, aid, induce, persuade or attempt to solicit, aid, induce or persuade any person or entity to take any action that would result in a Change in Control of the Company or to seek to control the Board in a material manner.

(e) For purposes of this Section 12, the term “solicit or persuade” includes, but is not limited to, (i) initiating communications with an employee of the Company Group relating to possible employment, (ii) offering bonuses or additional compensation to encourage an employee of the Company Group to terminate his employment, (iii) referring employees of the Company Group to personnel or agents employed by competitors, suppliers or customers of the Company Group, and (iv) initiating communications with any person or entity relating to a possible Change in Control.

13. **Developments**.

(a) The Executive acknowledges and agrees that he will make full and prompt disclosure to the Company of all inventions, improvements, discoveries, methods, developments, software, mask works, and works of authorship, whether patentable or copyrightable or not, (i) which relate to the Company’s business and have heretofore been created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others, and not assigned to prior employers, or (ii) which have utility in or relate to the Company’s business and are created, made, conceived or reduced to practice by the Executive or under his direction or jointly with others during his employment with the Company, whether or not during normal working hours or on the premises of the Company (all of the foregoing of which are collectively referred to in this Agreement as “Developments”).
(b) The Executive further agrees to assign and does hereby assign to the Company (or any person or entity designated by the Company) all of the Executive’s rights, title and interest worldwide in and to all Developments and all related patents, patent applications, copyrights and copyright applications, and any other applications for registration of a proprietary right. This Section 13(b) shall not apply to Developments that the Executive developed entirely on his own time without using the Company’s equipment, supplies, facilities, or Proprietary Information and that does not, at the time of conception or reduction to practice, have utility in or relate to the Company’s business, or actual or demonstrably anticipated research or development. The Executive understands that, to the extent this Agreement shall be construed in accordance with the laws of any Territory which precludes a requirement in an employee agreement to assign certain classes of inventions made by an employee, this Section 13(b) shall be interpreted not to apply to any invention which a court rules or the Company agrees falls within such classes.

(c) The Executive further agrees to cooperate fully with the Company, both during and after his employment with the Company, with respect to the procurement, maintenance and enforcement of copyrights, patents and other intellectual property rights (both in the United States and other countries) relating to Developments. The Executive shall not be required to incur or pay any costs or expenses in connection with the rendering of such cooperation. The Executive will sign all papers, including, without limitation, copyright applications, patent applications, declarations, oaths, formal assignments, assignments of priority rights, and powers of attorney, and do all things that the Company may reasonably deem necessary or desirable in order to protect its rights and interests in any Development.

(d) The Executive further acknowledges and agrees that if the Company is unable, after reasonable effort, to secure the Executive’s signature on any such papers, any executive officer of the Company shall be entitled to execute any such papers as the Executive’s agent and attorney-in-fact, and the Executive hereby irrevocably designates and appoints each executive officer of the Company as his agent and attorney-in-fact to execute any such papers on the Executive’s behalf, and to take any and all actions as the Company may deem necessary or desirable in order to protect its rights and interests in any Development, under the conditions described in this sentence.

14. Remedies. The Executive and the Company agree that the covenants contained in Sections 10, 11, 12 and 13 are reasonable under the circumstances, and further agree that if in the opinion of any court of competent jurisdiction any such covenant is not reasonable in any respect, such court will have the right, power and authority to sever or modify any provision or provisions of such covenants as to the court will appear not reasonable and to enforce the remainder of the covenants as so amended. The Executive acknowledges and agrees that the remedy at law available to the Company for breach of any of the Executive’s obligations under Sections 10, 11, 12 and 13 would be inadequate and that damages flowing from such a breach may not readily be susceptible to being measured in monetary terms. Accordingly, the Executive acknowledges, consents and agrees that, in addition to any other rights or remedies that the Company may have at law, in equity or under this Agreement, upon adequate proof of the Executive’s violation of any such provision of this Agreement, the Company will be entitled to immediate injunctive relief and may obtain a temporary order restraining any threatened or further breach, without the necessity of proof of actual damage. Without limiting the
applicability of this Section 14 or in any way affecting the right of the Company to seek equitable remedies hereunder, in the event that the Executive breaches any of the provisions of Sections 10, 11, 12 or 13 or engages in any activity that would constitute a breach save for the Executive’s action being in a state where any of the provisions of Sections 10, 11, 12, 13 or this Section 14 is not enforceable as a matter of law, then the Company’s obligation to pay any remaining severance compensation and benefits that has not already been paid to Executive pursuant to Section 9 shall be terminated and within ten days of notice of such termination of payment, the Executive shall return all severance compensation and the value of such benefits, or profits derived or received from such benefits.

15. Continued Availability and Cooperation.

(a) Following termination of the Executive’s employment, the Executive shall cooperate fully with the Company and with the Company’s counsel in connection with any present and future actual or threatened litigation, administrative proceeding or investigation involving the Company that relates to events, occurrences or conduct occurring (or claimed to have occurred) during the period of the Executive’s employment by the Company. Cooperation will include, but is not limited to:

(i) making himself reasonably available for interviews and discussions with the Company’s counsel as well as for depositions and trial testimony;

(ii) if depositions or trial testimony are to occur, making himself reasonably available and cooperating in the preparation therefore, as and to the extent that the Company or the Company’s counsel reasonably requests;

(iii) refraining from impeding in any way the Company’s prosecution or defense of such litigation or administrative proceeding; and

(iv) cooperating fully in the development and presentation of the Company’s prosecution or defense of such litigation or administrative proceeding.

(b) The Company will reimburse the Executive for reasonable travel, lodging, telephone and similar expenses, as well as reasonable attorneys’ fees (if independent legal counsel is necessary), incurred in connection with any cooperation, consultation and advice rendered under this Agreement after the Executive’s termination of employment.

16. Dispute Resolution.

(a) In the event that the Parties are unable to resolve any controversy or claim arising out of or in connection with this Agreement or breach thereof, either Party shall refer the dispute to binding arbitration, which shall be the exclusive forum for resolving such claims. Such arbitration will be administered by Judicial Arbitration and Mediation Services, Inc. (“JAMS”) pursuant to its Employment Arbitration Rules and Procedures and governed by Kansas law. The arbitration shall be conducted by a single arbitrator selected by the Parties according to the rules of JAMS. In the event that the Parties fail to agree on the selection of the arbitrator within 30 days after either Party’s request for arbitration, the arbitrator will be chosen.

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by JAMS. The arbitration proceeding shall commence on a mutually agreeable date within 90 days after the request for arbitration, unless otherwise agreed by the Parties, and in the location where the Executive worked during the six months immediately prior to the request for arbitration if that location is in Kansas or Virginia, and if not, the location will be Kansas, unless the Parties agree otherwise.

(b) The Parties agree that each will bear their own costs and attorneys’ fees. The arbitrator shall not have authority to award attorneys’ fees or costs to any Party.

(c) The arbitrator shall have no power or authority to make awards or orders granting relief that would not be available to a Party in a court of law. The arbitrator’s award is limited by and must comply with this Agreement and applicable federal, state, and local laws. The decision of the arbitrator shall be final and binding on the Parties.

(d) Notwithstanding the foregoing, no claim or controversy for injunctive or equitable relief contemplated by or allowed under applicable law pursuant to Sections 10, 11, 12 and 13 of this Agreement will be subject to arbitration under this Section 16, but will instead be subject to determination in a court of competent jurisdiction in Kansas, which court shall apply Kansas law consistent with Section 21 of this Agreement, where either Party may seek injunctive or equitable relief.

17. Other Agreements. No agreements (other than the agreements evidencing any grants of equity awards) 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. Each party to this Agreement acknowledges that no representations, inducements, promises, or other agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, pertaining to the subject matter hereof, which are not embodied herein, and that no prior and/or contemporaneous agreement, statement or promise pertaining to the subject matter hereof that is not contained in this Agreement shall be valid or binding on either party.

18. Withholding of Taxes. The Company will withhold from any amounts payable under this Agreement all federal, state, city or other taxes as the Company is required to withhold pursuant to any law or government regulation or ruling.

19. Successors and Binding Agreement.

(a) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and agree to perform this Agreement in the same manner and to the same extent the Company would be required to perform if no such succession had taken place. This Agreement will be binding upon and inure to the benefit of the Company and any successor to the Company, including without limitation any persons acquiring directly or indirectly all or substantially all of the business or assets of the Company whether by purchase, merger, consolidation, reorganization or otherwise (and such successor shall thereafter be deemed the “Company” for the purposes of this Agreement), but will not otherwise be assignable, transferable or delegable by the Company, except that the Company may assign and transfer this Agreement and delegate its duties thereunder to a wholly owned Subsidiary.

Wunsch Employment Agreement
(b) This Agreement will inure to the benefit of and be enforceable by the Executive’s personal or legal representatives, executors, administrators, successors, heirs, distributees and legatees.

(c) This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Sections 19(a) and 19(b). Without limiting the generality or effect of the foregoing, the Executive’s right to receive payments hereunder will not be assignable, transferable or delegable, whether by pledge, creation of a security interest, or otherwise, other than by a transfer by the Executive’s will or by the laws of descent and distribution and, in the event of any attempted assignment or transfer contrary to this Section 19(c), the Company shall have no liability to pay any amount so attempted to be assigned, transferred or delegated.

20. Notices. All communications, including without limitation notices, consents, requests or approvals, required or permitted to be given hereunder will be in writing and will be duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof confirmed), or five business days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or three business days after having been sent by a nationally recognized overnight courier service such as Federal Express or UPS, addressed to the Company (to the attention of the General Counsel of the Company) at its principal executive offices and to the Executive at his principal residence, or to such other address as any party may have furnished to the other in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.


(a) This Agreement will be construed and enforced according to the laws of the State of Kansas, without giving effect to the conflict of laws principles thereof.

(b) To the extent not otherwise provided for by Section 16 of this Agreement, the Executive and the Company consent to the jurisdiction of all state and federal courts located in Overland Park, Johnson County, Kansas, as well as to the jurisdiction of all courts of which an appeal may be taken from such courts, for the purpose of any suit, action, or other proceeding arising out of, or in connection with, this Agreement or that otherwise arise out of the employment relationship. Each party hereby expressly waives any and all rights to bring any suit, action, or other proceeding in or before any court or tribunal other than the courts described above and covenants that it shall not seek in any manner to resolve any dispute other than as set forth in this paragraph. Further, the Executive and the Company hereby expressly waive any and all objections either may have to venue, including, without limitation, the inconvenience of such forum, in any of such courts. In addition, each of the parties consents to the service of process by personal service or any manner in which notices may be delivered hereunder in accordance with this Agreement.
22. **Validity/Severability.** If any provision of this Agreement or the application of any provision is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision will not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal will be reformed to the extent (and only to the extent) necessary to make it enforceable, valid or legal. To the extent any provisions held to be invalid, unenforceable or otherwise illegal cannot be reformed, such provisions are to be stricken herefrom and the remainder of this Agreement will be binding on the parties and their successors and assigns as if such invalid or illegal provisions were never included in this Agreement from the first instance.

23. **Survival of Provisions.** Notwithstanding any other provision of this Agreement, the parties’ respective rights and obligations under Sections 10, 11, 12, 13, 14, 15, 16, 18, 22 and 26 will survive any termination or expiration of this Agreement or the termination of the Executive’s employment.

24. **Representations and Acknowledgements.**

   (a) The Executive hereby represents that he is not subject to any restriction of any nature whatsoever on his ability to enter into this Agreement or to perform his duties and responsibilities hereunder, including, but not limited to, any covenant not to compete with any former employer, any covenant not to disclose or use any non-public information acquired during the course of any former employment or any covenant not to solicit any customer of any former employer.

   (b) The Executive hereby represents that, except as he has disclosed in writing to the Company, he is not bound by the terms of any agreement with any previous employer or other party to refrain from using or disclosing any trade secret or confidential or proprietary information in the course of the Executive’s employment with the Company or to refrain from competing, directly or indirectly, with the business of such previous employer or any other party.

   (c) The Executive further represents that, to the best of his knowledge, his performance of all the terms of this Agreement and as an employee of the Company does not and will not breach any agreement with another party, including without limitation any agreement to keep in confidence proprietary information, knowledge or data the Executive acquired in confidence or in trust prior to his employment with the Company, and that he will not knowingly disclose to the Company or induce the Company to use any confidential or proprietary information or material belonging to any previous employer or others.

   (d) The Executive acknowledges that he will not be entitled to any consideration or reimbursement of legal fees in connection with execution of this Agreement.

   (e) The Executive hereby represents and agrees that, during the Restricted Period, if the Executive is offered employment or the opportunity to enter into any business activity, whether as owner, investor, executive, manager, employee, independent consultant, contractor, advisor or otherwise, the Executive will inform the offeror of the existence of Sections 10, 11, 12 and 13 of this Agreement and provide the offeror a copy thereof. The Executive authorizes the Company to provide a copy of the relevant provisions of this Agreement to any of the persons or entities described in this Section 24(e) and to make such persons aware of the Executive’s obligations under this Agreement.

Wunsch Employment Agreement
25. **Compliance with Code Section 409A.** With respect to reimbursements or in-kind benefits provided under this Agreement: (a) the Company will not provide for cash in lieu of a right to reimbursement or in-kind benefits to which the Executive has a right under this Agreement, (b) any reimbursement or provision of in-kind benefits made during the Executive’s lifetime (or such shorter period prescribed by a specific provision of this Agreement) shall be made not later than December 31st of the year following the year in which the Executive incurs the expense, and (c) in no event will the amount of expenses so reimbursed, or in-kind benefits provided, by the Company in any one year affect the amount of expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year. Each payment, reimbursement or in-kind benefit made pursuant to the provisions of this Agreement shall be regarded as a separate payment and not one of a series of payments for purposes of Code Section 409A. It is intended that any amounts payable under this Agreement and the Company’s and the Executive’s exercise of authority or discretion hereunder shall comply with the provisions of Section 409A of the Code and the treasury regulations relating thereto so as not to subject the Executive to the payment of the additional tax, interest and any tax penalty which may be imposed under Code Section 409A. In furtherance of this interest, to the extent that any provision hereof would result in the Executive being subject to payment of the additional tax, interest and tax penalty under Code Section 409A, the parties agree to amend this Agreement in order to bring this Agreement into compliance with Code Section 409A; and thereafter interpret its provisions in a manner that complies with Section 409A of the Code. Reference to Section 409A of the Code is to Section 409A of the Internal Revenue Code of 1986, as amended, and will also include any proposed, temporary or final regulations, or any other guidance, promulgated with respect to such Section by the U.S. Department of Treasury or the Internal Revenue Service. Notwithstanding the foregoing, no particular tax result for the Executive with respect to any income recognized by the Executive in connection with the Agreement is guaranteed, and the Executive shall be responsible for any taxes, penalties and interest imposed on him under or as a result of Section 409A of the Code in connection with the Agreement.

26. **Amendment; Waiver.** Except as otherwise provided herein, this Agreement may not be modified, amended or waived in any manner except by an instrument in writing signed by both Parties hereto. No waiver by either Party at any time of any breach by the other Party hereto or compliance with any condition or provision of this Agreement to be performed by such other Party will be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

27. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same agreement.

28. **Headings.** Unless otherwise noted, the headings of sections herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.
29. Defined Terms.

(a) “Agreement” has the meaning set forth in the preamble.

(b) “Base Salary” has the meaning set forth in Section 4(a).

(c) “Board” has the meaning set forth in Section 3(a).

(d) “Bonus Award” has the meaning set forth in Section 4(b)(i).

(e) “Bylaws” means the Amended and Restated Sprint Nextel Corporation Bylaws, as may be amended from time to time.

(f) “Capped Bonus Award” shall mean the lesser of the annual Target Bonus or actual performance for such fiscal year in accordance with the then existing terms of the STIP, which shall not be payable until the Compensation Committee has determined that any incentive targets have been achieved and the subsequent designated payout date has arrived.

(g) “Cause” shall mean:

(i) any act or omission constituting a material breach by the Executive of any provisions of this Agreement

(ii) the willful failure by the Executive to perform his duties hereunder (other than any such failure resulting from the Executive’s Disability), after demand for performance is delivered by the Company that identifies the manner in which the Company believes the Executive has not performed his duties, if, within 30 days of such demand, the Executive fails to cure any such failure capable of being cured;

(iii) any intentional act or misconduct materially injurious to the Company or any Subsidiary, financial or otherwise, or including, but not limited to, misappropriation, fraud including with respect to the Company’s accounting and financial statements, embezzlement or conversion by the Executive of the Company’s or any of its Subsidiary’s property in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(iv) the conviction (or plea of no contest) of the Executive for any felony or the indictment of the Executive for any felony including, but not limited to, any felony involving fraud, moral turpitude, embezzlement or theft in connection with the Executive’s duties or in the course of the Executive’s employment with the Company;

(v) the commission of any intentional or knowing violation of any antifraud provision of the federal or state securities laws;

(vi) the Board reasonably believes in its good faith judgment that the Executive has committed any of the acts referred to in this Section 29 (g)(vi);
(vii) there is a final, non-appealable order in a proceeding before a court of competent jurisdiction or a final order in an administrative proceeding finding that the Executive committed any willful misconduct or criminal activity (excluding minor traffic violations or other minor offenses) which commission is materially inimical to the interests of the Company or any Subsidiary, whether for his personal benefit or in connection with his duties for the Company or any Subsidiary;

(viii) current alcohol or prescription drug abuse affecting work performance;

(ix) current illegal use of drugs; or

(x) violation of the Company’s Code of Conduct, with written notice of termination by the Company for Cause in each case provided under this Section 29(g).

For purposes of this Agreement, no act or failure to act on the part of the Executive shall be deemed “intentional” if it was due primarily to an error in judgment or negligence, but shall be deemed “intentional” only if done or omitted to be done by the Executive not in good faith and without reasonable belief that the Executive’s action or omission was in the best interest of the Company.

(h) “Change in Control” has the meaning set forth in the CIC Severance Plan.

(i) “Chief Executive Officer” has the meaning set forth in Section 3(a).

(j) “CIC Severance Plan” means the Company’s Change in Control Severance Plan, as may be amended from time to time, or any successor plan, program or arrangement thereto.

(k) “CIC Severance Protection Period” has the meaning set forth in the CIC Severance Plan.

(l) “Certificate of Incorporation” means the Amended and Restated Articles of Incorporation of Sprint Nextel Corporation, as may be amended from time to time.

(m) “Code” means the Internal Revenue Code of 1986, as amended from time to time, including any rules and regulations promulgated thereunder, along with Treasury and IRS Interpretations thereof. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

(n) “Company” has the meaning set forth in the preamble.

(o) “Company Group” has the meaning set forth in Section 10(a)(i).
“Compensation Committee” means the Human Capital and Compensation Committee of the Board.

“Competitor” has the meaning set forth in Section 11(b).

