

SPRINT NEXTEL CORP
Form 10-K
February 26, 2010
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission file number 1-04721

SPRINT NEXTEL CORPORATION

(Exact name of registrant as specified in its charter)

KANSAS
(State or other jurisdiction of incorporation or organization)

6200 Sprint Parkway, Overland Park, Kansas
(Address of principal executive offices)

Registrant's telephone number, including area code: (800) 829-0965

48-0457967
(I.R.S. Employer Identification No.)

66251
(Zip Code)

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

Title of each class	Name of each exchange on which registered
Series 1 common stock, \$2.00 par value	New York Stock Exchange
Guarantees of Sprint Capital Corporation 6.875% Notes due 2028	New York Stock Exchange

Edgar Filing: SPRINT NEXTEL CORP - Form 10-K

Securities registered pursuant to Section 12(g) 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 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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, 2009 was \$13,800,465,103

COMMON SHARES OUTSTANDING AT FEBRUARY 19, 2010:

VOTING COMMON STOCK	
Series 1	2,942,347,082
Series 2	35,000,000

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, 2009, are incorporated by reference in Part III hereof.

Table of Contents**SPRINT NEXTEL CORPORATION****TABLE OF CONTENTS**

Item		Page Reference
	PART I	
1.	<u>Business</u>	1
1A.	<u>Risk Factors</u>	13
1B.	<u>Unresolved Staff Comments</u>	22
2.	<u>Properties</u>	22
3.	<u>Legal Proceedings</u>	22
4.	<u>Submission of Matters to a Vote of Security Holders</u>	22
	PART II	
5.	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	26
6.	<u>Selected Financial Data</u>	28
7.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	29
7A.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	52
8.	<u>Financial Statements and Supplementary Data</u>	53
9.	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	53
9A.	<u>Controls and Procedures</u>	53
9B.	<u>Other Information</u>	54
	PART III	
10.	<u>Directors, Executive Officers and Corporate Governance</u>	55
11.	<u>Executive Compensation</u>	55
12.	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	55
13.	<u>Certain Relationships and Related Transactions, and Director Independence</u>	56
14.	<u>Principal Accountant Fees and Services</u>	56
	PART IV	
15.	<u>Exhibits and Financial Statement Schedules</u>	57
See pages 19 and 20 for Executive Officers of the Registrant.		

Table of Contents

SPRINT NEXTEL CORPORATION
SECURITIES AND EXCHANGE COMMISSION

ANNUAL REPORT ON FORM 10-K

PART I

Item 1. Business
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. Our Series 1 voting common stock trades on the New York Stock Exchange (NYSE) under the symbol S. Sprint Nextel Corporation and its subsidiaries (Sprint, we, us, our or the Company) is a communications company offering a comprehensive range of wire and wireline communications products and services that are designed to meet the needs of individual consumers, businesses, government subscribers and resellers. Our operations are organized to meet the needs of our targeted subscriber groups through focused communications solutions that incorporate the capabilities of our wireless and wireline services. We are the third largest wireless communications company in the United States based on the number of wireless subscribers, one of the largest providers of wireline long distance services and one of the largest carriers of Internet traffic in the nation. Our services are provided through our ownership of extensive wireless networks and a global long distance, Tier 1 Internet backbone.

We offer wireless and wireline voice and data transmission services to subscribers in all 50 states, Puerto Rico and the U.S. Virgin Islands under the Sprint corporate brand which includes our retail brands consisting of Sprint®, Nextel®, Boost Mobile®, Virgin Mobile® and Assurance WirelessSM on networks that utilize code division multiple access (CDMA), integrated Digital Enhanced Network (iDEN), or internet protocol (IP) technologies. We utilize these networks to offer our wireless and wireline subscribers differentiated products and services whether through the use of a single network or a combination of these networks. Through our partnership with Clearwire Corporation and its subsidiary Clearwire Communications LLC (together Clearwire), and their development of a fourth generation (4G) network utilizing Worldwide Interoperability for Microwave Access (WiMAX) technology, we are establishing ourselves as a leader in the deployment of next-generation wireless broadband services. We offer wireless services on a post-paid and prepaid payment basis to retail subscribers and also on a wholesale basis.

On November 9, 2009, we entered into an investment agreement with Clearwire to contribute an additional \$1.176 billion increasing our ownership percentage to 56% as of December 31, 2009 and enhancing Clearwire's ability to further its 4G network buildout. To strengthen our position in the growing prepaid market, we completed our acquisition of Virgin Mobile USA, Inc. (VMU) on November 24, 2009. In addition, on December 4, 2009, we completed the acquisition of iPCS, Inc. (iPCS). iPCS was previously a Sprint PCS affiliate that sold services under the Sprint® brand name and in Sprint-branded stores.

Our Business Segments

Our business consists of two reportable segments: Wireless and Wireline. For information regarding our segments, see Part II, Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and also refer to note 15 of the Notes to Consolidated Financial Statements.

Wireless

We provide certain wireless services on our third generation (3G) network and our national push-to-talk network. Through our mobile virtual network operator (MVNO) relationship with Clearwire, we are also the first and only nationwide wireless carrier to offer 4G services. Sprint 4G is available in 27 markets serving more than

Table of Contents

30 million people, and is expected to cover up to 120 million people by the end of 2010. In January 2010 we announced the Overdrive™ 3G/4G Mobile Hotspot by Sierra Wireless that allows up to five wireless fidelity (WiFi) enabled devices to enjoy the speeds of our 4G services where available. We also support the open development of applications and content on our network platforms. Our multi-functional device portfolio has been expanded to include the BlackBerry® Tour™ and Blackberry® Curve™ 2, the Samsung Instinct® HD, the Touch Pro 2 from HTC, and the MiFi 2200 from Novatel® Wireless. In 2009 we also added our first Android™ devices the HTC Her™ and the Samsung Moment™ with Google™ and we were the first to launch the new Palm WebOS devices. We also enable a variety of third-party providers, location-based services, and consumer product providers through our open device initiative. The open device initiative incorporates selling, marketing, product development, and operations resources to address growing non-traditional data needs, which covers a wide variety of products and services including telematics, in-vehicle devices, e-readers, specialized medical devices, and other original equipment manufacturer devices.

We believe that our value-driven wireless price plans are very competitive. Our family of Simply Everything® post-paid price plans bundle together popular data applications with traditional mobile voice calling at attractive price points. The addition of Any Mobile, AnytimeSM to Everything DataSM plans provides subscribers unlimited mobile-to-mobile calling from the Sprint® Network to and from any wireless phone on any U.S. wireless carrier network at no additional charge. New Business AdvantageSM pricing plans provide value, flexibility and simplicity to our business subscribers who can also take advantage of Any Mobile, AnytimeSM with certain plans. Our Boost Mobile® prepaid price plans include unique nationwide monthly unlimited, pay as you go, and \$1 per day text and chat plan options. Our Virgin Mobile® prepaid price plans include monthly hybrid plans and voice and data per usage plans. Subscribers may use Top-Up cards available in increments of \$10, \$20, \$30, \$50 and \$90 to add money to their accounts. Subscribers may also elect to register a credit card, debit card or PayPal account to credit their accounts automatically on a monthly basis or when their accounts reach a specified minimum amount.

Services and Products

Data & Voice Services

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 game play with full-color graphics and polyphonic sounds all from a wireless handset.

Wireless 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, and speakerphone. We offer Nextel Direct Connect® push-to-talk services on our iDEN network. 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 devices 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 devices and accessories to agents and other third-party distributors for resale.

Wireless Network Technologies

We deliver wireless services to subscribers primarily through the ownership of our CDMA and iDEN networks or as a reseller of 4G services.

Table of Contents

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, 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 (PCS Affiliates) and roaming on other providers' networks.

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 devices 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 devices in support of our iDEN-based services, as well as improvements, our operations will be adversely affected.

Beginning in 2009, our subscribers in certain markets now have access to Clearwire's 4G network through an MVNO arrangement that enables us to resell Clearwire's 4G wireless services under the Sprint brand name. The services supported by 4G 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 joined together to combine our next-generation wireless broadband businesses.

Sales, Marketing and Customer Care

We focus the marketing and sales of wireless services on targeted groups of retail subscribers: individual consumers, businesses and government subscribers.

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 wireless services primarily to mid-sized to large businesses and government agencies;

- retail outlets that focus on sales to the consumer market 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

- subscriber-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®, Virgin Mobile® and Assurance WirelessSM brands, as a means to provide value-driven prepaid service plans to particular markets. Our wholesale customers are resellers of our wireless services rather than end-use subscribers and market their products using their brands.

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 (NASCAR®), and the National Football League (NFL®). 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 unrelated parties subject to Sprint standards of operation, receive and respond to inquiries from subscribers. We implemented initiatives that are designed to improve call center processes and procedures, and standardized our performance measures through various metrics, including customer satisfaction ratings with respect to customer care, first call resolution and calls per subscriber.

Table of Contents

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 push-to-talk-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 prepaid services compete with a number of carriers and resellers including Metro PCS Communications, Inc., Leap Wireless International, Inc. and TracFone Wireless, which offer competitively-priced calling plans that include unlimited local calling. Additionally, AT&T, T-Mobile and Verizon also offer competitive prepaid services and wholesale service to resellers. Competition will increase to the extent that new firms enter the market if 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 and long term evolution (LTE). Wholesale services and products also contribute to increased competition. In some instances, resellers 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. 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 acquisition cost, and we may offer higher cost devices 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 recognize immediate losses that will not be recovered until future periods when service is provided. Our ability to effectively compete in the wireless business is dependent upon our ability to retain existing and attract new subscribers in an increasingly competitive marketplace. See Item 1A, Risk Factors. If we are not able 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 other communications companies and targeted business subscribers. In addition, we provide voice, data and IP communication services to our Wireless segment and IP and other services to cable Multiple System Operators (MSOs) that resell our local and long distance service and use our back office systems and network assets in support of their telephone service provided over cable facilities primarily to residential end-user subscribers. We are one of the nation's largest providers of long distance services and operate all-digital long distance and Tier 1 IP networks.

Services and Products

Our services and products include domestic and international data communications using various protocols such as multiprotocol label switching technologies (MPLS), IP, asynchronous transfer mode (ATM), IP-based frame relay, managed network services, Voice over Internet Protocol (VoIP) and traditional voice services. Our IP services can also be combined with our wireless services. Such services include our Wireless Integration service which enables a wireless handset to operate as part of a subscriber's wireline voice network and our DataLinkSM service, which uses our wireless networks to connect a subscriber location into their primarily wireline wide-area IP/MPLS data network, making it easy for businesses to adapt their network to changing business requirements.

Table of Contents

We continue to assess the portfolio of services provided by our Wireline business 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 continue to convert our existing subscribers from ATM and frame relay to more advanced IP technologies, such as MPLS, Sprintlink® Frame Relay and Sprintlink® ATM, which allows us to 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 are also 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.

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. 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. We continue to see industry growth in voice services provided by cable MSOs as consumers use cable MSOs as alternatives to local and long distance voice communications providers.

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 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 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 Federal Communications Commission (FCC) and in certain states by public utilities commissions (PUCs). The Communications Act of 1934 (Communications Act) preempts states from regulating the rates or entry of commercial mobile radio service (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

Table of Contents

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 megahertz (MHz) band, 900 MHz band, 1.9 gigahertz (GHz) personal communications services (PCS) band, and license renewals;

rule on assignments and transfers of control of FCC licenses, and leases covering our use of FCC licenses held by other persons and organizations;

govern the interconnection of our CDMA and iDEN networks with other wireless and wireline carriers;

establish access and universal service funding provisions;

impose rules related to unauthorized use of and access to customer information;

impose fines and forfeitures for violations of FCC rules;

regulate the technical standards governing wireless services; and

impose other obligations that it determines to be in the public interest.