“Developments” has the meaning set forth in Section 13(a).

“Disability” or “Disabled” shall mean:

(i) the Executive’s incapacity due to physical or mental illness to substantially perform his duties and the essential functions of his position, with or without reasonable accommodation, on a full-time basis for six months as determined by the Board in its reasonable discretion, and within 30 days after a notice of termination is thereafter given by the Company, the Executive shall not have returned to the full-time performance of the Executive’s duties; and, further,

(ii) the Executive becomes eligible to receive benefits under the LTD Plan;

provided, however, if the Executive shall not agree with a determination to terminate his employment because of Disability, the question of the Executive’s disability shall be subject to the certification of a qualified medical doctor agreed to by the Company and the Executive. The costs of such qualified medical doctor shall be paid for by the Company.

“Effective Date” has the meaning set forth in the preamble.

“Employee Plans” has the meaning set forth in Section 5(a).

“Employment Term” means the Initial Employment Term and any Renewal Term.

“Executive” has the meaning set forth in the preamble.

“Good Reason” means the occurrence of any of the following without the Executive’s written consent, unless within 30 days of the Executive’s written notice of termination of employment for Good Reason, the Company cures any such occurrence:

(i) the Company’s material breach of this Agreement;

(ii) a material reduction in the Executive’s Base Salary (that is not agreed to by the Executive), as compared to the corresponding circumstances in place on the Effective Date as may be increased pursuant to Section 4, except for across-the-board reductions generally applicable to all senior executives; or

(iii) relocation of the Executive’s principal place of work more than 50 miles without the Executive’s consent.
Any occurrence of Good Reason shall be deemed to be waived by the Executive unless the Executive provides the Company written notice of termination of employment for Good Reason within 60 days of the event giving rise to Good Reason.

(y) “Initial Employment Term” has the meaning set forth in Section 2.

(z) “JAMS” has the meaning set forth in Section 16.

(aa) “LTD Plan” has the meaning set forth in Section 9(e).

(bb) “LTSIP” means the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007 as may be amended from time to time, or any successor plan, program or arrangement thereto.

(cc) “LTSIP Target Award Opportunities” has the meaning set forth in Section 4(b)(ii).

(dd) “Participant” has the meaning set forth in the CIC Severance Plan.

(ee) “Parties” has the meaning set forth in the preamble.

(ff) “Party” has the meaning set forth in the preamble.

(gg) “Payment Period” means the period of 24 continuous months as measured from the Executive’s Separation from Service.

(hh) “Place of Performance” has the meaning set forth in Section 8.

(ii) “Proprietary Information” has the meaning set forth in Section 10(a)(i).

(jj) “Release” means a release of claims in a form provided to the Executive by the Company in connection with the payment of benefits under this Agreement.

(kk) “Release Consideration Period” means the period of time pursuant to the terms of the Release afforded the Executive to consider whether to sign it.

(ll) “Release Revocation Period” means the period pursuant to the terms of an executed Release in which it may be revoked by the Executive.

(mm) “Renewal Term” has the meaning set forth in Section 2.

(nn) “Restricted Period” means the 24-month period following the Executive’s date of termination of employment with the Company for any reason or Cause, including for nonrenewal of this Agreement, Disability, termination by the Company or termination by the Executive.

(oo) “Separation from Service” means “separation from service” from the Company and its subsidiaries as described under Code Section 409A and the guidance and Treasury regulations issued thereunder. Separation from Service will occur on the date on which
the Executive’s level of services to the Company decreases to 21 percent or less of the average level of services performed by the Executive over the immediately preceding 36-month period (or if providing services for less than 36 months, such lesser period) after taking into account any services that the Executive provided prior to such date or that the Company and the Executive reasonably anticipate the Executive may provide (whether as an employee or as an independent contractor) after such date. For purposes of the determination of whether Executive has had a Separation from Service, the term “Company” shall mean the Company and any affiliate with which the Company would be considered a single employer under Code Section 414(b) or 414(c), provided that in applying Code Sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Code Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2. In addition, where the use of such definition of “Company” for purposes of determining a Separation from Service is based upon legitimate business criteria, in applying Code Sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Code Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), “at least 20 percent” is used instead of “at least 80 percent” at each place it appears in Treasury Regulation Section 1.414(c)-2.

(pp) “Separation Plan” means the Company’s Separation Plan Amended and Restated Effective August 13, 2006, as may be amended from time to time or any successor plan, program, arrangement or agreement thereto.

(qq) “Specified Employee” shall mean an Executive who is a “specified employee” for purposes of Code Section 409A, as administratively determined by the board in accordance with the guidance and Treasury regulations issued under Code Section 409A.

(rr) “STIP” means the Company’s short-term incentive plan under Section 8 of the Company’s 2007 Omnibus Incentive Plan, effective May 8, 2007, as may be amended from time to time, or any successor plan, program or arrangement thereto.

(ss) “Subsidiary” shall mean any entity, corporation, partnership (general or limited), limited liability company, entity, firm, business organization, enterprise, association or joint venture in which the Company directly or indirectly controls ten percent (10%) or more of the voting interest. Notwithstanding the foregoing, for purposes of Section 3(a), “Subsidiary” shall mean any affiliate with which the Company would be considered a single employer as described in the definition of Separation from Service.

(tt) “Target Bonuses” has the meaning set forth in Section 4(b)(i).

(uu) “Territory” has the meaning set forth in Section 11(b).
IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by an officer pursuant to the authority of its Board, and the Executive has executed this Agreement, as of the day and year first written above.

SPRINT NEXTEL CORPORATION

By: /s/ Sandra J. Price

/s/ Charles R. Wunsch
Charles R. Wunsch
FIRST AMENDMENT TO EMPLOYMENT AGREEMENT

THIS FIRST AMENDMENT TO THE EMPLOYMENT AGREEMENT (this “First Amendment”) by and between Nextel Communications, Inc., a Delaware corporation (the “Company”) and Paul N. Saleh (the “Executive”), is made and entered into as of March 15, 2008 (the “Revised Effective Date”).

WITNESSETH:

WHEREAS, the Executive and the Company entered into an Employment Agreement dated as of April 1, 2004 (the “Original Agreement”);

WHEREAS, in recognition of his leadership while serving as interim Chief Executive Officer, and pursuant to Section 26 of the Original Agreement, the Company and the Executive wish to amend the Original Agreement, effective as of the Revised Effective Date, as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the covenants and agreements set forth herein, the Company and the Executive agree as follows:

I.

Effective as of the Revised Effective Date, pursuant to Section 26 of the Original Agreement, the Executive and the Company agree to amend the Original Agreement, as provided below.

II.

Section 4 is hereby amended by adding a new paragraph (d) as follows:

(d) The Company will make a one-time payment of $250,000 in a lump sum to the Executive, conditioned on the Executive delivering to the Company a release in a form reasonably satisfactory to the Company with all periods for revocation expired as described in Section 9(b).

III.

Except as specifically amended herein, the Original Agreement shall remain unchanged.
IN WITNESS WHEREOF, the Company has caused this First Amendment to be signed by an officer pursuant to the authority of its Board, and the Executive has executed this First Amendment, as of the day and year first written above.

Nextel Communications, Inc.

By: /s/ Leonard J. Kennedy
Leonard J. Kennedy
Vice President

/s/ Paul N. Saleh
Paul N. Saleh
Executive Deferred Compensation Plan  
(as amended and restated effective January 1, 2008)  

ARTICLE I  
PURPOSE  

The purpose of the Sprint Nextel 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 Nextel 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. The Plan, as amended, restated and renamed as set forth herein, shall be effective as of January 1, 2008 for the purpose of permitting deferrals of compensation earned and vested after December 31, 2004 and any amounts credited thereon, including pursuant to paragraphs 6.3 or 6.4. All amounts deferred under the Plan prior to January 1, 2005, that were earned and vested prior to January 1, 2005, and any amounts credited thereon (including pursuant to paragraphs 6.3 or 6.4), shall be governed by the terms of the Plan as in effect on October 3, 2004 and as subsequently amended on October 11, 2004. Amendments made effective October 11, 2004 were to change the Plan Year to the calendar year beginning in 2006 and to require deferral elections to be made before the beginning of the Plan Year, and these amendments did not result in a material modification of the Plan as in effect on October 3, 2004. Nothing in this amended, restated and renamed Plan document shall affect deferred amounts under the Plan that were earned and vested prior to January 1, 2005 and any amounts credited thereon. It is intended that all amounts deferred under the Plan that were earned and vested prior to January 1, 2005, and any amounts credited thereon, shall be grandfathered from the application of Internal Revenue Code Section 409A. The determination of whether amounts deferred under the Plan, or any amounts credited thereon, were earned and vested prior to January 1, 2005 shall be made in accordance with Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder.

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 6.6.

EDCP 11.04.08
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 Employee Benefits Committee of Sprint Nextel, as appointed by management of Sprint Nextel.

2.6 Company. “Company” means Sprint Nextel Corporation, or any successor thereto.

2.7 Compensation. “Compensation” means (i) Base Salary earned during the Plan Year, and (ii) Annual Incentive Compensation and Long-Term Incentive Compensation payable to a Participant with respect to a performance period beginning during the Plan Year, other than a distribution under this Plan.

(a) Annual Incentive Compensation. “Annual Incentive Compensation” means any cash incentive compensation earned by a Participant over a period of one year or less.

(b) 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, but before reduction for amounts deferred pursuant to this Plan or any other Plan of the Employer.

EDCP 11.04.08
2.8 **Deferral Benefit.** “Deferral Benefit” means the benefit payable to a Participant or the Participant’s Beneficiary at the time and in the form provided, and 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 to reflect (a) separate deferral elections and (b) Account A and Account B elections.

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’s Long-Term Disability Insurance Plan.

2.12 **Employer.** Except as otherwise provided in paragraph 7.1, “Employer” means Sprint Nextel Corporation and, unless specifically excluded from participation by the Committee, any affiliate with which Sprint Nextel Corporation would be considered a single employer under Internal Revenue Code Section 414(b) or 414(c), provided that in applying Internal Revenue Code Sections 1563(a)(1), (2) and (3) for purposes of determining a controlled group of corporations under Internal Revenue Code Section 414(b), the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Internal Revenue Code Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation EDCP 11.04.08
Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Internal Revenue Code Section 414(c), “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2.

2.13 **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.

2.14 **Interest Yield**. “Interest Yield” means with respect to any calendar month 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.

2.15 **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.

2.16 **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.

2.17 **Plan**. “Plan” means the Sprint Nextel Corporation Executive Deferred Compensation Plan as set forth in this document, effective for amounts earned and vested after December 31, 2004. The Plan was previously known as the Sprint Corporation Executive Deferred Compensation Plan.

EDCP 11.04.08
2.18 **Plan Administrator.** “Plan Administrator” means the person appointed by the Company to represent the Company in the administration of this Plan.

2.19 **Plan Year.** “Plan Year” means a twelve month period commencing January 1 of a year and ending on December 31 of the same year.

2.20 **Retirement Plan.** “Retirement Plan” means the Sprint Retirement Pension Plan, as amended from time to time.

2.21 **Separation from Service.** “Separation from Service” has the same meaning as described under Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder. Except as otherwise required to comply with Internal Revenue Code Section 409A, an employee shall be considered not to have had a Separation from Service where the level of bona fide services performed continues at a level that is at least 21 percent or more of the average level of service performed by the employee during the immediately preceding 36-month period (or if providing services for less than 36 months, such lesser period) after taking into account any services that the employee provided prior to such date or that the Company and the Participant reasonably anticipate the employee may provide (whether as an employee or independent contractor) after such date. For purposes of the determination of whether a Participant has had a “separation from service” as described under Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder, the terms “Employer,” “employer” and “service recipient” mean Sprint Nextel Corporation and any affiliate with which Sprint Nextel Corporation would be considered a single employer under Internal Revenue Code Section 414(b) or 414(c), provided that in applying Internal Revenue Code Sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Internal Revenue Code Section 414(b), the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Internal Revenue Code Sections 1563(a)(1), (2), and (3), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Internal Revenue Code Section 414(c), “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2.
2.22 **Share Unit**. “Share Unit” means a measure of participation under the Plan having a value based on the market value of one share of Series 1, common stock of the Company.

2.23 **Spouse**. “Spouse” means a Participant’s wife or husband who was lawfully married to the Participant at the time when the determination is relevant.

2.24 **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.

**ARTICLE III**

**ADMINISTRATION**

3.1 **Plan Administrator; Company and Committee; Duties**. This Plan shall be administered by the Committee. 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 may be Participants under this Plan.

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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 paragraph 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 Benefits 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 paragraph 3.3, the Benefits Administrative 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 received by the Company by the last day of the calendar year immediately preceding the Plan Year in which the Participation Agreement is to first 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.

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. Compensation deferred under a Participation Agreement shall be distributed upon Separation from Service in accordance with paragraph 7.1 unless the Participant elects in such

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Participation Agreement to defer distribution until the later of Separation from Service or attainment of a specified age. 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>Minimum Deferral</th>
<th>Maximum Deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>With respect to Base Salary Deferrals</td>
<td>With respect to Annual Incentive Compensation</td>
</tr>
<tr>
<td>$300 per month</td>
<td>25% of Annual Incentive Compensation</td>
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<tr>
<td></td>
<td>50% of Base Salary</td>
</tr>
<tr>
<td>With respect to Annual Incentive Compensation</td>
<td>100% of Annual Incentive Compensation</td>
</tr>
<tr>
<td>With respect to Long-Term Incentive Compensation</td>
<td>100% of Long-Term Incentive Compensation</td>
</tr>
</tbody>
</table>

(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 earned in the Plan Year immediately following the Plan Year in which the Participation Agreement is filed (or until the Participant’s Separation from Service). The fixed dollar amount of Base Salary deferral applicable over a Plan Year shall not be changed by virtue of a change in Base Salary alone.

(b) With respect to Annual Incentive Compensation and, if applicable, Long-Term Incentive Compensation deferrals, the deferral percentage selected in a Participation Agreement shall apply to any Annual Incentive Compensation or Long-Term Incentive Compensation payable to a Participant with respect to any performance period beginning in the Plan Year immediately following the Plan Year in which the Participation Agreement is received by the Plan Administrator. For any performance period beginning in calendar year 2005, but before the beginning of the 2005 Plan Year, the deferral percentage selected in the special Participation Agreement established by the Plan Administrator applicable to such compensation, which must be received by the Company no later than December 31, 2004, shall apply.
ARTICLE V
DEFERRED COMPENSATION

5.1 Elective Deferred Compensation. The amount of Compensation that a Participant elects to defer in an executed Participation Agreement with respect to each Plan Year of participation in the Plan shall be credited by the Company to the Participant’s Deferred Benefit Account as the Participant is paid the non-deferred portion of such Compensation, or if all such Compensation is deferred, at the time such Compensation would have been paid absent the deferral election. 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 an employee’s 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 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 6.3 and 6.4. 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) or to Account B (Share Units). The election shall be made by a properly executed Participation Agreement. Deferrals shall be credited in accordance with the election made in the applicable Participation Agreement.

6.3 Maintenance of Account A. As of each Determination Date, the Participant’s Deferred Benefit Account A shall be increased by the amount of interest earned since the preceding Determination Date. Interest on Account A shall be based upon the 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.

6.4 Maintenance of Account B.

(a) Conversion between Dollar Amounts and Share Units in Account B. When an amount is to be added to a Participant’s Deferred Benefit Account B, it shall be converted into Share Units, or fractions thereof, by dividing the amount to be credited by the closing price of the Series 1, common stock of the Company, as reported by the New York Stock Exchange on the last trading day on or before the Determination Date. When a number of Share Units is to be subtracted from a Participant’s Deferred Benefit Account B, such number of Share Units shall be converted into a dollar amount by multiplying such number of Share Units by the closing price of the Series 1, common stock of the Company, as reported by the New York Stock Exchange on the last trading day on or before the Determination Date.

(b) Dividends. When a dividend is declared and paid by the Company on its Series 1, common stock, an amount shall be credited to the
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 and B, in each case, as of the last day of the preceding Plan Year.

Transfers Between Accounts. Within the limitations of this paragraph 6.6, a Participant may elect, by executing an Account Transfer Request to transfer all or any portion of the Participant’s Account A to Account B or to transfer all or any portion of the Account B to Account A.

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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 Distribution of Deferral Benefits. Subject to paragraph 7.6 below, upon a Participant’s Separation from Service, the Participant shall be entitled to a Deferral Benefit equal to the amount of the Participant’s Deferred Benefit Account determined under paragraph 6.1 as of the Determination Date coincident with or immediately following such event. Notwithstanding the preceding sentence, if the Participant elected in the applicable Participation Agreement that the Deferral Benefit be paid upon the later of the Participant’s Separation from Service or attainment of a specified age and the Participant has not attained the specified age at Separation from Service, such Deferral Benefit, in an amount equal to the amount of the Participant’s Deferred Benefit Account determined under paragraph 6.1 as of the Determination Date coincident with or immediately following such event, shall be paid to the Participant upon the Participant’s attainment of the specified age. Except as otherwise provided in paragraph 7.2, the Participant’s Deferral Benefit shall be payable in the form determined pursuant to paragraph 7.6 below.

7.2 Separation from Service Before Age 55. If the Participant’s Separation from Service occurs before age 55 for reasons other than death, the Participant’s Deferred Benefit Account shall be paid in a single sum following Separation from Service if the aggregate balance of the Participant’s Deferred Benefit Account(s) 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 before or after payment of the Participant’s Deferral Benefit has commenced, the Participant’s Beneficiary shall receive or continue to receive the Participant’s Deferred Benefit Account in accordance with the Participant’s election pursuant to paragraph 7.6.
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.

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 and will affect amounts deferred for the balance of the Plan Year. 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 order to qualify under this paragraph, the financial hardship must be the result of an unforeseeable emergency. For this purpose, an “unforeseeable emergency” shall mean a severe financial hardship resulting from (i) an illness or accident of the Participant, the Participant’s Spouse or Beneficiary, or the Participant’s dependent (as defined in Internal Revenue Code Section 152, without regard to Internal Revenue Code Section 152(b)(1), (b)(2), and (d)(1)(B)); (ii) the loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The imminent foreclosure of
or eviction from the Participant’s primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including non-refundable deductibles, as well as for the costs of prescription drug medication, may constitute an unforeseeable emergency. Finally, the need to pay for the funeral expenses of the Participant’s Spouse or Beneficiary, or the Participant’s dependent (as defined in Internal Revenue Code Section 152, without regard to Internal Revenue Code Section 152(b)(1), (b)(2), and (d)(1)(B)) may also constitute an unforeseeable emergency.