We hold several kinds of licenses to deploy our services: 1.9 GHz PCS licenses utilized in the CDMA network, and 800 MHz and 900 MHz licenses utilized in the iDEN network. We also hold 1.9 GHz and other FCC licenses that are not currently being utilized, 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 (MTAs) and basic trading areas (BTAs) with several BTAs making up each MTA. Each license is subject to build-out requirements, and the FCC may revoke a license after a hearing if the build-out or other applicable requirements have not been met. We have met these requirements in all of our MTA and BTA markets.

If applicable build-out 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

Edgar Filing: SPRINT NEXTEL CORP - Form 10-K

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 build-out conditions, but are subject to renewal requirements that are similar to those for our PCS licenses.

Table of Contents

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.

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 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 minimum cash obligation is approximately \$2.8 billion 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. As required under the terms of the Report and Order, a letter of credit has been secured to provide assurance that funds will be available to pay the relocation costs of the incumbent users of the 800 MHz spectrum. These relocation costs are reviewed periodically based on actual costs incurred. As a result of these reviews, our letter of credit was reduced from \$2.0 billion to \$1.7 billion in 2009 as approved by the FCC.

Completion of the 800 MHz band reconfiguration was initially required by June 26, 2008; however, the FCC has issued a significant number of waivers to 800 MHz licensees giving them additional time to complete their band reconfigurations, which may delay access to some of our 800 MHz replacement spectrum. Based on progress to date, a significant number of additional extension requests have been filed and more are expected. Under an October 2008 FCC Order, we may be required, on March 31, 2010, to relinquish some of our 800 MHz spectrum on a region-by-region basis prior to receiving 800 MHz replacement spectrum. On January 27, 2010, we asked the FCC to waive the requirement in certain regions where most public safety agencies have not yet vacated our replacement channels. This request is pending before the FCC. The Report and Order also contained an exception with respect to markets that border Mexico and Canada. The exception with respect to markets that border Canada was clarified on May 9, 2008 when the FCC issued the Canadian border plans to include 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 (E911) services in a two-tiered manner. Specifically, wireless carriers are required to transmit to a requesting public safety answering point (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

Table of Contents

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.

National Security

Issues involving national security and disaster recovery are likely to continue to receive attention at the FCC, state and local levels, and Congress. A major focus of the federal government is cyber security. Congress is expected to take up legislation implementing measures to increase the security and resiliency of the Nation's digital infrastructure. We cannot predict the cost impact of such legislation. The FCC has chartered the Communications Security, Reliability and Interoperability Council consisting of communications companies, public safety agencies and non-profit consumer and community organizations to make recommendations to the FCC to ensure optimal security, reliability, and interoperability of communications systems. We are a member of the council. In addition, 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 is to begin no later than April 2012.

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 recently has imposed a tower siting "shot clock" that would require local authorities to address tower applications within a specific timeframe. This may assist carriers in more rapid deployment of towers. Other changes to environmental protection and tower construction rules, however, are still possible. 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 (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 (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

Table of Contents

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 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 fund (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 (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. Continued regulatory uncertainty over the appropriate intercarrier compensation for interconnected VoIP services has led to many disputes between carriers.

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 (EV-DO) products and services.

Network Neutrality

Deregulation of broadband services 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 deployed open wireless operating platforms on our devices, such as the Android platform created in conjunction with

Table of Contents

Google and 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. The FCC has a pending proceeding to consider whether all high-speed Internet access services, including wireless services, should be subject to such net neutrality obligations. The imposition of any such obligations could result in significant costs to us.

International Regulation

The wireline services we provide outside the United States are subject to the regulatory jurisdiction of foreign governments and international bodies. In general, this regulation requires that we obtain licenses for the provision of wireline services and comply with certain government requirements.

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, states may attempt to impose various regulations on the billing practices of wireless carriers. In addition, the FCC has opened a new proceeding to address issues of consumer protection, including the use of early termination fees, and appropriate state and federal roles. If this proceeding or individual state proceedings create changes in the Truth in Billing rules, our billing and customer service costs could increase.

Access Charge Reform

ILECs and competitive local exchange carriers (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 and the FCC has released recently a further Public Notice addressing special access charges. We cannot predict when these proceedings will be completed.

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, CenturyLink (formerly Embarq), Frontier and Citizens from price regulation of their non-time division multiplexing (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. The appeal of the FCC's rulings with respect to AT&T, Citizens, Frontier and CenturyLink was denied. 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 (LECs) predominantly in rural exchanges, that have very high access charges. Under traffic pumping arrangements, the LECs 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

Table of Contents

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 measures to limit the windfall profits associated with traffic pumping would have a direct beneficial impact on us. Recent positive decisions against several LECs and their traffic pumping partners in U.S. district courts and before the Iowa Utilities Board and the FCC may result in some decrease in this activity.

Universal Service Reform

Communications carriers contribute to and receive support from various universal service funds 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 to 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 (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, and they were dismissed by the district court. The plaintiffs' appeal to the US Court of Appeals for the Ninth Circuit is pending. 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 (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

Table of Contents

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 CenturyLink. We and CenturyLink 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 (EPA). Two of the sites have had initial site assessments conducted by the Nebraska Department of Environmental Quality (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 this 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, like Virgin Mobile. 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, 2009, we employed approximately 40,000 personnel.

We announced cost reduction programs in January and November 2009 designed to further align our cost structure with the reduced revenues expected from fewer subscribers. Approximately 1,200 positions from the 2009 reductions will not be completed until 2010, and as such, are still included in the ending employee count above.

Access to Public Filings and Board Committee Charters

Important information is routinely posted on our website at www.sprint.com. Information contained on the website is not part of this annual report. Public access is provided 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

Table of Contents

Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934. These documents may be accessed free of charge on our website at the following address: <http://investors.sprint.com>. These documents are available as soon as reasonably practicable after filing with the SEC and may also be found at the SEC's website at www.sec.gov.

Public access is provided 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. Copies of any of these documents can be obtained 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, a notice of such action will be posted 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.