7.6 Time and Form of Benefit Payment.

(a) A Participant may elect in a properly executed Participation Agreement that the amount that is to be deferred for the applicable Plan Year be paid upon the Participant’s Separation from Service or upon the later of the Participant’s Separation from Service or attainment of a specified age. The Participant may also elect the method of payment (e.g., in a single lump sum payment or in a specified number of annual installments). Except as otherwise provided in paragraph 7.2, when the applicable payment event occurs, the Employer shall pay to the Participant or the Participant’s Beneficiary the amount 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 Account A, an annual payment of a fixed amount that shall amortize the Deferred Benefit Account balance in equal annual payments, consisting of both 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 Account A 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 Account B, an annual payment over a period from 2 to 20 years, each such payment having a value, as determined pursuant to paragraph 6.4(d), of the number of Share Units equal to (i) the number of Share Units in the accounts on the Determination Date immediately

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following the payment event described in the Participant’s Participation Agreement divided by (ii) the number of annual installments elected. During the period that a Participant is receiving a distribution from Account B, Share Unit dividends will be added to the Accounts in accordance with paragraph 6.4(b). Such Share Unit dividends shall be valued in the same manner as previously described, and all such Share Units accruing after a distribution from Account B is made shall be paid to the Participant with the next distribution from the account.

(b) A Participant may change the time and form in which the Participant’s benefits shall be paid by filing an Amendment of Payment Election Form indicating such change, provided such amended election (i) shall not take effect until at least 12 months after the date on which such election is made and shall be made not less than 12 months before the date the payment otherwise would have been made, and (ii) except in the case of a payment upon the death of the Participant, shall defer payment of the Participant’s Accounts for at least five years from the date initial payment would otherwise have been made. An Amendment of Payment Election Form shall be accepted by the Company only if such form complies with the requirements of the preceding sentence and shall become irrevocable on the date such election is accepted by the Company. No such Amendment of Payment Election Form shall change the amount elected to be deferred in the Participation Agreement to which it relates.

(c) In the absence of a Participant’s election under paragraph 7.6(a), benefits shall be paid upon Separation from Service in the form specified in paragraph 7.6(a)(2) and 7.6(a)(3) over a 15 year period.

(d) If a Participant’s Beneficiary dies before payment of the Participant’s Deferred Benefits are complete, payments will continue to be made to the estate of the Beneficiary in accordance with the Participant’s election pursuant to this paragraph 7.6.

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.

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7.8 Commencement of Payments. Unless otherwise provided, payments under this Plan shall be made or commence within 45 days of the first Determination Date following the event giving rise to the payment under this Plan.

7.9 Delay for Specified Employees. Notwithstanding the foregoing, if a Participant is a “specified employee” for purposes of Internal Revenue Code Section 409A, distribution on account of Separation from Service for a reason other than death shall be delayed until the earlier to occur of the Participant’s death or the date that is six months and one day following the Participant’s Separation from Service (the “Delay Period”). Upon the expiration of the Delay Period, the payment delayed pursuant to this paragraph shall be paid to the Participant, and any remaining installment payments due under paragraph 7.6 shall be payable in accordance with their original payment schedule.

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. A Participant may change a Beneficiary Designation by 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;

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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 subject to and in compliance with Internal Revenue Code Section 409A.

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.

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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 **Prohibition on Acceleration of Payments**. The time or schedule of any payment or amount scheduled to be paid pursuant to the terms of the Plan may not be accelerated except as otherwise permitted under Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder.

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10.7 **Internal Revenue Code Section 409A**. The Plan and the benefits provided hereunder are intended to comply with Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder, to the extent applicable thereto. Notwithstanding any provision of the Plan to the contrary, the Plan shall be interpreted and construed consistent with this intent. Notwithstanding the foregoing, the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company intends to administer the Plan so that it will comply with the requirements of Internal Revenue Code Section 409A, the Company does not represent or warrant that the Plan will comply with Internal Revenue Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its subsidiaries, nor their respective directors, officers, employees or advisers shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant may owe as a result of participation in the Plan, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect any Participant from the obligation to pay any taxes pursuant to Internal Revenue Code Section 409A.

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Directors’ Deferred Fee Plan  
(as amended through January 1, 2008)

ARTICLE I
PURPOSE

The purpose of the Sprint Nextel Corporation Directors’ Deferred Fee Plan (hereinafter referred to as the “Plan”) is to provide funds upon Separation from Service or death for Directors (and their Beneficiaries) of Sprint Nextel Corporation. It is intended that the Plan will aid in retaining and attracting Directors of exceptional ability by providing such Directors with a means to supplement their standard of living. The Plan, as amended, restated and renamed and as set forth herein, shall be effective as of January 1, 2008 for the purpose of permitting deferrals of compensation earned and vested after December 31, 2004 and any amounts credited thereon, including pursuant to paragraphs 6.3 and 6.4. All amounts deferred under the Plan prior to January 1, 2005, that were earned and vested prior to January 1, 2005, and any amounts credited thereon (including pursuant to paragraphs 6.3 and 6.4), shall be governed by the terms of the Plan as in effect on October 3, 2004 and as subsequently amended on February 8, 2005. Amendments made effective February 8, 2005 were to allow accelerated vesting of one time grants, and these amendments did not result in a material modification of the Plan as in effect on October 3, 2004. Nothing in this amended, restated and renamed Plan document shall affect deferred amounts under the Plan that were earned and vested prior to January 1, 2005 and any amounts credited thereon. It is intended that all amounts deferred under the Plan, or any amounts credited thereon, were earned and vested prior to January 1, 2005 shall be grandfathered from the application of Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”). The determination of whether amounts deferred under the Plan, or any amounts credited thereon, were earned and vested prior to January 1, 2005 shall be made in accordance with Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder.

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 6.6.
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, 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 Compensation Committee of the Board.

2.6 **Company.** Except as otherwise provided in paragraph 7.1, “Company” means Sprint Nextel Corporation, or any successor thereto.

2.7 **Deferral Benefit.** “Deferral Benefit” means the benefit payable to a Participant under the Plan, as calculated in Article VII hereof.

2.8 **Deferred Benefit Account.** “Deferred Benefit Account” means the accounts maintained on the books of account of the Company 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) separate deferral elections made pursuant to separately executed Participation Agreements, (b) Account A and Account B elections made by each Participant in each such Participation Agreement, and (c) One Time Grants.

A Participant’s Deferred Benefit Account shall be used solely as a device for the measurement and determination of the amounts to be paid to the Participant or the Participant’s Beneficiary pursuant to this Plan. A Participant’s Deferred Benefit Account shall not constitute or be treated as a trust fund of any kind.

2.9 **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.
2.10 **Director**. “Director” means a member of the Board of Directors of the Company who is not an employee of the Company or its subsidiaries.

2.11 **Fee**. “Fee” means any cash compensation paid to a Director for his services as a Director other than a distribution under this Plan.

2.12 **Interest Yield**. “Interest Yield” means, with respect to any calendar month, 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.

2.13 **New Director**. “New Director” means a Director who had not accumulated at least five years of service as a Director as of December 10, 1996 and any Director who is first elected after such date. Each New Director is entitled to a One Time Grant.

2.14 **One Time Grant**. “One Time Grant” means a one time grant to New Directors of Share Units credited into Account B. The number of Share Units to be granted to each New Director is determined by the Committee.

2.15 **Participant**. “Participant” means any New Director and any Director who elects to participate by filing a Participation Agreement as provided in Article IV.

2.16 **Participation Agreement**. “Participation Agreement” means the agreement, in a form prescribed by the Company, filed by a Participant before the beginning of the period in which the Participant’s Fees are to be deferred pursuant to the Plan. A new Participation Agreement shall be filed by the Participant for each separate Fee deferral election.

2.17 **Plan**. “Plan” means the Sprint Nextel Corporation Directors’ Deferred Fee Plan as set forth in this document, effective for amounts earned and vested after December 31, 2004. This Plan is the successor to, and comprises an amendment and revision of, the United Telecommunications, Inc., 1985 Directors’ Deferred Fee Plan adopted February 12, 1985. This Plan was previously known as the Sprint Corporation Directors’ Deferred Fee Plan.
2.18 **Plan Administrator**. “Plan Administrator” means the person appointed by the Company to represent the Company in the administration of this Plan.

2.19 **Plan Year**. “Plan Year” means a twelve month period commencing January 1 of a year and ending on December 31 of the same year.

2.20 **Separation from Service**. “Separation from Service” has the same meaning as described under Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder. For purposes of the determination of whether a Participant has had a “separation from service” as described under Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder, the terms “Company,” “employer” and “service recipient” mean Sprint Nextel Corporation and any affiliate with which Sprint Nextel Corporation would be considered a single employer under Internal Revenue Code Section 414(b) or 414(c), provided that in applying Sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Internal Revenue Code Section 414(b), the language “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Internal Revenue Code Sections 1563(a)(1), (2), and (3), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Internal Revenue Code Section 414(c), “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2.

2.21 **Share Unit**. “Share Unit” means a measure of participation under the Plan having a value based on the market value of one share of Series 1, common stock of the Company.

2.22 **Spouse**. “Spouse” means a Participant’s wife or husband who was lawfully married to the Participant upon the Participant’s death or severance from service.

**ARTICLE III**

**ADMINISTRATION**

3.1 **Plan Administrator; Company and Committee; Duties**. This Plan shall be administered by the Plan Administrator. Decisions of the Plan Administrator may be reviewed by the Company through the Committee. Members of the Committee may be Participants under this Plan. The Company shall also 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.

3.2 Binding Effect of Decisions. The decision or action of the Company in respect to any question arising out of or in connection with the administration, interpretation, and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan unless a written appeal is received by the Company within sixty days of the disputed action. The appeal will be reviewed by the Committee, and its decision shall be final, conclusive, and binding on the Participant and on all persons claiming by, through, or under the Participant.

ARTICLE IV
PARTICIPATION

4.1 Participation. Participation in the Plan shall be limited to New Directors and Directors, under age 70, who elect to participate in the Plan by filing a Participation Agreement with the Company. A New Director shall become eligible to participate in the Plan on the first day of the calendar month immediately following the date on which the New Director has served 15 days on the Board. Except as provided below, a Participation Agreement must be received by the Company by, and shall become irrevocable on, the last day of the calendar year immediately preceding the Plan Year in which the Participant’s participation under the agreement will commence. The election to participate shall apply to Fees earned on or after the first day of the Plan Year following receipt by the Company of a properly completed and executed Participation Agreement.

With respect to an individual becoming a Director during a Plan Year who thereby becomes eligible to participate in the Plan, an initial Participation Agreement may be filed within 30 days of the date on which the Director becomes eligible, and such election to participate shall be effective on the first day of the month following the Company’s receipt thereof, except that elections not received by the Company before the 15th day of any calendar month shall be effective no earlier than the first day of the second month following the month of receipt, and such election shall only apply to Fees earned with respect to services performed during the remainder of the calendar year in which such individual first becomes eligible to participate in the Plan. Such election shall become irrevocable upon receipt by the Company.
4.2 **Amount of Deferral and Length of Participation**. A Participant may elect in any Participation Agreement to defer up to 100% of the Fees that are expected at the time of election to be earned in the Plan Year to which the Participation Agreement relates and all subsequent Plan Years until changed by the Participant’s filing of a new Participation Agreement, provided, the minimum amount of Fees that may be deferred shall, in each case, be $5,000 per year or 100% of Fees payable, whichever is less. Fees deferred under a Participation Agreement shall be distributed upon Separation from Service in accordance with paragraph 7.1 unless the Participant elects in such Participation Agreement to defer distribution until the later of Separation from Service or attainment of a specified age.

(a) The deferral percentage in each Participation Agreement shall be applied to the Participant’s Fees earned during the period of election.

(b) A Participant’s election to defer Fees under a Participation Agreement shall be irrevocable as provided in paragraph 4.1; provided, however, that the deferral of Fees under any Participation Agreement may be suspended as provided in paragraph 7.3.

If a Participant desires to change the percentage of Fees deferred or desires to cease deferring Fees, the Participant must file a new Participation Agreement. Such new Participation Agreement must be filed no later than the last day of the calendar year immediately preceding the Plan Year in which the new Participation Agreement is to take effect. The new Participation Agreement shall be effective as to Fees earned in Plan Years beginning after the last day of the Plan Year in which the agreement is filed with the Company. Any previously filed Participation Agreement will no longer apply to the deferral of fees. Only one Participation Agreement will be in effect for new deferrals in each Plan Year. In the event a Participant elects to defer Fees pursuant to a new Participation Agreement, the new election shall be treated as an arrangement for which a separate Deferred Benefit Account shall be maintained and separate Deferral Benefits shall be payable.

**ARTICLE V**

**DEFERRED FEES**

5.1 **Elective Deferred Fees**. The amount of Fees 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 amount credited to a Participant’s Deferred Benefit Account shall equal the amount deferred, except to the extent that the Company is required to withhold any taxes or other amounts related to the Participant’s deferred fees pursuant to any federal, state or local law. In the event withholding is required, the amount required to be withheld shall first be taken from the Participant’s fees that have not been deferred. If these fees are not sufficient to meet the withholding obligation, the remainder will be taken from the amount deferred.

5.2 Vesting of Deferred Benefit Account.

(a) Vesting provisions before February 8, 2005. Participants shall be 100% vested in their Deferred Benefit Accounts, except for the Account B resulting from a One Time Grant. The Share Units granted as part of a One Time Grant will vest at the rate of 50% on the fifth anniversary of the Participant’s election as a Director and 10% per year on the sixth through tenth anniversaries of such election. The Share Units resulting from dividend credits on such Share Units will vest at the same time as such Share Units vest. Any Share Units that have not vested at the time of the Participant’s Separation from Service as a Director shall be forfeited.

(b) Vesting provisions on and after February 8, 2005. Participants shall be 100% vested in their Deferred Benefit Accounts, except for the Account B resulting from a One Time Grant. The Share Units granted as part of a One Time Grant (including One Time Grants made before February 8, 2005) shall be 100% vested on the third anniversary of the Participant’s election as a Director, except as follows:

(1) If a Participant departs from the Board at his or her convenience before the third anniversary of the Participant’s election as a Director, the One Time Grant would vest on a pro rata basis in a proportional amount equivalent to the number of full years of service completed since the grant date;

(2) If a Participant departs from the Board because of a change in control (as defined in the 1997 Long-term Stock Incentive Program), a change in policy or otherwise at the convenience of the Board, vesting of the One Time Grant would accelerate upon his or her departure.

The Share Units resulting from dividend credits on such Share Units will vest at the same time as such Share Units vest. Any Share Units that have not vested at the time of the Participant’s Separation from
Service as a Director shall be forfeited. The vesting provided for in this subparagraph 5.2(b) shall not apply to any amount that was earned and vested as of December 31, 2004 pursuant to subparagraph 5.2(a).

If any vesting under this subparagraph 5.2(b) is treated as a parachute payment within the meaning of Internal Revenue Code Section 280G (“280G”), and together with all other payments or benefits contingent on the change in control within the meaning of 280G, results in any portion of such payments or benefits not being deductible by the Company as a result of the application of 280G, the benefits shall be reduced until the entire amount of the benefits is deductible. The reduction shall be effected by reduction of the benefits under the One Time Grant, the exclusion of acceleration of vesting of equity grants under the 1997 Long-term Stock Incentive Program, or portions thereof, in the order elected by the Plan Administrator, provided that reduction would first come from payments or benefits that are not permitted to be valued under Q&A 24(c) of Treasury Regulation Section 1.280G-1 and then by payments or benefits that are permitted to be valued under Q&A 24(c) of Treasury Regulation Section 1.280G-1, until no portion of such payments or benefits is rendered non-deductible by application of 280G.

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 Fees 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 6.3 and 6.4. 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), or to Account B (Share Units). The initial election shall be made by a properly executed Participation Agreement. An election to change the apportionment of deferred amounts between Accounts A and B may be made by a Participant filing with the Plan Administrator a revised
Participation Agreement indicating such change on or before the last day of a calendar year. The revised Participation Agreement shall be deemed a continuation of the initial Participation Agreement to which it relates. The revised Participation Agreement shall be effective for Fees earned in Plan Years beginning after the date it is filed.

Deferrals in such Plan Years shall be credited in accordance with the election of the revised Participation Agreement.

6.3 **Maintenance of Account A.** As of each Determination Date, the Participant’s Deferred Benefit Account A shall be increased by the amount of interest earned since the preceding Determination Date based on the Interest Yield. Interest shall be credited on the 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.

6.4 **Maintenance of Account B.**

(a) **Conversion between Dollar Amounts and Share Units in Account B.** When an amount is to be added to a Participant’s Deferred Benefit Account B, it shall be converted into Share Units, or fractions thereof, by dividing the amount to be credited by the closing price of the Series 1, common stock of the Company, as reported by the New York Stock Exchange on the last trading day on or before the Determination Date. When a number of Share Units is to be subtracted from a Participant’s Deferred Benefit Account B, such number of Share Units shall be converted into a dollar amount by multiplying such number of Share Units by the closing price of the Series 1, common stock of the Company, as reported by the New York Stock Exchange on the last trading day on or before the Determination Date.

(b) **Dividends.** When a dividend is declared and paid by the Company on its Series 1, common stock, an amount shall be credited to the Participant’s Account B as though the same dividend had been paid on the Share Units in such account as of the Determination Date immediately preceding the record date for the dividend, and such amount shall be converted to Share Units. Such amount shall be valued as of the Determination Date immediately following the payment of the dividend.
(c) **Effect of Recapitalization.** In the event of a stock dividend, stock split, or other corporate reorganization involving the Series 1, common stock of the Company, the Company shall make equitable adjustment to the number of Share Units credited to a Participant’s Account B as may be necessary to give effect to such change in the Company’s capital structure.

(d) **Conversion of Share Units to Dollars on Distribution.** Share Units in Account B 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 Share Unit shall be the average closing price of the Company’s Series 1, common stock on the New York Stock Exchange on the last trading day of each of the 12 calendar months immediately preceding the date of distribution. If a Participant elects payment in other than a lump sum, 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 Account B in accordance with subparagraph 6.4(b).

6.5 **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 and B, in each case as of the last day of the preceding Plan Year.

6.6 **Transfer Between Accounts.** Within the limitations of this paragraph 6.6, 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 (2) to transfer all or any portion of the Participant’s Account B to Account A. Such election shall be effective on the last day of the calendar month in which the Plan Administrator 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. No part of the Account B resulting from a One Time Grant may be transferred to any other account.
ARTICLE VII
BENEFITS

7.1 Distribution of Deferral Benefits. Subject to paragraph 7.4 below, upon any Separation from Service of the Participant for reasons other than the Participant’s death, the Company shall pay to the Participant a Deferral Benefit equal to the amount of the Participant’s Deferred Benefit Account determined under paragraph 6.1 hereof, but excluding any unvested Share Units. Notwithstanding the preceding sentence, if the Participant elected in the applicable Participation Agreement that the Deferral Benefit be paid upon the later of the Participant’s Separation from Service or attainment of a specified age and the Participant has not attained the specified age at Separation from Service, such Deferral Benefit, in an amount equal to the amount of the Participant’s Deferred Benefit Account determined under paragraph 6.1 hereof, but excluding any unvested Share Units, shall be paid to the Participant upon the Participant’s attainment of the specified age.