Item 1A. Risk Factors

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, 2009, we have experienced a 1.0 million decrease in our total retail subscriber base, including approximately 3.5 million post-paid subscribers, while our two largest competitors increased their subscribers. In addition, over the past year, we have experienced an average post-paid churn rate of 2.15%, 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;

actual or perceived quality and coverage of our network;

public perception about our brands;

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; and

Edgar Filing: SPRINT NEXTEL CORP - Form 10-K

our ability to enter into arrangements with MVNOs and alternative resellers;
Our recent efforts to attract new post-paid subscribers and reduce churn have not been as successful as those of our competitors. Our post-paid subscriber losses and high rate of churn have impaired our ability to

Table of Contents

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 post-paid subscribers at the same rate as our competitors and have had a net loss of post-paid subscribers during each of the last three fiscal years ending December 31, 2009. In addition, the higher market penetration also means that subscribers purchasing wireless services for the first time, on average, have a lower credit score than existing wireless users, and the number of these subscribers we are willing to accept is dependent on our credit policies. 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.

Table of Contents

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 prepaid services compete with several regional carriers, including Metro PCS and Leap Wireless, which offer competitively-priced prepaid calling plans that include unlimited local calling. In addition, we may lose subscribers of our higher priced plans to our prepaid offerings.

One of the primary differentiating features of our iDEN network is the two-way walkie-talkie service. 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 devices 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 devices, 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. 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

Table of Contents

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, and we may not be able to arrange additional financing on terms acceptable to us, or at all, including at the expiration of our current credit facility, which expires in December 2010. 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 facility, which expires in December 2010, requires 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, 2009, was 3.5 to 1.0. If we do not continue to satisfy this ratio, we will be in default under our credit facility, which could trigger defaults under our other debt obligations, which in turn could result in the maturities of certain debt obligations being accelerated. The indentures governing our notes limit, among other things, our ability to incur additional debt, create liens and sell, transfer, lease or dispose of assets.

The trading price of our common stock has been and may continue to be volatile and may not reflect 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. Stock price volatility 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 of continued subscriber losses and rates of churn that would result in downward pressure on our stock price;

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 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.

Table of Contents

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.

We provide wholesale services under long term contracts to cable television operators which enable these operators to provide consumer and business digital telephone services. These contracts may not be renewed as they expire, generally in the time period between 2011 and 2013.

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 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 Global System for Mobile Communications (GSM) technology. As a result, our costs with respect to both CDMA and iDEN network equipment and devices 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 entered into agreements in 2008 with Clearwire to integrate our former 4G wireless broadband business with theirs. See [Risks Related to our Investment in Clearwire](#) below for risks related to our investment in Clearwire and the deployment of 4G.

Table of Contents

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 based on quoted prices 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. In addition, 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 cash and non-cash charges that could be material to our consolidated financial statements would be recognized.

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 estimated fair market value of our investment may continue to be below the book value of the investment, which could result in a material impairment in our consolidated financial statements.

If Motorola is unable or unwilling to provide us with equipment and devices in support of our iDEN-based services, as well as improvements, 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 devices we offer under the Nextel brand except for BlackBerry devices. Although our handset supply agreement with Motorola is structured to provide competitively-priced devices, the cost of iDEN devices is generally higher than devices that do not incorporate a similar multi-function capability. This difference may make it more difficult or costly for us to offer devices at prices that are attractive to potential subscribers. In addition, the higher cost of iDEN devices requires us to absorb a larger part of the cost of offering devices to new and existing subscribers, which may reduce our growth and profitability. Also, we must rely on Motorola to develop devices and equipment capable of supporting the features and services we offer to subscribers of services on our iDEN network, including the dual-mode devices. A decision by Motorola to discontinue, or the inability of Motorola to continue, manufacturing, supporting or enhancing our iDEN-based infrastructure and devices 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 required to license, develop and manufacture iDEN

Table of Contents

infrastructure equipment and devices, which would impose material costs on us including, among other things, migrating subscribers off the iDEN network. Further, our ability to complete the spectrum reconfiguration plan in connection with the FCC's Report and Order is dependent, in part, on Motorola.

We have entered into agreements with unrelated parties for 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 unrelated parties for the day-to-day execution of services, provisioning and maintenance for our CDMA, iDEN and wireline networks, and 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.

The products and services 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 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.

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, as well as international, 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, international, 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

Table of Contents

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 pre-empted 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 devices 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 guarantee that additional studies will not demonstrate a link between radio frequency emissions and health concerns.

Table of Contents

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, 2009.

Our investment in Clearwire exposes us to risks because we do not control the board, determine the strategies, 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. 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 additional financing in the amounts and at terms that enable it to continue 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 has a 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.

Table of Contents**Item 1B. Unresolved Staff Comments**

None.

Item 2. Properties

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, 2009 totaled \$46.2 billion, as follows:

	2009 <i>(in billions)</i>
Wireless	\$ 39.3
Wireline	4.5
Corporate and other	2.4
Total	\$ 46.2

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, 2009, about \$1.4 billion of outstanding debt, comprised of certain secured notes, financing and capital lease obligations and mortgages, is secured by \$1.2 billion of gross property, plant and equipment, and other assets.

Item 3. Legal Proceedings

On October 18, 2009, we entered into a merger agreement with iPCS pursuant to which Sprint agreed to acquire iPCS. In connection with the merger agreement, Sprint and iPCS sought an immediate stay of litigation and the Circuit Court of Cook County, Illinois, Chancery Division and the Illinois Appellate Court entered the stay on all litigation, including iPCS's request for an injunction to block the merger of Sprint and Virgin Mobile USA, Inc., and, upon the closing of the acquisition, all litigation between iPCS and Sprint was dismissed. Subsequent to the announcement of our merger agreement, two lawsuits were filed in Cook County, Illinois state court on behalf of iPCS shareholders against iPCS, the members of the iPCS Board of Directors as individual defendants, Sprint Nextel and Ireland Acquisition Corp. seeking to enjoin Sprint Nextel's proposed acquisition of iPCS common stock. The complaints assert breach of fiduciary duties by the individual defendant iPCS directors and aiding and abetting the breach of fiduciary duties by Sprint Nextel. We are engaged in settlement negotiations and expect to resolve the complaints for an amount not material to Sprint.