7.2 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 balance of the Participant’s Deferred Benefit Account in accordance with the Participant’s election pursuant to paragraph 7.4.

If a Participant dies before any payments of a Deferral Benefit, the amount to which the Participant’s Beneficiary is entitled under Accounts A and B shall be the Deferred Benefit Account values thereof excluding any unvested Share Units.

The Deferral Benefit shall be payable as provided for in paragraph 7.4.

If a Participant’s Beneficiary dies before payments of the Participant’s Deferral Benefit are complete, payments will continue to be made to the estate of the beneficiary in accordance with the Participant’s election pursuant to paragraph 7.4.

The Deferral Benefit provided above shall be in lieu of all other benefits under this Plan.

7.3 Suspension of Participation; Failure to Continue Participation. The Committee, in its sole discretion, may suspend the deferral of a Participant’s Fees upon the advanced written request of a Participant on account of a “financial hardship” suffered by that Participant. A “financial hardship” shall mean a severe financial hardship resulting from (i) an illness or accident of the Participant, the Participant’s...
Spouse or Beneficiary, or the Participant’s dependent (as defined in Internal Revenue Code Section 152, without regard to Internal Revenue Code Section 152(b)(1), (b)(2), and (d)(1)(B)); (ii) the loss of the Participant’s property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance, for example, not as a result of a natural disaster); or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The imminent foreclosure of or eviction from the Participant’s primary residence may constitute a financial hardship. In addition, the need to pay for medical expenses, including non-refundable deductibles, as well as for the costs of prescription drug medication, may constitute a financial hardship. Finally, the need to pay for the funeral expenses of the Participant’s Spouse or Beneficiary, or the Participant’s dependent (as defined in Internal Revenue Code Section 152, without regard to Internal Revenue Code Section 152(b)(1), (b)(2), and (d)(1)(B)) may also constitute a financial hardship. A Participant must file any request for 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 and will affect amounts deferred for the balance of the Plan Year. 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.

7.4 **Form of Benefit Payment**

(a) Upon the happening of the applicable distribution event described in paragraph 7.1 or 7.2 above, the Company shall pay to the Participant or the Participant’s Beneficiary the amount specified therein 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 Account A, 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 Account A 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 Account B, an annual payment over a period from 2 to 20 years. Each payment shall be the value, as determined pursuant to subparagraph 6.4(d), of the number of Share Units equal to (i) the number of Share Units in the accounts on the Determination Date immediately following the applicable distribution event described in paragraph 7.1 or 7.2, divided by (ii) the number of annual installments elected.

During the period that a Participant is receiving a distribution from Account B, Share Unit dividends will be added to the Accounts in accordance with subparagraph 6.4(b). Such Share Unit dividends shall be valued in the same manner as previously described, and the value of all such Share Units accruing after a distribution from Account B is made shall be paid to the Participant with the next distribution from the account.

(b) A Participant may change the form in which or the time at which the Participant’s benefits shall be paid by filing an Amendment of Payment Election Form indicating such change, provided such amended election (i) shall not take effect until at least 12 months after the date on which such election is made and shall be made not less than 12 months before the date the payment otherwise would have been made, and (ii) except in the case of a payment upon the death of the Participant, shall defer payment of the Participant’s Accounts for at least five years from the date initial payment would otherwise have been made. An Amendment of Payment Election Form shall be accepted by the Company only if such form complies with the requirements of the preceding sentence and shall become irrevocable on the date such election is accepted by the Company. No such Amendment of Payment Election Form shall change the amount elected to be deferred in the Participation Agreement to which it relates.

(c) In the absence of a Participant’s election under subparagraph 7.4(a), benefits shall be paid in the form specified in subparagraphs 7.4(a)(2) and 7.4(a)(3) over a 15 year period.
7.5 **Withholding; Payroll Taxes**. To the extent required by the law in effect at the time payments are made, the Company shall withhold from payments made hereunder any taxes required to be withheld from a Director’s fees for the federal or any state or local government.

7.6 **Commencement of Payments**. Unless otherwise provided, payments under this Plan shall be made or commence within 45 days of the first Determination Date, following the applicable distribution event described in paragraph 7.1 or 7.2.

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**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 Participant’s Beneficiary or the Beneficiaries’ estate shall completely discharge the Company’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, claims, or interests in any property or assets of the Company or its subsidiaries, 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 that may be acquired by the Company (“Policies”). Such Policies or other assets of the Company and its subsidiaries 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 Company under this Plan. Any and all of such assets and Policies shall be and remain the general, unpledged, unrestricted assets of the Company and its subsidiaries. The Company’s obligation under the Plan shall be merely that of an unfunded and unsecured promise of the Company 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 Company and the Participant, and the Participant (or the Participant’s Beneficiary) shall have no rights against the Company 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 as a Director.

10.4 Protective Provisions. A Participant will cooperate with the Company by furnishing any and all information requested by the Company, in order to facilitate the payment of benefits hereunder, by taking such physical examinations as the Company may deem necessary, and by taking such other action as may be requested by the Company.

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 Prohibition on Acceleration of Payments. The time or schedule of any payment or amount scheduled to be paid pursuant to the terms of the Plan may not be accelerated except as otherwise permitted under Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder.

10.7 Internal Revenue Code Section 409A. The Plan and the benefits provided hereunder are intended to comply with Internal Revenue Code Section 409A and the guidance and Treasury regulations issued thereunder, to the extent applicable thereto. Notwithstanding any provision of the Plan to the contrary, the Plan shall be interpreted and construed consistent with this intent. Notwithstanding the foregoing, the Company shall not be required to assume any increased economic burden in connection therewith. Although the Company intends to administer the Plan so that it will comply with the requirements of Internal Revenue Code Section 409A, the Company does not represent or warrant that the Plan will comply with Internal Revenue Code Section 409A or any other provision of federal, state, local, or non-United States law. Neither
the Company, its subsidiaries, nor their respective directors, officers, employees or advisers shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest, or penalties the Participant may owe as a result of participation in the Plan, and the Company and its subsidiaries shall have no obligation to indemnify or otherwise protect any Participant from the obligation to pay any taxes pursuant to Internal Revenue Code Section 409A.
SPRINT NEXTEL CORPORATION
2007 OMNIBUS INCENTIVE PLAN
(EFFECTIVE MAY 8, 2007 AND
AMENDED AND RESTATED ON FEBRUARY 11, 2008 AND NOVEMBER 5, 2008)
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2007 Omnibus Incentive Plan 11.04.08
1. **Purpose**. The purpose of this 2007 Omnibus Incentive Plan is to attract and retain directors, officers, other employees and consultants of Sprint Nextel Corporation and its Subsidiaries and to motivate and provide to such persons incentives and rewards for superior performance.

2. **Definitions**. As used in this Plan:

(a) “Appreciation Right” means a right granted pursuant to Section 5 of this Plan and will include both Free-Standing Appreciation Rights and Tandem Appreciation Rights.

(b) “Authorized Officer” has the meaning specified in Section 11(d) of the Plan.

(c) “Award” means a grant of Option Rights, Appreciation Rights, Performance Shares or Performance Units, or a grant or sale of Restricted Stock, Restricted Stock Units or other awards contemplated by Section 10 of the Plan.

(d) “Base Price” means the price to be used as the basis for determining the Spread upon the exercise of a Free-Standing Appreciation Right or a Tandem Appreciation Right.

(e) “Board” means the Board of Directors of the Corporation and, to the extent of any delegation by the Board to a committee (or subcommittee thereof) pursuant to Section 11 of this Plan, such committee (or subcommittee).

(f) “Business Transaction” has the meaning set forth in Section 2(h)(ii).

(g) “Cause” as a reason for a Participant’s termination of employment shall have the meaning assigned such term in (i) the employment agreement, if any, between the Participant and an Employer, or (ii) during the CIC Severance Protection Period (as defined in the CIC Severance Plan), the CIC Severance Plan, if the Participant is a participant in such plan. If the Participant is not a party to an employment agreement with an Employer in which such term is defined, or if during the CIC Severance Protection Period, the Participant is not a participant in the CIC Severance Plan, then unless otherwise defined in the applicable Evidence of Award, “Cause” shall mean:

   (i) the intentional engagement in any acts or omissions constituting dishonesty, breach of a fiduciary obligation, wrongdoing or misfeasance, in each case, in connection with a Participant’s duties or otherwise during the course of a Participant’s employment with an Employer;

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(ii) the commission of a felony or the indictment for any felony, including, but not limited to, any felony involving fraud, embezzlement, moral turpitude or theft;

(iii) the intentional and wrongful damaging of property, contractual interests or business relationships of an Employer;

(iv) the intentional and wrongful disclosure of secret processes or confidential information of an Employer in violation of an agreement with or a policy of an Employer;

(v) the continued failure to substantially perform the Participant’s duties for an Employer;

(vi) current alcohol or prescription drug abuse affecting work performance;

(vii) current illegal use of drugs; or

(viii) any intentional conduct contrary to an Employer’s announced policies or practices (including, but not limited to, those contained in the Corporation’s Code of Conduct).

(h) For purposes of this Plan, except as may be otherwise prescribed by the Compensation Committee in an Evidence of Award, a “Change in Control” of the Corporation shall be deemed to have occurred upon the happening of any of the following events:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of thirty percent (30%) or more of the combined voting power of the then-outstanding Voting Stock of the Corporation; except that:

(A) for purposes of this Section 2(h)(i), the following acquisitions shall not constitute a Change in Control: (1) any acquisition of Voting Stock of the Corporation directly from the Corporation that is approved by a majority of the Incumbent Directors, (2) any acquisition of Voting Stock of the Corporation by the Corporation or any Subsidiary, (3) any acquisition of Voting Stock of the Corporation by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Subsidiary, and (4) any acquisition of Voting Stock of the Corporation by any Person pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 2(h)(ii);

(B) if any Person becomes the beneficial owner of thirty percent (30%) or more of combined voting power of the then-outstanding Voting Stock...
Stock of the Corporation as a result of a transaction or series of transactions described in clause (1) of Section 2(h)(i)(A) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock of the Corporation representing one percent (1%) or more of the then-outstanding Voting Stock of the Corporation, other than as a result of (x) a transaction described in clause (1) of Section 2(h)(i)(A) above, or (y) a stock dividend, stock split or similar transaction effected by the Corporation in which all holders of Voting Stock are treated equally, then such subsequent acquisition shall be treated as a Change in Control; (C) a Change in Control will not be deemed to have occurred if a Person becomes the beneficial owner of thirty percent (30%) or more of the Voting Stock of the Corporation as a result of a reduction in the number of shares of Voting Stock of the Corporation outstanding pursuant to a transaction or series of transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of additional shares of Voting Stock of the Corporation representing one percent (1%) or more of the then-outstanding Voting Stock of the Corporation, other than as a result of a stock dividend, stock split or similar transaction effected by the Corporation in which all holders of Voting Stock are treated equally; and (D) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of thirty percent (30%) or more of the Voting Stock of the Corporation inadvertently, and such Person divests as promptly as practicable, but no later than the date, if any, set by the Incumbent Directors, a sufficient number of shares so that such Person beneficially owns less than thirty percent (30%) of the Voting Stock of the Corporation, then no Change in Control shall have occurred as a result of such Person’s acquisition; or (ii) the consummation of a reorganization, merger or consolidation of the Corporation with, or the acquisition of the stock or assets of the Corporation by, another Person, or similar transaction (each, a “Business Transaction”), unless, in each case, immediately following such Business Transaction (A) the Voting Stock of the Corporation outstanding immediately prior to such Business Transaction continues to represent, directly or indirectly, (either by remaining outstanding or by being converted into Voting Stock of the surviving entity or any parent thereof), more than fifty percent (50%) of the combined voting power of the then outstanding shares of Voting Stock or comparable equity interests of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns the Corporation or all or substantially all of the Corporation’s assets either directly or through one or more
subsidiaries), (B) no Person (other than the Corporation, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, thirty percent (30%) or more of the combined voting power of the then outstanding shares of Voting Stock of the entity resulting from such Business Transaction, and (C) at least a majority of the members of the board of directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

(iii) during any consecutive 18-month period, more than thirty percent (30%) of the Board ceases to be comprised of Incumbent Directors; or

(iv) consummation of a transaction that implements in whole or in part a resolution of the stockholders of the Corporation authorizing a sale of all or substantially all of Corporation’s assets or a complete liquidation or dissolution of the Corporation, except pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 2(h)(ii).

(i) “CIC Severance Plan” means the Sprint Nextel Corporation Change in Control Severance Plan, as it may be amended from time to time or any successor plan, program, agreement or arrangement.

(j) “CIC Severance Protection Period” means, except as otherwise provided in a Participant’s Evidence of Award, the time period commencing on the date of the first occurrence of a Change in Control and continuing until the earlier of: (i) the 18-month anniversary of such date, and (ii) the Participant’s death. To the extent provided in a Participant’s Evidence of Award, a CIC Severance Protection Period also shall include the time period before the occurrence of a Change in Control for a Participant who is subject to a Pre-CIC Termination.

(k) “Code” means the Internal Revenue Code of 1986, as amended from time to time, including any rules and regulations promulgated thereunder, along with Treasury and IRS interpretations thereof. Reference to any section or subsection of the Code includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

(l) “Common Stock” means the Series 1 common stock, par value $2.00 per share, of the Corporation or any security into which such shares of Common Stock may be changed by reason of any transaction or event of the type referred to in Section 12 of this Plan.

(m) “Compensation Committee” means the Human Capital and Compensation Committee of the Board, or any other committee of the Board or subcommittee thereof authorized to administer this Plan in accordance with Section 11 of the Plan.

(n) “Corporation” means Sprint Nextel Corporation, a Kansas corporation, and its successors.
(o) “Date of Grant” means the date as of which an Award is determined to be effective and designated in a resolution by the Compensation Committee or an Authorized Officer and is granted pursuant to the Plan. The Date of Grant shall not be earlier than the date of the resolution and action therein by the Compensation Committee or an Authorized Officer. In no event shall the Date of Grant be earlier than the Effective Date.

(p) “Detrimental Activity,” except as may be otherwise specified in a Participant’s Evidence of Award, means:

   (i) engaging in any activity of competition, as specified in any covenant not to compete set forth in any agreement between a Participant and the Corporation or a Subsidiary, including, but not limited to, the Participant’s Evidence of Award, during the period of restriction specified in the agreement prohibiting the Participant from engaging in such activity;

   (ii) engaging in any activity of solicitation, as specified in any covenant not to solicit set forth in any agreement between a Participant and the Corporation or a Subsidiary, including, but not limited to, the Participant’s Evidence of Award, during the period of restriction specified in the agreement prohibiting the Participant from engaging in such activity;

   (iii) the disclosure to anyone outside the Corporation or a Subsidiary, or the use in other than the Corporation’s or a Subsidiary’s business, (A) without prior written authorization from the Corporation, of any confidential, proprietary or trade secret information or material relating to the business of the Corporation and its Subsidiaries, acquired by the Participant during his or her service with the Corporation or any of its Subsidiaries, or (B) in violation of any covenant not to disclose set forth in any agreement between a Participant and the Corporation or a Subsidiary, including, but not limited to, the Participant’s Evidence of Award, during the period of restriction specified in the agreement prohibiting the Participant from engaging in such activity;

   (iv) the (A) failure or refusal to disclose promptly and to assign to the Corporation or a Subsidiary upon request all right, title and interest in any invention or idea, patentable or not, made or conceived by the Participant during his or her service with the Corporation or any of its Subsidiaries, relating in any manner to the actual or anticipated business, research or development work of the Corporation or any Subsidiary or the failure or refusal to do anything reasonably necessary to enable the Corporation or any Subsidiary to secure a patent where appropriate in the United States and in other countries, or (B) violation of any development and inventions provision set forth in any agreement between a Participant and the Corporation or a Subsidiary, including, but not limited to, the Participant’s Evidence of Award;

   (v) if the Participant is or was an officer, activity that the Board determines entitles the Corporation to seek recovery from an officer under any policy promulgated by the Board as in effect when an Award was made or vested under this Plan; or
(vi) activity that results in termination of the Participant’s employment for Cause.

(q) “Director” means a member of the Board.

(r) “Disability” shall mean, in the case of an Employee, termination of employment under circumstances that would make the Employee eligible to receive benefits under the Sprint Nextel Basic Long-Term Disability Plan, as it may be amended from time to time, or any successor plan, program, agreement or arrangement, and in the case of a Participant who is a Non-Employee Director, termination of service as a Non-Employee Director under circumstances that would make the Non-Employee Director eligible to receive Social Security disability benefits. For purposes of paying an amount that is subject to Section 409A of the Code at a time that references Disability, Disability shall mean Separation from Service under these circumstances.

(s) “Effective Date” means the date that this Plan is approved by the stockholders of the Corporation.

(t) “Employee” means any employee of the Corporation or of any Subsidiary.

(u) “Employer” means the Corporation or any successor thereto or a Subsidiary.

(v) “Evidence of Award” means an agreement, certificate, resolution or other written evidence, whether or not in electronic form, that sets forth the terms and conditions of an Award. Each Evidence of Award shall be subject to this Plan and shall contain such terms and provisions, consistent with this Plan, as the Compensation Committee or an Authorized Officer may approve. An Evidence of Award may be in an electronic medium, may be limited to notation on the books and records of the Corporation and, unless determined otherwise by the Compensation Committee, need not be signed by a representative of the Corporation or a Participant. If an Evidence of Award is limited to notation on the books and records of the Corporation, in the event of any inconsistency between a Participant’s records and the records of the Corporation, the records of the Corporation will control.

(w) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder. Reference to any section or subsection of the Exchange Act includes reference to any comparable or succeeding provisions of any legislation that amends, supplements or replaces such section or subsection.

(x) “Executive Officer” means an officer of the Corporation that is subject to the liability provisions of Section 16 of the Exchange Act.

(y) “Free-Standing Appreciation Right” means an Appreciation Right granted pursuant to Section 5 of this Plan that is not granted in tandem with an Option Right.
(z) “Full-Value Awards” means Awards granted pursuant to the terms of this Plan that result in the Corporation transferring the full value of any underlying share of Common Stock granted pursuant to an Award. Full-Value Awards include all Awards other than Option Rights, Appreciation Rights or other awards granted pursuant to Section 10 of this Plan with rights which are substantially similar to an Option Right or Appreciation Right.

(aa) “Good Reason,” except as may be otherwise specified in a Participant’s Evidence of Award, shall have the meaning assigned such term in (i) the employment agreement, if any, between a Participant and an Employer, or (ii) during the CIC Severance Protection Period (as defined in the CIC Severance Plan), the CIC Severance Plan, if a Participant is a participant in such plan.