We are involved in certain other legal proceedings that are described in Note 12 of Notes to the Consolidated Financial Statements included in this report. During the quarter ended December 31, 2009, there were no material developments in the status of these legal proceedings.

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.

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 2009.

Table of Contents**Executive Officers of the Registrant**

The following people are serving as our executive officers as of February 26, 2010. 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.

Name	Business Experience	Current Position Held Since	Age
Daniel R. Hesse	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&T Wireless Services, a division of AT&T, from 1997 to 2000.	2007	56
Robert H. Brust	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.	2008	66
Keith O. Cowan	President Strategic Planning and Corporate Initiatives. He was appointed President Strategic Planning and Corporate Initiatives in July 2007. He also served as Acting President CDMA from November 2008 to May 2009. 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 & Bird LLC.	2007	53
Robert L. Johnson	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.	2007	51

Table of Contents

Name	Business Experience	Current Position Held Since	Age
Robert H. Johnson	President Consumer. He was appointed President Consumer in May 2009. He co-founded and served as Chief Operating Officer of Sotro Wireless Inc. from February 2006 to January 2009. Prior to joining Sotro Wireless, he served in various executive positions at AT&T Wireless Services, Inc. since 1988, most recently as Executive Vice President, National Operations.	2009	55
Charles R. Wunsch	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.	2008	54
Paget L. Alves	President Business Markets. He was appointed President Business Markets in February 2009. He served as President Sales and Distribution from March 2008 until February 2009, and 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.	2009	55
Steven L. Elfman	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&T Wireless from June 1997 to May 2000.	2008	54
Daniel H. Schulman	President Prepaid. He was appointed President Prepaid in November 2009. He served as Chief Executive Officer and a director of Virgin Mobile USA, Inc., a wireless communications company, from September 2001 until we acquired Virgin Mobile USA, Inc. in November 2009. He served as the Chief Executive Officer of Priceline.com, an online travel company, from May 2000 to May 2001, and as President and Chief Operating Officer of Priceline from June 1999 to May 2000. Prior to joining Priceline, Mr. Schulman served in various executive positions at AT&T since 1991, most recently as President of AT&T's consumer long distance business.	2009	52

Table of Contents

Name	Business Experience	Current Position Held Since	Age
Danny L. Bowman	President Integrated Solutions Group. He was appointed President Integrated Solutions Group in September 2009. He served as President iDEN from June 2008 to August 2009. He served in various executive positions including Product Development and Management, Sales, Marketing and General Management since 1997.	2009	44
Matthew Carter	President 4G. He was appointed President 4G in January 2010. He served as Senior Vice President, Boost Mobile from April 2008 until January 2010 and as Senior Vice President, Base Management from December 2006 until April 2008. Prior to joining Sprint, he served as Senior Vice President of Marketing at PNC Financial Services.	2010	49
Ryan H. Siurek	Vice President Controller. He was appointed Vice President, Controller in November 2009. He served as Vice President and Assistant Controller from January 2009 to November 2009. Prior to joining Sprint, he worked for LyondellBasell Industries, a chemical manufacturing company, from January 2004 through January 2009, where he held various executive level finance and accounting positions, including Controller European Operations.	2009	38

Table of Contents**PART II****Item 5. Market for Registrant'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. The high and low Sprint Series 1 common stock prices, as reported on the NYSE composite are as follows:

	2009 Market Price			2008 Market Price		
	High	Low	End of Period	High	Low	End of Period
Series 1 common stock						
First quarter	\$ 4.20	\$ 1.83	\$ 3.57	\$ 13.16	\$ 5.48	\$ 6.69
Second quarter	5.94	3.49	4.81	9.94	6.27	9.50
Third quarter	4.91	3.47	3.95	9.75	5.75	6.10
Fourth quarter	4.41	2.78	3.66	6.72	1.35	1.83

Number of Shareholders of Record

As of February 19, 2010, we had about 41,000 Series 1 common stock record holders, 4 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 or 2009. We are currently restricted from paying cash dividends by the terms of our revolving bank credit facility as described under *Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Liquidity*.

Issuer Purchases of Equity Securities

None.

Table of Contents

Performance Graph

The graph below compares the yearly 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, 2004 to December 31, 2009. The graph assumes an initial investment of \$100 on December 31, 2004 and reinvestment of all dividends.

5-Year Total Return

Value of \$100 Invested on December 31, 2004

	2004	2005	2006	2007	2008	2009
Sprint Nextel	\$ 100.00	\$ 95.07	\$ 84.10	\$ 58.72	\$ 8.18	\$ 16.37
S&P 500	\$ 100.00	\$ 104.91	\$ 121.48	\$ 128.16	\$ 80.74	\$ 102.11
Dow Jones U.S. Telecom Index	\$ 100.00	\$ 102.04	\$ 139.62	\$ 153.64	\$ 103.04	\$ 113.20