(bb) “Incentive Stock Options” means Option Rights that are intended to qualify as “incentive stock options” under Section 422 of the Code.

(cc) “Incumbent Directors” means the individuals who, as of the Effective Date, are Directors of the Corporation, and any individual becoming a Director after the Effective Date whose election, nomination for election by the Corporation’s stockholders, or appointment, was approved by a vote of at least two-thirds of the then Incumbent Directors (either by a specific vote or by approval of the proxy statement of the Corporation in which such person is named as a nominee for director, without objection to such nomination); provided, however, that an individual shall not be an Incumbent Director if the individual’s election or appointment to the Board occurs as a result of an actual or threatened election contest (as described in Rule 14a-12(c) of the Exchange Act) 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 other than the Board.

(dd) “Management Objectives” means the measurable performance objective or objectives established pursuant to this Plan for Participants who have received grants of Performance Shares or Performance Units or, when so determined by the Compensation Committee or an Authorized Officer, Option Rights, Appreciation Rights, Restricted Stock, Restricted Stock Units, other awards contemplated by Section 10 of this Plan or dividend credits pursuant to this Plan. Management Objectives may be described in terms of Corporation-wide objectives or objectives that are related to the performance of a joint venture, Subsidiary, business unit, division, department, business segment, region or function and/or that are related to the performance of the individual Participant. The Management Objectives applicable to any Qualified Performance-Based Award will be based on specified levels of or growth in one or more of the following criteria:

(i) net sales;
(ii) revenue;
(iii) revenue growth or product revenue growth;
(iv) operating income (before or after taxes, including operating income before depreciation and amortization);
(v) income (before or after taxes and before or after allocation of corporate overhead and bonus);
(vi) net earnings;
(vii) earnings per share;
(viii) net income (before or after taxes);
(ix) return on equity;
(x) total stockholder return;
(xi) return on assets or net assets;
(xii) appreciation in and/or maintenance of share price;
(xiii) market share;
(xiv) gross profits;
(xv) earnings (including earnings before taxes, earnings before interest and taxes or earnings before interest, taxes, depreciation and amortization);
(xvi) economic value-added models or equivalent metrics;
(xvii) reductions in costs;
(xviii) cash flow or cash flow per share (before or after dividends);
(xix) return on capital (including return on total capital or return on invested capital);
(x) cash flow return on investment;
(xxi) improvement in or attainment of expense levels or working capital levels;
(xxii) operating, gross, or cash margins;
(xxiii) year-end cash;
(xxiv) debt reductions;
(xxv) stockholder equity;
(xxvi) regulatory achievements;
(xxvii) operating performance;
(xxviii) market expansion;
(xxix) customer acquisition;
(xxx) customer satisfaction;
(xxxi) employee satisfaction;
(xxxii) implementation, completion, or attainment of measurable objectives with respect to research, development, products or projects and recruiting and maintaining personnel; or
(xxxiii) a published or a special index deemed applicable by the Compensation Committee or any of the above criteria as compared to the performance of any such index, including, but not limited to, the Dow Jones U.S. Telecom Index.

On or before the Date of Grant, in connection with the establishment of Management Objectives, the Compensation Committee may exclude the impact on performance of charges for restructuring, acquisitions, divestitures, discontinued operations, extraordinary items, and other unusual or non-recurring items and the cumulative effects of changes in tax law or accounting principles, as such are defined by generally accepted accounting principles or the Securities and Exchange Commission and as identified in the Corporation’s audited financial statements, notes to such financial statements or management’s discussion and analysis in the Corporation’s annual report or other filings with the Securities and Exchange Commission; any such exclusion.
shall be indicated in the applicable Evidence of Award. With respect to any grant under the Plan, if the Compensation Committee determines that a change in the business, operations, corporate structure or capital structure of the Corporation, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the Compensation Committee may in its discretion modify such Management Objectives or the related minimum acceptable level or levels of achievement, in whole or in part, as the Compensation Committee deems appropriate and equitable, except in the case of a Qualified Performance-Based Award when such action would result in the loss of the otherwise available exemption of such Award under Section 162(m) of the Code. In such case, the Compensation Committee will not make any modification of the Management Objectives or the minimum acceptable level or levels of achievement with respect to such Qualified Performance-Based Award.

(ee) “Market Value Per Share” means, as of any particular date the closing sale price of the Common Stock as reported on the New York Stock Exchange Composite Tape or, if not listed on such exchange, on any other national securities exchange on which the Common Stock is listed. If the Common Stock is not traded as of any given date, the Market Value Per Share means the closing price for the Common Stock on the principal exchange on which the Common Stock is traded for the immediately preceding date on which the Common Stock was traded. If there is no regular public trading market for such Common Stock, the Market Value Per Share of the Common Stock shall be the fair market value of the Common Stock as determined in good faith by the Board. The Board is authorized to adopt another fair market value pricing method, provided such method is stated in the Evidence of Award, and is in compliance with the fair market value pricing rules set forth in Section 409A of the Code.

(ff) “Nextel Plan” means the Nextel Communications, Inc. Amended and Restated Incentive Equity Plan (as Amended and Restated Effective July 13, 2005).

(gg) “Non-Employee Director” means a member of the Board who is not an Employee.

(hh) “Non-Qualified Options” means Option Rights that are not intended to qualify as “incentive stock options” under Section 422 of the Code.

(ii) “Normal Retirement” means, with respect to any Employee, termination of employment (other than termination for Cause or due to death or Disability) at or after age 65. For purposes of paying an amount that is subject to Section 409A of the Code at a time that references Normal Retirement, Normal Retirement shall mean Separation from Service at or after age 65.

(jj) “Optionee” means the Participant named in an Evidence of Award evidencing an outstanding Option Right.

(kk) “Option Price” means the purchase price payable on exercise of an Option Right.
(ll) “Option Right” means the right to purchase shares of Common Stock upon exercise of a Non-Qualified Option or an Incentive Stock Option granted pursuant to Section 4 of this Plan.

(mm) “Participant” means a person who is selected by the Board, the Compensation Committee or an Authorized Officer to receive benefits under this Plan and who is at the time (i) an Employee or a Non-Employee Director, or (ii) providing services to the Corporation or a Subsidiary, including but not limited to, a consultant, an advisor, independent contractor, or other non-employee of the Corporation or any one or more of its Subsidiaries.

(nn) “Performance Period” means, in respect of a Performance Share or Performance Unit, a period of time established pursuant to Section 8 of this Plan within which the Management Objectives relating to such Performance Share or Performance Unit are to be achieved.

(oo) “Performance Share” means a bookkeeping entry that records the equivalent of one share of Common Stock awarded pursuant to Section 8 of this Plan.

(pp) “Performance Unit” means a bookkeeping entry awarded pursuant to Section 8 of this Plan that records a unit equivalent to $1.00 or such other value as is determined by the Compensation Committee.

(qq) “Person” has the meaning set forth in Section 2(h)(i).

(rr) “Plan” means this Sprint Nextel Corporation 2007 Omnibus Incentive Plan, as it may be amended from time to time.

(ss) “Plan Year” has the meaning set forth in Section 9(g) and (h).

(tt) “Pre-CIC Termination” means the termination of a Participant’s employment without Cause, provided that both (i) the termination was made in the six (6) month period prior to a Change in Control at the request of a third party in contemplation of a Change in Control, and (ii) the Change in Control occurs. For purposes of paying an amount that is subject to Section 409A of the Code at a time that references a Pre-CIC Termination, Pre-CIC Termination shall mean Separation from Service under these circumstances.

(uu) “Predecessor Plans” means (i) the Management Incentive Stock Option Plan, effective February 18, 1995, (ii) the Sprint 1997 Plan, and (iii) the Nextel Plan.

(vv) “Qualified Performance-Based Award” means any Award or portion of an Award that is intended to satisfy the requirements for “qualified performance-based compensation” under Section 162(m) of the Code.

(ww) “Restricted Stock” means shares of Common Stock granted or sold pursuant to Section 6 of this Plan as to which neither the substantial risk of forfeiture nor the prohibition on transfer has expired.
(xx) “Restricted Stock Unit” means an award granted or sold pursuant to Section 7 of this Plan of the right to receive shares of Common Stock or cash at the end of the Restriction Period.

(yy) “Restriction Period” means the period of time during which Restricted Stock Units are subject to restrictions, as provided in Section 7 of this Plan.

(zz) “Separation From Service” means a “separation from service” as such term is defined under Code Section 409A and the Treasury regulations issued thereunder. Except as otherwise required to comply with Code Section 409A, an employee shall be considered not to have had a Separation From Service where the level of bona fide services performed continues at a level that is at least 21 percent or more of the average level of service performed by the employee during the immediately preceding 36-month period (or if providing services for less than 36 months, such lesser period) after taking into account any services that the employee provided prior to such date or that the Company and the employee reasonably anticipate the employee may provide (whether as an employee or independent contractor) after such date.

For purposes of the determination of whether a Participant has had a “separation from service” as described under Code Section 409A and the guidance and Treasury regulations issued thereunder, the terms “Sprint Nextel,” “employer” and “service recipient” mean Sprint Nextel Corporation and any affiliate with which Sprint Nextel Corporation would be considered a single employer under Code Section 414(b) or 414(c), provided that in applying Code Sections 1563(a)(1), (2), and (3) for purposes of determining a controlled group of corporations under Code Section 414(b), the language “at least 50 percent” is used instead of “at least 80 percent”, each place it appears in Code Sections 1563(a)(1), (2) and (3), and in applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses (whether or not incorporated) that are under common control for purposes of Code Section 414(c), “at least 50 percent” is used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2.

(aaa) “Six-Month Payment Delay” means the required delay in payment to a Participant who is a “specified employee” of amounts subject to Section 409A that are paid upon Separation from Service, pursuant to Section 409A(a)(2)(B)(i) of the Code. When a Six-Month Delay is required, the payment date shall be not before the date which is six months after the date of Separation from Service or, if earlier, the date of the Participant’s death. The term specified employee shall have the meaning ascribed to this term under Section 409A of the Code.

(bbb) “Spread” means the excess of the Market Value Per Share on the date when an (i) Option Right is exercised over the Option Price, or (ii) Appreciation Right is exercised over the Option Price or Base Price provided for in the related Option Right or Free-Standing Appreciation Right, respectively.

(ddd) “Subsidiary” means a corporation, company or other entity (i) more than 50% of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but more than 50% of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Corporation, except that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, “Subsidiary” means any corporation in which the Corporation owns or controls, directly or indirectly, more than 50% of the total combined voting power represented by all classes of stock issued by such corporation at the time of grant.

(eee) “Substitute Awards” means Awards that are granted in assumption of, or in substitution or exchange for, outstanding awards previously granted by an entity acquired directly or indirectly by the Corporation or with which the Corporation directly or indirectly combines.

(fff) “Tandem Appreciation Right” means an Appreciation Right granted pursuant to Section 5 of this Plan that is granted in tandem with an Option Right.

(ggg) “Ten Percent Stockholder” shall mean any Participant who owns more than 10% of the combined voting power of all classes of stock of the Corporation, within the meaning of Section 422 of the Code.

(hhh) “Termination Date,” for purposes of this Plan, except as may be otherwise prescribed by the Compensation Committee or an Authorized Officer in an Evidence of Award, shall mean (i) with respect to any Employee, the date on which the Employee ceases to be employed by an Employer, or (ii) with respect to any Participant who is not an Employee, the date on which such Participant’s provision of services to the Corporation or any one or more of its Subsidiaries ends.

(iii) “Voting Stock” means securities entitled to vote generally in the election of Directors.

3. Shares Subject to this Plan.

(a) Maximum Shares Available Under Plan.

(i) Subject to adjustment as provided in Section 12 of this Plan, the maximum aggregate number of shares of Common Stock that may be issued or delivered under the Plan is 34,500,000 shares of Common Stock plus the shares of Common Stock available under the Sprint 1997 Plan as of April 15, 2007 and the Nextel Plan as of the Effective Date. Any shares of Common Stock underlying Full-Value Awards that are issued or delivered under the Plan or that are granted under any Predecessor Plan after December 31, 2006 shall be counted against the share limit described above as 2.50 shares of Common Stock for every one share of Common Stock issued or delivered in connection with such Full-Value Award, and any shares of Common Stock covered by an Award, other than a Full-Value Award.
Award, shall reduce such share limit by one share for every one share of Common Stock covered by such Award. To the extent that a share of Common Stock that was subject to a Full-Value Award that counted as 2.50 shares of Common Stock against the Plan reserve pursuant to the preceding sentence again becomes available for grant under the Plan, as set forth in Section 3(a)(ii)(A), the Plan reserve shall be credited with 2.50 shares of Common Stock, and to the extent that a share of Common Stock that underlies an Award, other than a Full-Value Award, again becomes available for grant under the Plan, as set forth in Section 3(a)(ii)(A), the Plan reserve shall be credited with one share of Common Stock. Common Stock to be issued or delivered pursuant to the Plan may be authorized and unissued shares of Common Stock, treasury shares or a combination of the foregoing.

(ii) In addition to the shares of Common Stock authorized in Section 3(a)(i):

(A) any (1) Option Right, Appreciation Right or other Award (that is not a Full-Value Award) granted pursuant to this Plan that terminates or is forfeited without having been exercised in full, (2) Full-Value Award granted pursuant to this Plan that terminates or is forfeited, or (3) Award granted pursuant to this Plan is settled (or can be paid only) in cash, then the underlying shares of Common Stock, to the extent of any such forfeiture, termination or cash settlement, again shall be available for grant under this Plan and credited toward the Plan limit as set forth in Section 3(a)(i).

(B) any (1) option or stock appreciation right granted pursuant to the Predecessor Plans that terminates, is forfeited without having been exercised in full or is settled in cash, then the underlying shares of Common Stock, to the extent of any such forfeiture, termination or cash settlement, shall be available for grant under this Plan and credited toward the Plan limit as one share of Common Stock for every one share of Common Stock allocable to any such award, or (2) award other than an option or a stock appreciation right granted pursuant to the Predecessor Plans that terminates, is forfeited or is settled in cash, then the underlying shares of Common Stock, to the extent of any such forfeiture, termination or cash settlement, shall be available for grant under this Plan and credited toward the Plan limit as 2.50 shares of Common Stock for every one share of Common Stock allocable to any such award.

(iii) Shares of Common Stock that are tendered, whether by physical delivery or by attestation, to the Corporation by a Participant or withheld from the Award by the Corporation as full or partial payment of the exercise or purchase price of any Award or in payment of any applicable withholding for Federal, state, city, local or foreign taxes incurred in connection with the exercise, vesting or earning of any Award under the Plan or under the Predecessor Plans will not
become available for future grants under the Plan. With respect to an Appreciation Right, when such Appreciation Right is exercised and settled in shares of Common Stock, the shares of Common Stock subject to such Appreciation Right shall be counted against the shares of Common Stock available for issuance under the Plan as one share of Common Stock for every one share of Common Stock subject thereto, regardless of the number of shares of Common Stock used to settle the Appreciation Right upon exercise.

(b) Life-of-Plan Limits. Notwithstanding anything in this Section 3, or elsewhere in this Plan, to the contrary and subject to adjustment pursuant to Section 12 of this Plan, the aggregate number of shares of Common Stock actually issued or transferred by the Corporation upon the exercise of Incentive Stock Options shall not exceed 150,000,000.

(c) Individual Participant Limits. Notwithstanding anything in this Section 3, or elsewhere in this Plan, to the contrary and subject to adjustment pursuant to Section 12 of this Plan:

(i) No Participant shall be granted Option Rights or Appreciation Rights or other awards granted pursuant to Section 10 of this Plan with rights which are substantially similar to Option Rights or Appreciation Rights, in the aggregate, for more than 5,000,000 shares of Common Stock during any calendar year.

(ii) For grants of Qualified Performance-Based Awards, no Participant shall be granted Restricted Stock, Restricted Stock Units, Performance Shares or other awards granted pursuant to Section 10 of this Plan with rights which are substantially similar to Performance Shares, in the aggregate, for more than 2,500,000 shares of Common Stock during any calendar year.

(iii) For grants of Qualified Performance-Based Awards, no Participant shall be granted Performance Units or other awards granted pursuant to Section 10 of this Plan with rights which are substantially similar to Performance Units, in the aggregate, for more than $7,500,000 during any calendar year.

(d) Substitute Awards. Any Substitute Awards granted by the Corporation shall not reduce the shares of Common Stock available for Awards under the Plan and will not count against the limits specified in Section 3(c) above.

4. **Option Rights**. The Compensation Committee or, in accordance with Section 11(d), an Authorized Officer may, from time to time and upon such terms and conditions as it or the Authorized Officer may determine, grant Option Rights to Participants. Each such grant will utilize any or all of the authorizations as specified in the following provisions:

(a) Each grant will specify the number of shares of Common Stock to which it pertains, subject to the limitations set forth in Section 3 of this Plan.

(b) Each Option Right will specify an Option Price per share of Common Stock, which may not be less than the Market Value Per Share on the Date of Grant. In the case
of an Incentive Stock Option granted to a Ten Percent Stockholder, the Option Price per share of Common Stock shall not be less than one hundred ten percent (110%) of the Market Value Per Share on the Date of Grant.

(c) Each Option Right will specify whether the Option Price will be payable (i) in cash or by check or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Corporation of shares of Common Stock owned by the Optionee for at least 6 months (or other consideration authorized pursuant to Section 4(d)) having a value at the time of exercise equal to the total Option Price, (iii) by a combination of such methods of payment and may either grant to the Participant or retain in the Compensation Committee the right to elect among the foregoing alternatives, or (iv) by such other methods as may be approved by the Compensation Committee. No fractional shares of Common Stock will be issued or accepted.

(d) To the extent permitted by law, any grant may permit deferred payment of the Option Price from the proceeds of sale through a bank or broker designated by, and on a date satisfactory to, the Corporation of some or all of the shares of Common Stock to which such exercise relates.

(e) Successive grants may be made to the same Participant whether or not any Option Rights previously granted to such Participant remain unexercised.

(f) Each grant will specify the period or periods of continuous service by the Optionee with the Corporation or any Subsidiary that is necessary before the Option Rights or installments thereof will become exercisable.

(g) Any grant of Option Rights may specify Management Objectives that must be achieved as a condition to the exercise of such rights. Each grant may specify in respect of such Management Objectives a minimum acceptable level or levels of achievement and may set forth a formula for determining the number of Option Rights that will become exercisable if performance is at or above the minimum level(s), but falls short of full achievement of the specified Management Objectives. The grant will specify that, before the exercise of such Option Rights become exercisable, the Compensation Committee must certify that the Management Objectives have been satisfied.

(h) Any grant of Option Rights may provide for the earlier exercise of such Option Rights or other modifications in the event of termination without Cause, resignation for Good Reason, Normal Retirement, termination due to death or Disability of the Participant, a Change in Control, or the grant of a Substitute Award.

(i) Option Rights granted under this Plan may be (i) options, including, without limitation, Incentive Stock Options, (ii) Non-Qualified Options, or (iii) combinations of the foregoing. Incentive Stock Options may be granted only to Participants who meet the definition of “employee” under Section 3401(c) of the Code.

(j) The exercise of an Option Right will result in the cancellation on a share-for-share basis of any related Tandem Appreciation Right authorized under Section 5 of this Plan.
(k) No Option Right will be exercisable more than ten (10) years from the Date of Grant. In the case of an Incentive Stock Option granted to an employee who is a Ten Percent Stockholder, the Incentive Stock Option will not be exercisable more than five (5) years from the Date of Grant.

(l) An Option Right granted hereunder may be exercisable, in whole or in part, by written notice delivered in person, by mail or by approved electronic medium to the Treasurer of the Corporation at its principal office, or by such other means as the Treasurer or other authorized representative of the Corporation shall designate, specifying the number of shares of Common Stock to be purchased and accompanied by payment thereof and otherwise in accordance with the Evidence of Award pursuant to which the Option Right was granted.

(m) No grant of Option Rights will authorize the payment of dividend equivalents on the Option Right.

(n) Each grant of Option Rights will be evidenced by an Evidence of Award, which Evidence of Award will describe such Option Rights, and contain such other terms as the Compensation Committee or Authorized Officer may approve.

(o) Except as provided in an Evidence of Award, in the event of an Optionee’s termination of employment or service, any Option Rights that have not vested as of the Optionee’s Termination Date will be cancelled and immediately forfeited, without further action on the part of the Corporation or the Compensation Committee, and the Optionee will have no further rights in respect of such Option Rights.

5. Appreciation Rights

(a) The Compensation Committee or, in accordance with Section 11(d), an Authorized Officer may grant (i) to any Optionee, Tandem Appreciation Rights in respect of Option Rights granted hereunder, and (ii) to any Participant, Free-Standing Appreciation Rights. All grants of Appreciation Rights will specify the number of shares of Common Stock to which the grant pertains, subject to the limitations set forth in Section 3 of this Plan.

(b) A Tandem Appreciation Right will be a right of the Optionee, exercisable by surrender of the related Option Right, to receive from the Corporation an amount determined by the Compensation Committee or an Authorized Officer, which will be expressed as a percentage of the Spread on the related Option Right (not exceeding 100%) at the time of exercise. Tandem Appreciation Rights must be granted concurrently with the related Option Right.

(c) A Free-Standing Appreciation Right will be a right of the Participant to receive from the Corporation an amount determined by the Compensation Committee or an Authorized Officer, which will be expressed as a percentage of the Spread (not exceeding one hundred percent (100%)) at the time of exercise.

(d) No grant of Appreciation Rights will authorize the payment of dividend equivalents on the Appreciation Right.
(e) Each grant of Appreciation Rights will utilize any or all of the authorizations as specified in the following provisions:

(i) Any grant may specify that the amount payable on exercise of an Appreciation Right may be paid by the Corporation in cash, in shares of Common Stock or in any combination thereof and may either grant to the Participant or retain in the Compensation Committee the right to elect among those alternatives.

(ii) Any grant may specify that the amount payable on exercise of an Appreciation Right may not exceed a maximum specified by the Compensation Committee or an Authorized Officer at the Date of Grant.

(iii) Any grant may specify waiting periods before exercise and permissible exercise dates or periods.

(iv) Any grant of Appreciation Rights may specify Management Objectives that must be achieved as a condition of the exercise of such Appreciation Rights. Each grant may specify in respect of such Management Objectives a minimum acceptable level or levels of achievement and may set forth a formula for determining the number of Appreciation Rights that will become exercisable if performance is at or above the minimum level(s), but falls short of full achievement of the specified Management Objectives. The grant of such Appreciation Rights will specify that, before the exercise of such Appreciation Rights, the Compensation Committee must certify that the Management Objectives have been satisfied.

(v) Any grant of Appreciation Rights may provide for the earlier exercise of such Appreciation Rights or other modifications in the event of termination without Cause, resignation for Good Reason, Normal Retirement, termination due to death or Disability of the Participant, a Change in Control, or the grant of a Substitute Award.

(vi) Each grant of Appreciation Rights will be evidenced by an Evidence of Award, which Evidence of Award will describe such Appreciation Rights, identify the related Option Rights (if applicable), and contain such other terms and provisions, consistent with this Plan, as the Compensation Committee or an Authorized Officer may approve.

(vii) Except as provided in an Evidence of Award, in the event of a Participant’s termination of employment or service, any of the Participant’s Appreciation Rights that have not vested as of the Participant’s Termination Date will be cancelled and immediately forfeited, without further action on the part of the Corporation or the Compensation Committee, and the Participant will have no further rights in respect of such Appreciation Rights.

(f) Any grant of Tandem Appreciation Rights will provide that such Tandem Appreciation Rights may be exercised only at a time when the related Option Right is also exercisable (and will expire when the related Option Right would have expired) and at a time...
when the Spread is positive, and by surrender of the related Option Right for cancellation. Successive grants of Tandem Appreciation Rights may be made to the same Participant regardless of whether any Tandem Appreciation Rights previously granted to the Participant remain unexercised. In the case of a Tandem Appreciation Right granted in relation to an Incentive Stock Option to an employee who is a Ten Percent Stockholder on the Date of Grant, the amount payable with respect to each Tandem Appreciation Right shall be equal in value to the applicable percentage of the excess, if any, of the Market Value Per Share on the exercise date over the Base Price of the Tandem Appreciation Right, which Base Price shall not be less than 110 percent of the Market Value Per Share on the date the Tandem Appreciation Right is granted, and the Incentive Stock Option and related Tandem Appreciation Right shall not be exercisable more than five (5) years from the Date of Grant.

(g) Regarding Free-Standing Appreciation Rights only:
   (i) Each grant will specify in respect of each Free-Standing Appreciation Right a Base Price, which may not be less than the Market Value Per Share on the Date of Grant;
   (ii) Successive grants may be made to the same Participant regardless of whether any Free-Standing Appreciation Rights previously granted to the Participant remain unexercised; and
   (iii) No Free-Standing Appreciation Right granted under this Plan may be exercised more than ten (10) years from the Date of Grant.

6. Restricted Stock . The Compensation Committee or, in accordance with Section 11(d), an Authorized Officer may grant or sell Restricted Stock to Participants. Each such grant or sale will utilize any or all of the authorizations as specified in the following provisions:

   (a) Each such grant or sale will constitute an immediate transfer of the ownership of shares of Common Stock to the Participant in consideration of the performance of services, entitling such Participant to voting, dividend and other ownership rights, but subject to the substantial risk of forfeiture and restrictions on transfer hereinafter referred to.

   (b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant, as determined by the Compensation Committee or an Authorized Officer at the Date of Grant.

   (c) Each such grant or sale will provide that the Restricted Stock covered by such grant or sale that vests upon the passage of time will be subject to a “substantial risk of forfeiture” within the meaning of Section 83 of the Code, as determined by the Compensation Committee or an Authorized Officer at the Date of Grant and may provide for the earlier lapse of such substantial risk of forfeiture as provided in Section 6(e) below. In the case of grants that are a form of payment for earned Performance Shares or Performance Units or other awards, such grant may provide for no minimum vesting period.

   (d) Each such grant or sale will provide that during the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Stock will be
prohibited or restricted in the manner set forth in this Plan, and to the extent prescribed by the Compensation Committee at the Date of Grant (which restrictions may include, without limitation, rights of repurchase or first refusal in the Corporation or provisions subjecting the Restricted Stock to a continuing substantial risk of forfeiture in the hands of any transferee).

(e) Any grant of Restricted Stock may specify Management Objectives that, if achieved, will result in termination or early termination of the restrictions applicable to such Restricted Stock. Each grant may specify in respect of such Management Objectives a minimum acceptable level or levels of achievement and may set forth a formula for determining the number of shares of Restricted Stock on which restrictions will terminate if performance is at or above the minimum level(s), but falls short of full achievement of the specified Management Objectives. The grant or sale of Restricted Stock will specify that, before the termination or early termination of the restrictions applicable to such Restricted Stock, the Compensation Committee must certify that the Management Objectives have been satisfied.

(f) Any grant of Restricted Stock may provide for the earlier lapse or other modification in the event of termination without Cause, resignation for Good Reason, Normal Retirement, termination due to death or Disability of the Participant, Change in Control, or the grant of a Substitute Award.

(g) Any such grant or sale of Restricted Stock may require that any or all dividends or other distributions paid thereon during the period of such restrictions be automatically deferred and/or reinvested in additional shares of Restricted Stock (which may be subject to the same restrictions as the underlying Award) or be paid in cash on a deferred or contingent basis.

(h) Each grant or sale of Restricted Stock will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with this Plan, as the Compensation Committee or an Authorized Officer may approve. Unless otherwise directed by the Compensation Committee, (i) all certificates representing shares of Restricted Stock will be held in custody by the Corporation until all restrictions thereon have lapsed, together with a stock power or powers executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such shares of Common Stock, or (ii) all uncertificated shares of Restricted Stock will be held at the Corporation’s transfer agent in book entry form with appropriate restrictions relating to the transfer of such shares of Restricted Stock.

7. Restricted Stock Units. The Compensation Committee or, in accordance with Section 11(d), an Authorized Officer may grant or sell Restricted Stock Units to Participants. Each such grant or sale will utilize any or all of the authorizations as specified in the following provisions:

(a) Each such grant or sale of Restricted Stock Units will constitute the agreement by the Corporation to deliver shares of Common Stock or cash to the Participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions (which may include the achievement of Management Objectives) during the Restriction Period as the Compensation Committee or an Authorized Officer may specify. Each grant may specify in respect of such Management Objectives a minimum acceptable level or
levels of achievement and may set forth a formula for determining the number of shares of Restricted Stock Units on which restrictions will terminate if performance is at or above the minimum level(s), but falls short of full achievement of the specified Management Objectives. The grant or sale of such Restricted Stock Units will specify that, before the termination or early termination of the restrictions applicable to such Restricted Stock Units, the Compensation Committee must certify that the Management Objectives have been satisfied.

(b) Each such grant or sale of Restricted Stock Units may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value Per Share at the Date of Grant.

(c) If the Restriction Period lapses only by the passage of time, each such grant or sale will be subject to a Restriction Period (which may include pro-rata, graded or cliff vesting over such period), as determined by the Compensation Committee or an Authorized Officer at the Date of Grant. In the case of grants that are a form of payment for earned Performance Shares or Performance Units or other awards, such grant may provide for no Restriction Period.

(d) Each such grant or sale of Restricted Stock Units may provide for the earlier lapse or other modification of such Restriction Period in the event of termination without Cause, resignation for Good Reason, Normal Retirement, termination due to death or Disability of the Participant, a Change in Control, or the grant of a Substitute Award and, to the extent that any grant, sale, or Substitute Award is subject to, or determined to be subject to Section 409A of the Code, the time and form of payment shall be indicated in the Evidence of Award as upon one or more of the permissible payment events under Section 409A of the Code and as subject to the Six-Month Payment Delay, if required.

(e) During the Restriction Period, the Participant will have none of the rights of a stockholder of any shares of Common Stock with respect to such Restricted Stock Units, but the Compensation Committee may, at the Date of Grant, authorize the payment of dividend equivalents on such Restricted Stock Units on either a current, deferred or contingent basis, either in cash or in additional shares of Common Stock and, the Evidence of Award shall specify the time of payment of such dividend equivalents and indicate that such payment is subject to the Six-Month Payment Delay, if required.

(f) Each grant or sale of Restricted Stock Units will specify the time and manner of payment of Restricted Stock Units that have been earned and, that such payment is subject to the Six-Month Payment Delay, if required. Any grant or sale may specify that the amount payable with respect thereto may be paid by the Corporation in cash, in shares of Common Stock or in any combination thereof and may either grant to the Participant or retain in the Compensation Committee the right to elect among those alternatives.

(g) Each such grant or sale of Restricted Stock Units will provide that during the period for which such Restriction Period is to continue, the transferability of the Restricted Stock Units will be prohibited or restricted in the manner and to the extent prescribed by the Compensation Committee at the Date of Grant (which restrictions may include, without limitation, rights of repurchase or first refusal in the Corporation or provisions subjecting the Restricted Stock Units to a continuing substantial risk of forfeiture in the hands of any transferee).
(h) Each grant or sale of Restricted Stock Units will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with this Plan, as the Compensation Committee or an Authorized Officer may approve.

(i) Except as provided in an Evidence of Award, in the event of a Participant’s termination of employment or service, any of the Participant’s Restricted Stock Units that remain subject to the Restriction Period on the Participant’s Termination Date will be cancelled and immediately forfeited without further action on the part of the Corporation or the Compensation Committee, and the Participant will have no further rights in respect of such Restricted Stock Units.

8. Performance Shares and Performance Units. The Compensation Committee or, in accordance with Section 11(d), an Authorized Officer may grant Performance Shares and Performance Units that will become payable to a Participant upon achievement of specified Management Objectives during the Performance Period. Each such grant will utilize any or all of the authorizations as specified in the following provisions:

(a) Each grant will specify the number of Performance Shares or Performance Units to which it pertains, which number may be subject to adjustment to reflect changes in compensation or other factors; provided, however, that no such adjustment will be made in the case of a Qualified Performance-Based Award where such action would result in the loss of the otherwise available exemption of the award under Section 162(m) of the Code.

(b) The Performance Period with respect to each Performance Share or Performance Unit will be such period of time, as determined by the Compensation Committee or an Authorized Officer at the Date of Grant.

(c) Any grant of Performance Shares or Performance Units will specify Management Objectives, which, if achieved, will result in payment of the Award, and each grant may specify in respect of such specified Management Objectives a minimum acceptable level or levels of achievement and will set forth a formula for determining the number of Performance Shares or Performance Units that will be earned if performance is at or above the level(s), but falls short of full achievement of the specified Management Objectives. The grant of Performance Shares or Performance Units will specify that, before the Performance Shares or Performance Units will be earned and paid, the Compensation Committee must certify that the Management Objectives have been satisfied.

(d) Any grant of Performance Shares or Performance Units may provide for the earlier lapse or other modification in the event of termination without Cause, resignation for Good Reason, Normal Retirement, termination due to death or Disability of the Participant, a Change in Control, or the grant of a Substitute Award and to the extent that any grant or Substitute Award is subject to, or determined to be subject to, Section 409A of the Code, the time and form of payment shall be indicated in the Evidence of Award as upon one or more of the permissible payment events under Section 409A of the Code and, as subject to the Six-Month Payment Delay, if required.
(e) Each grant will specify the time and manner of payment of Performance Shares or Performance Units that have been earned, and, that such payment is subject to the Six-Month Delay, if required. Any grant may specify that the amount payable with respect thereto may be paid by the Corporation in cash, in shares of Common Stock, in Restricted Stock or Restricted Stock Units or in any combination thereof and may either grant to the Participant or retain in the Compensation Committee the right to elect among those alternatives; provided, however, that as applicable, the amount payable may not exceed the maximum amount payable, as may be specified by the Compensation Committee or an Authorized Officer on the Date of Grant.

(f) The Compensation Committee may provide for the payment of dividend equivalents to the holder thereof on either a current, deferred or contingent basis, either in cash or in additional shares of Common Stock. In this case, the Evidence of Award will specify, the time of payment of such dividend equivalents and, that such payment is subject to the Six-Month Delay, if required.

(g) Each grant of Performance Shares or Performance Units will be evidenced by an Evidence of Award and will contain such other terms and provisions, consistent with this Plan, as the Compensation Committee or an Authorized Officer may approve.

(h) Except as provided in an Evidence of Award, in the event of a Participant’s termination of employment or service, any of the Participant’s Performance Shares and Performance Units that remain subject to a Performance Period on the Participant’s Termination Date will be cancelled and immediately forfeited, without further action on the part of the Corporation or the Compensation Committee, and the Participant will have no further rights in respect of such Performance Shares or Performance Units.

9. **Awards to Non-Employee Directors**. The Board may, from time to time and upon such terms and conditions as it may determine, authorize the granting to Non-Employee Directors, Option Rights, Appreciation Rights or other awards contemplated by Section 10 of this Plan and may also authorize the grant or sale of shares of Common Stock, Restricted Stock or Restricted Stock Units to Non-Employee Directors.

   (a) Each grant of Option Rights awarded pursuant to this Section 9 will be upon terms and conditions consistent with Section 4 of this Plan.

   (b) Each grant of Appreciation Rights pursuant to this Section 9 will be upon terms and conditions consistent with Section 5 of this Plan.

   (c) Each grant or sale of Restricted Stock pursuant to this Section 9 will be upon terms and conditions consistent with Section 6 of this Plan.

   (d) Each grant or sale of Restricted Stock Units pursuant to this Section 9 will be upon terms and conditions consistent with Section 7 of this Plan.
(e) Non-Employee Directors may be granted, sold, or awarded other awards contemplated by Section 10 of this Plan.

(f) If a Non-Employee Director subsequently becomes an employee of the Corporation or a Subsidiary while remaining a member of the Board, any Award held under this Plan by such individual at the time of such commencement of employment will not be affected thereby.

(g) Non-Employee Directors, pursuant to this Section 9, may be awarded, or may be permitted to elect to receive, pursuant to procedures established by the Board or a committee of the Board, all or any portion of their annual retainer, meeting fees or other fees in shares of Common Stock, Restricted Stock, Restricted Stock Units or other Awards contemplated by Section 10 of this Plan in lieu of cash. Any such election shall comply with Section 409A of the Code, if applicable. The election, if subject to Section 409A of the Code, (i) shall apply to the annual retainer, meeting fees, or other fees earned during the period to which it pertains (the “Plan Year”), (ii) must be received in writing by the administrator of the Plan by the established enrollment deadline of any Plan Year, which must be no later than the last business day of the calendar year immediately preceding the calendar year in which that Plan Year commences, in order to cause that Plan Year’s annual retainer, meeting fees, or other fees to be subject to the provision of this Plan, and (iii) must specify the form of distribution (in shares of Common Stock, Restricted Stock, Restricted Stock Units, or other Awards contemplated by Section 10 of the Plan in lieu of cash) to the Non-Employee Director. Any such election is irrevocable on the last day set by the administrator for making elections.