Table of Contents**Item 6. Selected Financial Data**

The 2009, 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., Virgin Mobile USA, Inc. and PCS Affiliate acquisitions, as well as our November 2008 contribution of our next generation wireless network to Clearwire. The acquired companies' results of operations 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 approximately 1.0 million retail wireless subscribers in 2009, 5.1 million in 2008 and 658,000 in 2007, which caused the majority of the reduction in net operating revenues in those periods.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
<i>(in millions, except per share amounts)</i>					
Results of Operations					
Net operating revenues	\$ 32,260	\$ 35,635	\$ 40,146	\$ 41,003	\$ 28,771
Goodwill impairment		963	29,649		
Depreciation and amortization	7,416	8,407	8,933	9,592	5,200
Operating (loss) income ⁽¹⁾	(1,398)	(2,642)	(28,740)	2,484	2,141
(Loss) income from continuing operations ⁽¹⁾	(2,436)	(2,796)	(29,444)	995	821
Discontinued operations, net				334	980
Cumulative effect of change in accounting principle, net					(16)
(Loss) Earnings per Share and Dividends					
Basic and diluted (loss) earnings per common share					
Continuing operations ⁽¹⁾	\$ (0.84)	\$ (0.98)	\$ (10.24)	\$ 0.34	\$ 0.40
Discontinued operations				0.11	0.48
Cumulative effect of change in accounting principle					(0.01)
Dividends per common share ⁽²⁾			0.10	0.10	0.30
Financial Position					
Total assets	\$ 55,424	\$ 58,550	\$ 64,295	\$ 97,161	\$ 102,760
Property, plant and equipment, net	18,280	22,373	26,636	25,868	23,329
Intangible assets, net	23,462	22,886	28,139	60,057	49,307
Total debt, capital lease and financing obligations (including equity unit notes)	21,061	21,610	22,130	22,154	25,014
Seventh series redeemable preferred shares					247
Shareholders' equity ⁽³⁾	18,095	19,915	22,445	53,441	52,226
Cash Flow Data					
Net cash provided by operating activities	\$ 4,891	\$ 6,179	\$ 9,245	\$ 10,055	\$ 8,655
Capital expenditures	1,603	3,882	6,322	7,556	5,057

- (1) In 2009, we recognized net charges of \$389 million (\$248 million after tax) primarily related to severance exit costs and asset impairments other than goodwill. In 2008, we recorded net charges of \$936 million (\$586 million after tax) primarily related to asset impairments other than goodwill, severance and exit costs, and merger and integration costs. In 2007, we recognized 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 recognized net charges of \$620 million (\$381 million after tax) primarily related to merger and integration costs, asset impairments, and severance and exit costs. In 2005, we recorded net charges of \$723 million (\$445 million after tax) primarily related to merger and integration costs, asset impairments, and severance and hurricane-related costs.
- (2) We did not declare any dividends on our common shares in 2009 and 2008. In the first and second quarter 2005, a dividend of \$0.125 per share was paid. In the third and fourth quarter 2005 and for each quarter of 2006 and 2007, the dividend was \$0.025 per share.
- (3) In completing a detailed reconciliation of net deferred tax liabilities in 2009, it was determined that net deferred tax liabilities were overstated in prior periods. Previously reported shareholders' equity has been increased by \$310 million as of December 31, 2008, 2007, and 2006 and increased by \$289 million as of December 31, 2005 related to a reduction in deferred tax liabilities.

Table of Contents

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
OVERVIEW**

Business Strategies and Key Priorities

Sprint is 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. 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. As discussed below in *Effects on our Wireless Business of Post-paid Subscriber Losses*, the Company has experienced significant losses of subscribers in the critical post-paid wireless market and is currently focused on specific steps to reduce such losses.

Our business strategy is to be responsive to changing consumer mobility demands by being innovative and differentiated in the marketplace. Significant steps in positioning ourselves for 2010 include our fourth quarter 2009 investment agreement with Clearwire to contribute an additional \$1.176 billion increasing our ownership percentage to 56% as of December 31, 2009 and enhancing Clearwire's ability to further its 4G network buildout; and the fourth quarter 2009 acquisitions of Virgin Mobile USA, Inc. (VMU) allowing us to broaden our product offerings in the prepaid wireless market and iPCS, Inc. (iPCS) to expand our direct subscriber base, grow our direct coverage area and simplify our business operations. Our future growth plans and strategy revolve around the following key priorities:

Improve the customer experience;

Strengthen the Sprint brand; and

Generate operating cash flow.

Our Sprint brand stands for Simplicity, Productivity and Value by making it affordable to do more than just talk. We have reduced confusion over pricing plans and complex bills with our Simply Everything and Everything Data plans and our Any Mobile AnytimeSM feature that offer savings compared to our competition. In addition to savings offered to consumers, new Business Advantage pricing plans are available to our business subscribers who can also take advantage of Any Mobile, AnytimeSM with certain plans. To simplify and improve the customer experience, we have introduced tools such as Sprint[®] One Click that allows subscribers to access various software applications through a single click on their mobile devices and Ready Now which trains our subscribers before they leave the store on how to use their mobile devices. For our business subscribers, 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 subscribers on our networks.

Consistent with the changing economic environment, our prepaid plans, primarily through the National Boost Monthly Unlimited, Virgin Mobile and Assurance Wireless offerings, are experiencing strong demand as our simple, no long-term contract solutions provide good service and value. We plan to continue to grow our position in the prepaid market by tailoring our products and services to target markets while leveraging our Boost Mobile, Virgin Mobile and Assurance Wireless brands through new and existing distribution channels.

Sprint has refocused its wholesale business as a reseller of new converged services that leverage the Sprint network but are sold under the customer's brand. We have adopted new pricing models, made it easier for our customers to acquire access and resell our services by bundling wireless and wireline services and focused our attention to partners with existing distribution channels. In addition, we have strengthened our sales efforts and expanded to new markets in the rapidly growing machine to machine space.

Table of Contents

In addition to our customer-oriented goals, we have also taken steps to generate operating cash flow and reduce our cost structure to align with the reduced revenues from fewer post-paid subscribers. Our actions include workforce reductions in 2009, which are expected to reduce labor and other costs by approximately \$1.5 billion annually. We believe these actions, as well as our continued efforts to reduce other operating expenses and non-essential capital spending, will allow us to maintain a strong cash position, although we do not expect that these measures will fully offset the decline in cash provided by operating activities expected because of our lower number of post-paid subscribers as discussed below in *Effects on our Wireless Business of Post-paid Subscriber Losses*.

Effects on our Wireless Business of Post-paid Subscriber Losses

The following table shows annual net additions (losses) of post-paid subscribers for the past five years, excluding subscribers obtained through business combinations.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	<i>(in thousands)</i>				
Total net additions (losses) of post-paid subscribers	(3,546)	(4,073)	(1,224)	279	2,194

As shown by the table below under Results of Operations, Wireless segment earnings represent more than 80% of Sprint's total consolidated segment earnings. Within the Wireless segment, post-paid wireless voice and data services represent the most significant contributors to earnings and are driven by the number of post-paid subscribers to our services, as well as the average revenue per subscriber or user (ARPU).