(h) Non-Employee Directors may under policies approved from time to time by the Board or a committee of the Board, elect to defer their annual retainer, meeting fees or other fees and, in which case, the shares of Common Stock purchased under Section 9(g) will be payable to a trust. The election: (i) shall apply to the annual retainer and fees earned during the period to which it pertains (the “Plan Year”) and shall specify the applicable percentage of such annual retainer and fees that such Non-Employee Director wishes to direct to the trust, (ii) must be received in writing by the administrator of the Plan by the established enrollment deadline of any Plan Year which must be no later than the last business day of the calendar year immediately preceding the calendar year in which that Plan Year commences, in order to cause that Plan Year’s annual retainer and fees to be subject to the provisions of this Plan, and (iii) must specify the time and manner of the distribution of the shares of Common Stock to the Non-Employee Director. Any such election is irrevocable on the last day set by the administrator for making elections. The shares of Common Stock covered by this election will be issued in the name of the trustee of the trust for the benefit of the Non-Employee Director, provided, however, that each Non-Employee Director shall be entitled to vote the shares of Common Stock. The trustee shall retain all dividends (which shall be reinvested in shares of Common Stock) and other distributions paid or made with respect thereto in the trust, and all dividends and other distributions will be paid in accordance with the election applicable to the underlying annual retainer and fees. The shares of Common Stock credited to the account of an Non-Employee Director shall remain subject to the claims of the Corporation’s creditors, and the interests of the Non-Employee Director in the trust may not be sold, hypothecated or transferred (including, without limitation, transferred by gift or donation) while such shares of Common Stock are held in the trust.

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(i) Notwithstanding anything in Section 5, 6 or 7 to the contrary, each grant pursuant to this Section 9 may specify the period or periods of continuous service, if any, by the Non-Employee Director with the Corporation that are necessary before such awards or installments thereof shall become fully exercisable or restrictions thereon will lapse, which shall be determined on the Date of Grant.

10. Other Awards

(a) The Compensation Committee or an Authorized Officer may, subject to limitations under applicable law, authorize grants or sales to any Participant other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, (i) shares of Common Stock or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into shares of Common Stock, purchase rights for shares of Common Stock, awards with value and payment contingent upon performance of the Corporation or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Compensation Committee, and awards valued by reference to the book value of shares of Common Stock or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of, the Corporation, (ii) cash, or (iii) any combination of the foregoing. The Compensation Committee or an Authorized Officer shall determine the terms and conditions of such awards, which may include the achievement of Management Objectives, which may specify in respect of such Management Objectives a minimum acceptable level or levels of achievement and may set forth a formula for determining the portion or all of the award on which restrictions will terminate if performance is at or above the minimum level(s), but falls short of full achievement of the specified Management Objectives. The grant or sale of such award will specify that, before the termination or early termination of the restrictions applicable to such award, the Compensation Committee must certify that the Management Objectives have been satisfied. Shares of Common Stock delivered pursuant to an award in the nature of a purchase right granted under this Section 10 shall be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, cash, shares of Common Stock, other awards, notes or other property, as the Compensation Committee shall determine.

(b) Each grant may specify the period or periods of continuous service, if any, by the Participant with the Corporation or any Subsidiary that are necessary before such awards or installments thereof shall become fully transferable, which shall be determined by the Compensation Committee or an Authorized Officer on the Date of Grant.

(c) Each grant may provide for the earlier termination of the period or periods of continuous service or other modifications in the event of termination without Cause, resignation for Good Reason, Normal Retirement, termination due to death or Disability of the Participant, a Change in Control, or the grant of a Substitute Award and, to the extent that any grant or Substitute Award is subject to, or determined to be subject to, Section 409A of the Code, the time and form of payment shall be indicated in the Evidence of Award as upon one or more of the permissible payment events under Section 409A of the Code and, as subject to the Six-Month Payment Delay, if required.
(d) The Compensation Committee may authorize grants or sales of shares of Common Stock as a bonus, or may grant other awards in lieu of obligations of the Corporation or a Subsidiary to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Compensation Committee.

(e) Each grant or sale pursuant to this Section 10 may be made without additional consideration from the Participant or in consideration of a payment by the Participant that is less than the Market Value Per Share on the Date of Grant; provided, however, that with respect to a payment of an award that is substantially similar to an Option Right, no such payment shall be less than Market Value Per Share on the Date of Grant.

11. Administration of this Plan

(a) This Plan will be administered by the Compensation Committee. The Board or the Compensation Committee, as applicable, may from time to time delegate all or any part of its authority under this Plan to any other committee of the Board or subcommittee thereof consisting exclusively of not less than two or more members of the Board, each of whom shall be a “non-employee director” within the meaning of Rule 16b-3 of the Securities and Exchange Commission promulgated under the Exchange Act, an “outside director” within the meaning of Section 162(m) of the Code and an “independent director” within the meaning of the rules of the New York Stock Exchange, as constituted from time to time. To the extent of any such delegation, references in this Plan to the Board or the Compensation Committee, as applicable, will be deemed to be references to such committee or subcommittee.

(b) The interpretation and construction by the Compensation Committee of any provision of this Plan or of any agreement, notification or document evidencing the grant of an Award, and any determination by the Compensation Committee pursuant to any provision of this Plan or of any such agreement, notification or document will be final and conclusive.

(c) To the extent permitted by applicable law, the Board or the Compensation Committee, as applicable, may, from time to time, delegate to one or more of its members or to one or more officers of the Corporation, or to one or more agents or advisors, such administrative duties or powers as it may deem advisable, and the Board, the Compensation Committee, the committee, or any person to whom duties or powers have been delegated as aforesaid, may employ one or more persons to render advice with respect to any responsibility the Board or the Compensation Committee, the committee or such person may have under this Plan.

(d) To the extent permitted by applicable law, the Compensation Committee may, by resolution, authorize one or more Executive Officers of the Corporation (each, an “Authorized Officer”), including the Chief Executive Officer of the Corporation, to do one or both of the following on the same basis as the Compensation Committee: (i) designate Participants to be recipients of Awards under this Plan, (ii) determine the size of any such Awards; provided, however, that (A) the Compensation Committee shall not delegate such responsibilities to any Executive Officer for Awards granted to a Participant who is an Executive Officer, a Director, or a more than 10% beneficial owner of any class of the Corporation’s equity securities that is registered pursuant to Section 12 of the Exchange Act, as determined by the
Board in accordance with Section 16 of the Exchange Act, and (B) the resolution providing for such authorization sets forth the total number of shares of Common Stock the Authorized Officer(s) may grant, and (iii) the Authorized Officer(s) shall report periodically to the Compensation Committee, as the case may be, regarding the nature and scope of the Awards granted pursuant to the authority delegated. In no event shall any such delegation of authority be permitted with respect to Awards to any Executive Officer or any person subject to Section 162(m) of the Code.

12. Adjustments. The Board shall make or provide for such adjustments in the numbers of shares of Common Stock covered by outstanding Option Rights, Appreciation Rights, Restricted Stock Units, Performance Shares, Performance Units and, if applicable, in the number of shares of Common Stock covered by other awards granted pursuant to Section 10 hereof, in the Option Price and Base Price provided in outstanding Option Rights and Appreciation Rights, and in the kind of shares covered thereby, as is equitably required to prevent dilution or enlargement of the rights of Participants or Optionees that otherwise would result from (i) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Corporation, or (ii) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (iii) any other corporate transaction or event having an effect similar to any of the foregoing; however, in the event of any such transaction or event, any adjustments shall be in compliance with or maintain exemption from Section 409A of the Code. Such adjustments shall be made automatically, without the necessity of Board action, on the customary arithmetical basis in the case of any stock split, including a stock split effected by means of a stock dividend, and in the case of any other dividend paid in shares of Common Stock; however, any adjustment shall be in compliance with or maintain exemption from Section 409A of the Code. Moreover, in the event of any such transaction or event specified in this Section 12, the Board, in its discretion, and subject to ensuring compliance with or exemption from Section 409A of the Code, may provide in substitution for any or all outstanding Awards under this Plan such alternative consideration (including cash), if any, as it may determine, in good faith, to be equitable in the circumstances and may require in connection therewith the surrender of all Awards so replaced. The Board also shall make or provide for such adjustments in the numbers of shares specified in Section 3 of this Plan as is appropriate to reflect any transaction or event described in this Section 12; provided, however, that any such adjustment to the number specified in Section 3(b) will be made only if and to the extent that such adjustment would not cause any Option Right intended to qualify as an Incentive Stock Option to fail so to qualify.

13. Change in Control.

(a) Except as otherwise provided in an Evidence of Award or by the Compensation Committee at the Date of Grant, to the extent outstanding Awards granted under this Plan are not assumed, converted or replaced by the resulting entity in the event of a Change in Control, all outstanding Awards that may be exercised shall become fully exercisable, all restrictions with respect to outstanding Awards shall lapse and become vested and non-forfeitable, and any specified Management Objectives with respect to outstanding Awards shall be deemed to be satisfied at target. If the Award is considered a “deferral of compensation” (as such term is defined under Code Section 409A), and if the failure of the Award to be assumed,
converted or replaced by the resulting entity following the Change in Control would result in a payment of deferred compensation upon the closing of such Change in Control, except as otherwise provided in an Evidence of Award, the payment will occur within 30 days after the Change in Control, provided that such Change in Control may be treated as a change in ownership of the Corporation, a change in the effective control of the Corporation or a change in the effective ownership of a substantial portion of the Corporation’s assets as described in Treasury regulations issued under Code Section 409A (each a “Code Section 409A Change in Control”).

(b) Except as otherwise provided in an Evidence of Award or by the Compensation Committee, to the extent outstanding Awards granted under this Plan are assumed, converted or replaced by the resulting entity in the event of a Change in Control, any outstanding Awards that are subject to Management Objectives shall be converted by the resulting entity, as if target performance had been achieved as of the date of the Change in Control, and each award of: (i) Performance Shares or Performance Units shall continue to vest during the remaining Performance Period, (ii) Restricted Stock shall continue to be subject to a “substantial risk of forfeiture” for the remaining applicable period, (iii) Restricted Stock Units shall continue to vest during the Restriction Period, and (iv) all other Awards shall continue to vest during the applicable vesting period, if any.

(c) Except as otherwise provided in an Evidence of Award or by the Compensation Committee, to the extent outstanding Awards granted under this Plan are either assumed, converted or replaced by the resulting entity in the event of a Change in Control, if a Participant’s service is terminated without Cause by the Corporation, any of its Subsidiaries or the resulting entity or a Participant resigns his or her employment with an Employer for Good Reason, in either case, during the CIC Severance Protection Period, all outstanding Awards held by the Participant that may be exercised shall become fully exercisable and all restrictions with respect to outstanding Awards shall lapse and become vested and non-forfeitable.

(d) Notwithstanding any other provision of the Plan, in the event of a Change in Control, the Board in its discretion, may provide for the cancellation of each outstanding and unexercised Option Right or Appreciation Right in exchange for a cash payment to be made within 60 days of the Change in Control in an amount equal to the amount by which the highest price per share of Common Stock paid for a share of Common Stock in the Change in Control exceeds the Option Price or Base Price, as applicable, multiplied by the number of shares of Common Stock granted under the Option Right or Appreciation Right.

(e) Notwithstanding any provision of this Plan to the contrary, to the extent an Award shall be deemed to be vested or restrictions lapse, expire or terminate upon the occurrence of a Change in Control and such Change in Control is not a Code Section 409A Change in Control, then even though such Award may be deemed to be vested or restrictions lapse, expire or terminate upon the occurrence of the Change in Control or any other provision of this Plan, payment will be made, to the extent necessary to comply with the provisions of Section 409A of the Code, to the Participant on the earliest of: (i) the Participant’s Separation from Service with the Corporation; provided, however, that if the Participant is a “specified employee” (within the meaning of Section 409A of the Code), the payment date shall be the date that is six (6) months after the date of the Participant’s Separation from Service with the Employer, (ii) the date...
payment otherwise would have been made in the absence of any provisions in this Plan to the contrary (provided such date is permissible under Section 409A of the Code), or (iii) the Participant’s death.

(f) Unless otherwise provided in a Participant’s employment agreement, if any, between the Participant and an Employer or any other arrangement with the Corporation or any of its Subsidiaries to which the Participant is a party or participant, if the acceleration of exercisability under this Section 13, together with all other payments or benefits contingent on the Change in Control within the meaning of Section 280G of the Code, results in any portion of such payments or benefits not being deductible by the Corporation as a result of the application of Section 280G of the Code, the payments or benefits shall be reduced until the entire amount of the payments or benefits is deductible. The reduction shall be effected from Awards made under this Plan by the exclusion, first, of Awards, or portions thereof, that are not permitted to be valued under Treasury Regulation section 1.280G-1, Q&A 24(c), or any successor provision, and, second, of Awards, or portions thereof, that are permitted to be valued under Treasury Regulation section 1.280G-1, Q&A 24(c).


(a) Any Evidence of Award may provide that if the Board or the Compensation Committee determines a Participant has engaged in any Detrimental Activity, either during service with the Corporation or a Subsidiary or within a specified period after termination of such service, then, promptly upon receiving notice of the Board’s finding, the Participant shall:

   (i) forfeit that Award to the extent then held by the Participant;
   
   (ii) in exchange for payment by the Corporation or the Subsidiary of any amount actually paid therefor by the Participant, return to the Corporation or the Subsidiary, all shares of Common Stock that the Participant has not disposed of that had been acquired pursuant to that Award;
   
   (iii) with respect to any shares of Common Stock acquired pursuant to that Award that were disposed of, pay to the Corporation or the Subsidiary, in cash, the difference between:

       (A) any amount actually paid by the Participant, and

       (B) the Market Value Per Share of the shares of Common Stock on the date acquired; and

   
   (iv) pay to the Corporation or the Subsidiary in cash the Spread, with respect to any Option Rights or Appreciation Rights exercised where no shares of Common Stock were retained by the Participant upon such exercise.

(b) To the extent that such amounts are not paid to the Corporation or the Subsidiary, the Corporation may seek other remedies, including a set off of the amounts so payable to it against any amounts that may be owing from time to time by the Corporation or a
15. **Non-U.S. Participants**. In order to facilitate the making of any grant or combination of grants under this Plan, the Board or the Compensation Committee may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Corporation or any Subsidiary outside of the United States of America or who provide services to the Corporation or any Subsidiary under an agreement with a foreign nation or agency, as the Board or the Compensation Committee may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Compensation Committee may approve such supplements to or amendments, restatements or alternative versions of this Plan (including, without limitation, sub-plans) as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary of the Board or other appropriate officer of the Corporation may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments or restatements, however, will include any provisions that are inconsistent with the terms of this Plan as in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the stockholders of the Corporation.

16. **Transferability**.

(a) Except as otherwise determined by the Board or the Compensation Committee pursuant to the provisions of Section 16(c), no Award or dividend equivalents paid with respect to Awards made under this Plan shall be transferable by the Participant except by will or the laws of descent and distribution, and may be otherwise transferred in a manner that protects the interest of the Corporation as the Board or the Compensation Committee may determine; provided, that if so determined by the Compensation Committee, each Participant may, in a manner established by the Board or the Compensation Committee, designate a beneficiary to exercise the rights of the Participant with respect to any Award upon the death of the Participant and to receive shares of Common Stock or other property issued upon such exercise.

(b) The Compensation Committee or an Authorized Officer may specify at the Date of Grant that part or all of the shares of Common Stock that are (i) to be issued or transferred by the Corporation upon the exercise of Option Rights or Appreciation Rights, upon the termination of the Restriction Period applicable to Restricted Stock Units or upon payment under any grant of Performance Shares or Performance Units or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 6 of this Plan, will be subject to further restrictions on transfer.

(c) Notwithstanding Section 16(a), the Board or the Compensation Committee may determine that Awards (other than Incentive Stock Options) may be transferable by a Participant, without payment of consideration therefor by the transferee, only to any one or more family members (as defined in the General Instructions to Form S-8 under the Securities Act of 2007 Omnibus Incentive Plan 11.04.08)
1933) of the Participant; provided, however, that (i) no such transfer shall be effective unless reasonable prior notice thereof is delivered to the Corporation and such transfer is thereafter effected in accordance with any terms and conditions that shall have been made applicable thereto by the Board or the Compensation Committee, and (ii) any such transferee shall be subject to the same terms and conditions hereunder as the Participant.

17. Withholding Taxes. To the extent that the Corporation is required to withhold federal, state, local or foreign taxes in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available to the Corporation for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Corporation for payment of the balance of such taxes required to be withheld, which arrangements (in the discretion of the Compensation Committee) may include relinquishment of a portion of such benefit. If a Participant’s benefit is to be received in the form of shares of Common Stock, and such Participant fails to make arrangements for the payment of tax, the Corporation shall withhold such shares of Common Stock having a value equal to the amount required to be withheld. Notwithstanding the foregoing, when a Participant is required to pay the Corporation an amount required to be withheld under applicable income and employment tax laws, the Participant may elect to satisfy the obligation, in whole or in part, by electing to have withheld, from the shares required to be delivered to the Participant, shares of Common Stock having a value equal to the amount required to be withheld (except in the case of Restricted Stock where an election under Section 83(b) of the Code has been made), or by delivering to the Corporation other shares of Common Stock held by such Participant. In no event shall the Market Value Per Share of the shares of Common Stock to be withheld pursuant to this section to satisfy applicable withholding taxes in connection with the benefit exceed the minimum amount of taxes required to be withheld or such other amount that will not result in a negative accounting impact. Participants shall also make such arrangements as the Corporation may require for the payment of any withholding tax obligation that may arise in connection with the disposition of shares of Common Stock acquired upon the exercise of Option Rights.

18. Compliance with Section 409A of the Code.

(a) To the extent applicable, it is intended that this Plan and any grants made hereunder are exempt from Section 409A of the Code or are structured in a manner that would not cause a Participant to be subject to taxes and interest pursuant to Section 409A of the Code. This Plan and any grants made hereunder shall be administered in a manner consistent with this intent, and any provision that would cause this Plan or any grant made hereunder to become subject to taxation under Section 409A of the Code shall have no force and effect until amended to comply with Section 409A of the Code (which amendment may be retroactive to the extent permitted by Section 409A of the Code and may be made by the Corporation without the consent of Participants).

(b) In order to determine for purposes of Section 409A of the Code whether a Participant is employed by a member of the Corporation’s controlled group of corporations under Section 414(b) of the Code (or by a member of a group of trades or businesses under common control with the Corporation under Section 414(c) of the Code) and, therefore, whether the shares of Common Stock that are or have been purchased by or awarded under this Plan to the Participant are shares of “service recipient” stock within the meaning of Section 409A of the Code:

(i) In applying Code Section 1563(a)(1), (2) and (3) for purposes of determining the Corporation’s controlled group under Section 414(b) of the Code, the language “at least 50 percent” is to be used instead of “at least 80 percent” each place it appears in Code Section 1563(a)(1), (2) and (3); and
(ii) In applying Treasury Regulation Section 1.414(c)-2 for purposes of determining trades or businesses under common control with the Corporation for purposes of Section 414(c) of the Code, the language “at least 50 percent” is to be used instead of “at least 80 percent” each place it appears in Treasury Regulation Section 1.414(c)-2.

19. Effective Date and Term of Plan .

(a) This Plan will be effective as of the Effective Date. No grant will be made under this Plan more than ten (10) years after the date on which this Plan is first approved by the stockholders of the Corporation, but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan.

(b) Upon the Effective Date, no further grants of awards are permitted under the Predecessor Plans. All awards under the Predecessor Plans that remain outstanding shall be administered and paid in accordance with the provisions of the applicable Predecessor Plan and award agreement.

20. Amendments and Termination .

(a) The Board may at any time and from time to time, to the extent permitted by Section 409A of the Code, amend, suspend or terminate this Plan in whole or in part; provided, however, that if an amendment to this Plan (i) would materially increase the benefits accruing to Participants under this Plan, (ii) would materially increase the number of securities which may be issued under this Plan, (iii) would materially modify the requirements for participation in this Plan, or (iv) must otherwise be approved by the stockholders of the Corporation in order to comply with applicable law or the rules of the New York Stock Exchange or, if the shares of Common Stock are not traded on the New York Stock Exchange, the principal national securities exchange upon which the shares of Common Stock are traded or quoted, then, such amendment will be subject to stockholder approval and will not be effective unless and until such approval has been obtained.

(b) Termination of this Plan will not affect the rights of Participants or their successors under any Awards outstanding hereunder and not exercised in full on the date of termination.

(c) The Board or the Compensation Committee will not, without the further approval of the stockholders of the Corporation, authorize the amendment of any outstanding Option Right or Appreciation Right to reduce the Option Price or Base Price, respectively. No Option Right or Appreciation Right will be cancelled and replaced with awards having a lower
Option Price or Base Price, respectively, or for another award, or for cash without further approval of the stockholders of the Corporation, except as provided in Section 12. Furthermore, no Option Right or Appreciation Right will provide for the payment, at the time of exercise, of a cash bonus or grant of Option Rights, Appreciation Rights, Performance Shares, Performance Units, or grant or sale of Restricted Stock, Restricted Stock Units or other awards pursuant to Section 10 of this Plan, without further approval of the stockholders of the Corporation. This Section 20(c) is intended to prohibit the repricing of “underwater” Option Rights or Appreciation Rights without stockholder approval and will not be construed to prohibit the adjustments provided for in Section 12 of this Plan.

(d) If permitted by Section 409A of the Code, in case of termination of service by reason of death, Disability or Normal Retirement, or in the case of unforeseeable emergency or other special circumstances, of a Participant who holds an Option Right or Appreciation Right not immediately exercisable in full, or any shares of Restricted Stock as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Stock Units as to which the Restriction Period has not been completed, or any Performance Shares or Performance Units which have not been fully earned, or any other awards made pursuant to Section 10 subject to any vesting schedule or transfer restriction, or who holds shares of Common Stock subject to any transfer restriction imposed pursuant to Section 16 of this Plan, the Compensation Committee may, in its sole discretion, accelerate the time at which such Option Right, Appreciation Right or other award may be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such Restriction Period will end or the time at which such Performance Shares or Performance Units will be deemed to have been fully earned or the time when such transfer restriction will terminate or may waive any other limitation or requirement under any such award, except in the case of a Qualified Performance-Based Award where such action would result in the loss of the otherwise available exemption of the Award under Section 162(m) of the Code.

(e) Subject to Section 20(c) hereof, the Compensation Committee may amend the terms of any Award theretofore granted under this Plan prospectively or retroactively, except in the case of a Qualified Performance-Based Award where such action would result in the loss of the otherwise available exemption of such Award under Section 162(m) of the Code. In such case, the Compensation Committee will not make any modification of the Management Objectives or the level or levels of achievement with respect to such Qualified Performance-Based Award. Subject to Section 12 above, no amendment shall materially impair the rights of any Participant without his or her consent.

21. Substitute Awards for Awards Granted by Other Entities. Substitute Awards may be granted under this Plan for grants or awards held by employees of a company or entity who become employees of the Corporation or a Subsidiary as a result of the acquisition, merger or consolidation of the employer company by or with the Corporation or a Subsidiary. Except as otherwise provided by applicable law and notwithstanding anything in the Plan to the contrary, the terms, provisions and benefits of the Substitute Awards so granted may vary from those set forth in or required or authorized by this Plan to such extent as the Compensation Committee at the time of the grant may deem appropriate to conform, in whole or part, to the terms, provisions and benefits of grants or awards in substitution for which they are granted.

2007 Omnibus Incentive Plan 11.04.08

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22. **Governing Law**. This Plan and all grants and Awards and actions taken thereunder shall be governed by and construed in accordance with the internal substantive laws of the State of Kansas.

23. **Miscellaneous Provisions**.

(a) The Corporation will not be required to issue any fractional shares of Common Stock pursuant to this Plan. The Board or the Compensation Committee may provide for the elimination of fractions or for the settlement of fractions in cash.

(b) This Plan will not confer upon any Participant any right with respect to continuance of employment or other service with the Corporation or any Subsidiary, nor will it interfere in any way with any right the Corporation or any Subsidiary would otherwise have to terminate such Participant’s employment or other service at any time.

(c) To the extent that any provision of this Plan would prevent any Option Right that was intended to qualify as an Incentive Stock Option from qualifying as such, that provision will be null and void with respect to such Option Right. Such provision, however, will remain in effect for other Option Rights and there will be no further effect on any provision of this Plan.

(d) The Compensation Committee or an Authorized Officer may provide for termination of an Award in the case of termination of employment or service of a Participant or any other reason; provided, however, that all Awards of a Participant will be immediately forfeited and cancelled to the extent the Participant’s employment or service has been terminated for Cause, and the Participant will have no further rights in respect of such Awards.

(e) No Award under this Plan may be exercised by the holder thereof if such exercise, and the receipt of cash or stock thereunder, would be, in the opinion of counsel selected by the Compensation Committee, contrary to law or the regulations of any duly constituted authority having jurisdiction over this Plan.

(f) Except as required by Section 409A of the Code in connection with a Separation from Service, absence on leave approved by a duly constituted officer of the Corporation or any of its Subsidiaries shall not be considered interruption or termination of service of any employee for any purposes of this Plan or Awards granted hereunder, except that no Awards may be granted to an employee while he or she is absent on leave.

(g) Except as specifically provided in Section 9(h), no Participant shall have any rights as a stockholder with respect to any shares of Common Stock subject to Awards granted to him or her under this Plan prior to the date as of which he or she is actually recorded as the holder of such shares upon the stock records of the Corporation.

(h) The Compensation Committee may condition the grant of any Award or combination of Awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Corporation or a Subsidiary to the Participant.
(i) Except with respect to Option Rights and Appreciation Rights, the Compensation Committee may permit Participants to elect to defer the issuance of shares of Common Stock or the settlement of Awards in cash under this Plan pursuant to such rules, procedures or programs as it may establish for purposes of this Plan. The Compensation Committee also may provide that deferred issuances and settlements include the payment or crediting of dividend equivalents or interest on the deferral amounts. All elections and deferrals permitted under this provision shall comply with Section 409A of the Code, including setting forth the time and manner of the election (including a compliant time and form of payment), the date on which the election is irrevocable, and whether the election can be changed until the date it is irrevocable.

(j) Any Award granted under the terms of this Plan may specify in the Evidence of Award that the Participant is subject to restrictive covenants including, but not limited to, covenants not to compete and covenants not to solicit, unless otherwise determined by the Compensation Committee.

(k) Participants shall provide the Corporation with a completed, written election form setting forth the name and contact information of the person who will have beneficial ownership rights of Awards made to the Participant under this Plan upon the death of the Participant.

(l) If any provision of this Plan is or becomes invalid, illegal or unenforceable in any jurisdiction, or would disqualify this Plan or any Award under any law deemed applicable by the Board or the Compensation Committee, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Board or the Compensation Committee, it shall be stricken and the remainder of this Plan shall remain in full force and effect.

2007 Omnibus Incentive Plan 11.04.08
### Annual Retainers, Meeting Fees and RSUs
- $70,000 annual cash retainer
- Board and committee meeting fees:
  - $2,000 per in-person meeting
  - $1,000 per telephonic meeting
- Additional annual committee chair retainers:
  - $20,000 for Audit Committee Chair
  - $15,000 for Human Capital & Compensation Committee (HC&CC) Chair
  - $10,000 for other committee chairs (including any special committees)
- $150,000 additional annual retainer for the non-executive Chairman
- $100,000 annual RSU grant made at each annual shareholders’ meeting and cliff vesting in full at the next year’s annual meeting
- New Board members joining the board in between annual meetings receive a pro-rated RSU grant that vests in full upon the subsequent annual meeting. The value of the RSU grant is pro-rated based on the number of half-months between the date of the Board member’s initial appointment to the Board and the date of the subsequent annual meeting.

### Communications Services

<table>
<thead>
<tr>
<th>Category</th>
<th>Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wireless Units</td>
<td>Unlimited, including accessories; Use of an international phone or broadband card while traveling</td>
</tr>
<tr>
<td>Everything Plus Referral Program</td>
<td>Allows friends and family members to be activated on one of three special discounted rate plans (they are liable for their own accounts)</td>
</tr>
<tr>
<td>Long Distance</td>
<td>Long distance calling cards and wireline long distance</td>
</tr>
<tr>
<td>Specialized Equipment</td>
<td>Specialized equipment (e.g., Repeater or Airave) valued at up to $1,000 will be provided as needed; Compensation Committee approval required for specialized equipment in excess of $1,000</td>
</tr>
<tr>
<td>Accessories</td>
<td>Provided as needed</td>
</tr>
<tr>
<td>Total Annual Allowance</td>
<td>Up to $12,000 annually to be used for Sprint products or services (both wireless &amp; long distance)</td>
</tr>
</tbody>
</table>
Sprint Foundation Matching Gift Program

Outside Directors are eligible to participate in the Sprint Foundation’s matching gift program. The Foundation matches contributions to qualifying organizations on a 1-for-1 basis, up to the annual donor maximum of $5,000. The annual maximum per donor, per organization is $2,500. The minimum gift eligible for matching funds is $25. Gifts can be made to accredited educational institutes, arts/cultural organizations, and youth development organizations as long as they have 501(c)(3) tax-exempt status. The matching gift award may be reduced by the value of any benefit you receive for your contribution.

Director Stock Ownership Guidelines

Outside directors are required to hold equity or equity interests in our common stock with a value of at least two times the annual board retainer amount (or $140,000). Each outside director is required to meet this ownership level by the later of August 12, 2007 or the second anniversary of the director’s initial election or appointment to the Board.

Minimum Holding Period

Active Outside Directors are required to retain for a period of at least 12 months all shares or share equivalents (e.g., options or restricted stock units) received from Sprint Nextel, except for shares (i) sold for the payment of taxes as a result of shares becoming available to the non-employee director, or (ii) delivered to Sprint Nextel to pay for the acquisition of additional shares through the exercise of a stock option or otherwise. The 12-month period begins on the date any restrictions or vesting periods have lapsed on the shares or share equivalents (including stock options). The Outside Directors are subject to this holding period until they leave the Sprint Nextel Board.

Income tax treatment

No gross-up is provided

Termination of service

Converted to consumer rate plan at termination of Board service; Directors appointed on or before July 25, 2006 and have five years of Board Service will receive communication Benefits for the earlier of the aggregate number of months on the Board up to 120 months (then convert to a billed arrangement) or death.

VIP Support

Designated support team to assist with service and equipment issues

Sprint Foundation Matching Gift Program

Outside Directors are eligible to participate in the Sprint Foundation’s matching gift program. The Foundation matches contributions to qualifying organizations on a 1-for-1 basis, up to the annual donor maximum of $5,000. The annual maximum per donor, per organization is $2,500. The minimum gift eligible for matching funds is $25. Gifts can be made to accredited educational institutes, arts/cultural organizations, and youth development organizations as long as they have 501(c)(3) tax-exempt status. The matching gift award may be reduced by the value of any benefit you receive for your contribution.

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## Computation of Ratio of Earnings to Combined Fixed Charges and Preferred Stock Dividends

### Exhibit 12

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income (loss) from continuing operations before income taxes</td>
<td>($ 4,060)</td>
<td>($ 29,775)</td>
<td>$1,483</td>
<td>$1,291</td>
<td>($3,244)</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>(123)</td>
<td>(127)</td>
<td>(113)</td>
<td>(53)</td>
<td>(56)</td>
</tr>
<tr>
<td>Amortization of capitalized interest and losses (earnings) in equity method investees, net</td>
<td>144</td>
<td>75</td>
<td>113</td>
<td>(9)</td>
<td>127</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>(4,039)</td>
<td>(29,827)</td>
<td>1,483</td>
<td>1,229</td>
<td>(3,173)</td>
</tr>
</tbody>
</table>

### Fixed charges

| Interest charges | 1,485 | 1,560 | 1,646 | 1,347 | 1,274 |
| Interest factor of operating rents | 609 | 653 | 596 | 395 | 347 |
| **Total fixed charges** | 2,094 | 2,213 | 2,242 | 1,742 | 1,621 |

| Earnings (loss), as adjusted | ($ 1,945) | ($ 27,614) | $3,725 | $2,971 | ($1,552) |
| Preferred stock dividends paid | $ — | $ — | $3 | $11 | $11 |
| **Total fixed charges** | 2,094 | 2,213 | 2,242 | 1,742 | 1,621 |

| Total fixed charges and preferred stock dividends | $ 2,094 | $ 2,213 | $2,245 | $1,753 | $1,632 |

| Ratio of combined earnings to fixed charges and preferred stock dividends | — | (1) | — | (2) | 1.66 | 1.69 | — | (3) |

(1) Earnings, as adjusted were inadequate to cover fixed charges by $4.0 billion in 2008.

(2) Earnings, as adjusted were inadequate to cover fixed charges by $29.8 billion in 2007.

(3) Earnings, as adjusted were inadequate to cover fixed charges and preferred stock dividends by $3.2 billion in 2004.

**Note:** The ratios of earnings to combined fixed charges and preferred stock dividends were computed by dividing fixed charges and pre-tax earnings required to cover preferred stock dividends into the sum of earnings (after certain adjustments) and fixed charges. Fixed charges include interest on all debt of continuing operations, including amortization of debt issuance costs, and the interest component of operating rents. Pre-tax earnings required to cover preferred stock dividends are calculated by dividing one less our effective income tax rate into preferred stock dividends, as adjusted for the tax benefits related to unallocated shares. Earnings include income from continuing operations before income taxes, plus net (losses) earnings in equity method investees, less capitalized interest.
Sprint Nextel Corporation is the parent. The subsidiaries of Sprint Nextel 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>Alamosa Holdings, Inc.</td>
<td>Delaware</td>
<td>100</td>
</tr>
<tr>
<td>Subsidiary:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AirGate PCS, Inc.</td>
<td>Delaware</td>
<td>100</td>
</tr>
<tr>
<td>Subsidiaries:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alamosa (Delaware), Inc.</td>
<td>Delaware</td>
<td>100</td>
</tr>
<tr>
<td>Subsidiaries:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alamosa Wisconsin GP, LLC</td>
<td>Wisconsin</td>
<td>100</td>
</tr>
<tr>
<td>Subsidiary:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alamosa Wisconsin Limited Partnership</td>
<td>Wisconsin</td>
<td>1</td>
</tr>
<tr>
<td>Subsidiary:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alamosa (Wisconsin) Properties, LLC</td>
<td>Wisconsin</td>
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Additional Subsidiaries:

- Wireless Leasing Co., Inc.
- Wireless Leasing Co., Inc. (34.85)
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<td>Ownership</td>
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<td>(Sprint Nextel Corporation subsidiaries continued)</td>
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<td>Dial—The Israeli Company For International Communication Services LTD.</td>
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<td>Sprint International Incorporated – Beijing Representative Office</td>
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<td>Ownership Interest Held By Its Immediate Parent</td>
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</table>


(3) Economic interest.

(4) Voting interest.

(5) MinorCo, L.P. holds a limited and preferred partnership interest of less than 1%.

(6) American PCS, L.P. holds the general partnership interest of greater than 99%.

(7) American PCS Communications, LLC holds the general partnership interest of greater than 99%.

(8) American Personal Communications Holdings, Inc. holds a limited partnership interest of less than 1%.

(9) Sprint Spectrum L.P. holds the general partnership interest of greater than 99%.

(10) Sprint Spectrum Holding Company, L.P. holds the general partnership interest of greater than 99%.

(11) See also TDI Acquisition Corporation and Wireless Broadcasting Systems of America, Inc.


(13) UCOM, Inc., US Telecom, Inc., and Utelcom, Inc., each holds less than 1% of the common stock.

(14) Held in trust for Sprint International Holding, Inc.
Consent of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
Sprint Nextel Corporation:

We consent to the incorporation by reference in the registration statements on Form S-3 (No. 333-138548) and Form S-8 (No. 333-42077, No. 333-68737, No. 333-56938, No. 333-59124, No. 333-76783, No. 333-92809, No. 333-54108, No. 333-75664, No. 333-103691, No. 333-105244, No. 333-111956, No. 333-115621, No. 333-115607, No. 333-115609, No. 333-124189, No. 333-127426, No. 333-130277 and No. 333-142702) of Sprint Nextel Corporation of our report dated February 27, 2009, with respect to the consolidated balance sheets of Sprint Nextel Corporation and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, cash flows and shareholders’ equity for each of the years in the three-year period ended December 31, 2008, and the related financial statement schedule and the effectiveness of internal control over financial reporting as of December 31, 2008, which report appears in the December 31, 2008 annual report on Form 10-K of Sprint Nextel Corporation.

Our report dated February 27, 2009 refers to a change in the method of quantifying errors in 2006.

/s/ KPMG LLP

Kansas City, Missouri
February 27, 2009
CERTIFICATION

I, Daniel R. Hesse, certify that:

1. I have reviewed this annual report on Form 10-K of Sprint Nextel 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) 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
   (d) 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(s) 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 financial reporting.

Date: February 27, 2009

/s/ Daniel R. Hesse
Daniel R. Hesse
Chief Executive Officer
CERTIFICATION

I, Robert H. Brust, certify that:

1. I have reviewed this annual report on Form 10-K of Sprint Nextel 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) 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
   (d) 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(s) 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 financial reporting.

Date: February 27, 2009

/s/ Robert H. Brust
Robert H. Brust
Chief Financial Officer
In connection with the annual report of Sprint Nextel Corporation (the “Company”) on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission (the “Report”), I, Daniel R. Hesse, 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.

Date: February 27, 2009

/s/ Daniel R. Hesse
Daniel R. Hesse
Chief Executive Officer
Exhibit 32.2

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 Nextel Corporation (the “Company”) on Form 10-K for the year ended December 31, 2008, as filed with the Securities and Exchange Commission (the “Report”), I, Robert H. Brust, 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.

Date: February 27, 2009

/s/ Robert H. Brust
Robert H. Brust
Chief Financial Officer