Beginning in mid-2006, Sprint began to experience net losses of post-paid subscribers on the iDEN wireless network, which we acquired in 2005 in the Sprint-Nextel merger. Such net losses for the year ended December 31, 2007 exceeded the net additions of post-paid subscribers on our CDMA wireless network. Beginning in 2008 and continuing through 2009, we have been experiencing net losses of post-paid subscribers on each of the iDEN and CDMA wireless networks, excluding migration of subscribers between networks.

We believe that these significant net post-paid subscriber losses resulted from a number of historical factors, in addition to the competitive nature of the industry, including: 1) uncertainty in the marketplace as to our commitment to the iDEN network; 2) a high level of involuntary churn during 2007 and early 2008 due to a relatively high mix of sub-prime credit subscribers; 3) adverse perceptions among some of our subscribers about our customer care services; 4) adverse perceptions among some of our subscribers about the quality of and our commitment to development of our networks; 5) successful competitor devices; 6) perception in the marketplace that the portfolio of Sprint device offerings was not as desirable as those of some competitors; 7) uncertainty about the financial strength and future reliability of Sprint; and 8) perceptions in the marketplace, in part as a result of the subscriber losses themselves, as well as the other factors above, that reduced the Sprint brand's effectiveness in attracting and retaining subscribers.

Beginning in 2008, in conjunction with changes in senior management, Sprint undertook steps to address each of these factors. Before directly addressing brand perception, steps were taken to improve the quality of Sprint's customer care services and the Sprint networks, as confirmed by recent independent comparisons with competitors. Steps were also taken to improve the credit quality mix of our subscriber base and to improve our financial stability, including vigorous cost control actions, which have resulted in our continuing strong cash flow from operations. We also improved financial flexibility through renegotiation in 2008 of our revolving bank credit facility. In addition, beginning in 2008 and continuing in 2009, we have undertaken increased marketing initiatives, to increase market awareness of the improvements that have been achieved in the customer experience, including the speed and dependability of our network. We have also introduced new devices improving our overall lineup and providing a competitive mix for customer selection, as well as competitive new rate plans providing simplicity and value.

Table of Contents

We expect these actions will have a favorable impact on net subscriber losses. Net post-paid subscriber losses had not improved sustainably through the first quarter of 2009, in part due to circumstances in the general economy, including higher deactivations of business customer accounts as companies reduced wireless service lines resulting from their own workforce reductions. However, during 2009, the Company began to see improvement in our net loss of post-paid subscribers. Net post-paid subscriber losses decreased by approximately 20% sequentially for each of the quarters ended June 30, 2009 and September 30, 2009 and by approximately 35% sequentially for the quarter ended December 31, 2009. Net post-paid subscriber losses during the six-months ended December 31, 2009 decreased by more than 40% compared to the same period in the prior year.

As discussed below under **Wireless Business Service Revenue**, the net loss of post-paid subscribers in 2009 can be expected to cause wireless service revenue in 2010 to be approximately \$2.1 billion lower. If we continue to experience similar losses of post-paid subscribers in 2010, it would have a significant negative impact on Sprint's financial condition, results of operations and liquidity in 2010 and beyond.

During 2009, wireless industry trends have included a significant industry-wide shift for new accounts from post-paid wireless accounts to prepaid accounts. Sprint's successful prepaid wireless offerings, as well as the cost controls that have been implemented, will partially offset the effects of net post-paid subscriber losses, but are unlikely to be sufficient to sustain the Company's level of profitability and cash flows unless we are successful in further reducing the decline in post-paid subscribers. The Company believes the actions that have been taken, as described above, and that continue to be taken in marketing, customer service, device offerings, and network quality, should reduce the number of net post-paid and total subscriber losses for 2010 as compared to 2009.

RESULTS OF OPERATIONS

	Year Ended December 31,		
	2009	2008 ⁽¹⁾	2007
	<i>(in millions)</i>		
Wireless segment earnings	\$ 5,198	\$ 6,776	\$ 9,914
Wireline segment earnings	1,221	1,175	1,074
Corporate, other and eliminations	(12)	(287)	(188)
Consolidated segment earnings	6,407	7,664	10,800
Depreciation and amortization	(7,416)	(8,407)	(8,933)
Goodwill impairment		(963)	(29,649)
Merger and integration expenses		(130)	(516)
Other, net	(389)	(806)	(442)
Operating loss	(1,398)	(2,642)	(28,740)
Interest expense	(1,450)	(1,362)	(1,433)
Equity in losses of unconsolidated investments, net	(803)	(145)	(3)
Other income, net	157	89	401
Income tax benefit	1,058	1,264	331
Net loss	\$ (2,436)	\$ (2,796)	\$ (29,444)

(1) Consolidated results of operations include the results of our next-generation wireless broadband network, which was contributed to Clearwire in a transaction that closed on November 28, 2008.

Consolidated segment earnings decreased \$1.26 billion, or 16%, in 2009 compared to 2008 and \$3.14 billion, or 29%, in 2008 compared to 2007. Consolidated segment earnings consist of our Wireless and Wireline segments, which are discussed below, and Corporate, other and eliminations. Corporate, other and eliminations improved \$275 million for 2009 compared to 2008 and declined \$99 million for 2008 compared to 2007 primarily as a result of costs incurred related to the build-up of WiMAX from 2007 to 2008 that are no longer being incurred in 2009 due to the close of the transaction with Clearwire in late 2008.

Table of Contents**Depreciation and Amortization Expense**

Depreciation expense decreased \$137 million, or 2%, in 2009 compared to 2008 primarily due to reduced capital expenditures in 2009 as compared to 2008 and increased \$343 million, or 6%, in 2008 compared to 2007 primarily due to increases of in-service network assets. Amortization expense declined \$854 million, or 35%, in 2009 compared to 2008 and \$869 million, or 26%, in 2008 as compared to 2007, 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.

Goodwill Impairment

The Company recognized non-cash goodwill impairments of \$963 million and \$29.649 billion during 2008 and 2007, respectively. The impaired goodwill was primarily attributable to the Company's acquisition of Nextel in 2005 and reflects the reduction in estimated fair value of Sprint's wireless reporting unit subsequent to the acquisition resulting from, among other factors, net losses of post-paid subscribers.

Merger and Integration Expenses

Merger and integration expenses related to business combinations prior to 2008 were generally classified as selling, general and administrative and cost of products as appropriate on the consolidated statement of operations. Those not solely and directly attributable to the Wireless segment were included in Corporate, other and eliminations and were classified as selling, general and administrative expenses. Merger and integration expenses decreased \$130 million, or 100%, in 2009 compared to 2008 and \$386 million, or 75%, in 2008 as compared to 2007 as we did not incur these costs in the second half of 2008.

Other, net

The following table provides additional information of items included in Other, net for the years ended December 31, 2009, 2008 and 2007.

	Year Ended December 31,		
	2009	2008	2007
	<i>(in millions)</i>		
Severance and exit costs	\$ (400)	\$ (355)	\$ (277)
Asset impairments	(47)	(480)	(163)
Gains from asset dispositions and exchanges	68	29	
Other	(10)		(2)
Total	\$ (389)	\$ (806)	\$ (442)

Other, net expenses decreased \$417 million, or 52%, in 2009 compared to 2008 and increased \$364 million, or 82%, in 2008 compared to 2007. Severance and exit costs increased by \$45 million, or 13%, in 2009 compared to 2008 and \$78 million, or 28%, in 2008 compared to 2007 due to separation of employees and continued organizational realignment initiatives aimed at reducing our cost structure to align with reduced revenues from net subscriber losses. Asset impairments decreased by \$433 million, or 90%, in 2009 compared to 2008 and increased \$317 million, or 194%, in 2008 compared to 2007. Asset impairments in 2009 primarily related to network asset equipment no longer necessary for management's strategic plans and, in addition, in 2008 also related to cell site development costs no longer necessary for management's strategic plans. During 2007, asset impairments 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. Gains from asset dispositions and exchanges increased by \$39 million, or 134%, in 2009 compared to 2008, primarily due to spectrum exchange transactions.

Table of Contents**Interest Expense**

Interest expense increased \$88 million, or 7%, in 2009 as compared to 2008, as fewer capital projects led to a decrease of \$111 million of capitalized interest partially offset by a decrease of \$56 million related to a \$1.5 billion decline in the weighted average long-term debt balance between the comparative periods. In addition, we had \$35 million of interest credits in 2008 related to the reversal of accrued interest due to the completion of income tax audits. Interest expense decreased \$71 million in 2008 as compared to 2007, due to the reduction in our average effective interest rates, partially offset by an increase in the weighted average long-term debt balance. The effective interest rate on the weighted average long-term debt balance of \$21.4 billion, \$22.9 billion and \$21.8 billion was 6.8%, 6.6% and 6.9% for 2009, 2008 and 2007, respectively. See [Liquidity and Capital Resources](#) for more information on the Company's financing activities.

Equity in Losses of Unconsolidated Investments, net

This item consists mainly of our proportionate share of earnings or losses from our equity method investments. Equity losses of \$649 million associated with the investment in Clearwire represent the Company's proportionate share of Clearwire's net loss for 2009, plus a pre-tax loss of \$154 million (\$96 million after tax) related to the dilution of our investment in Clearwire from 53% to 51% during the first quarter 2009. During the fourth quarter 2009, we invested approximately \$1.1 billion in Clearwire which increased our economic ownership to 56%. Prospectively, from the date of this subsequent investment, our equity income (loss) from Clearwire will represent our proportionate share of Clearwire's results of operations based on our increased economic interest. We expect Clearwire to continue to generate a net loss as it continues build out of its 4G network.

Other income, net

The following table provides additional information of items included in [Other income, net](#) for the years ended December 31, 2009, 2008 and 2007.

	Year Ended December 31,		
	2009	2008	2007
	<i>(in millions)</i>		
Interest income	\$ 34	\$ 97	\$ 151
Realized gain (loss) from investments	(29)	(24)	253
Gain from non-controlling interest in VMU	151		
Other	1	16	(3)
Total	\$ 157	\$ 89	\$ 401

Interest income decreased \$63 million, or 65%, in 2009 as compared to 2008, primarily due to lower interest rates. Interest income decreased \$54 million, or 36%, in 2008 as compared to 2007, primarily due to lower interest rates and the recognition of interest income on income tax settlements of \$31 million in 2007. A realized gain of \$253 million was recognized in 2007, primarily related to the sale of a portion of our equity interest in VMU and a dilution of our ownership percentage to 14.1% in conjunction with their initial public offering of stock. As a result of the fourth quarter 2009 acquisition of VMU, a non-cash gain of \$151 million (\$92 million after tax) was recognized related to the estimated fair value over net carrying value of our previously held non-controlling interest in VMU.

Income Tax Benefit

As a result of our pre-tax losses, the consolidated effective tax rate was a benefit of approximately 30%, 31% and 1% in 2009, 2008 and 2007, respectively. The 2009 effective tax rate was reduced by a \$281 million net increase to the valuation allowance for federal and state deferred tax assets related to net operating and capital loss carryforwards. The 2008 and 2007 effective tax rates were reduced by \$794 million of the \$963 million non-cash goodwill impairment in 2008 and \$29.3 billion of the \$29.6 billion non-cash goodwill impairment in 2007 as substantially all of the charges are not separately deductible for tax purposes. Additional information related to items impacting the effective tax rates can be found in note 11 of Notes to the Consolidated Financial Statements.

Table of Contents**Segment Earnings Wireless Business**

Wireless segment earnings are 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 our equipment cost in excess of the price at which we sell our devices, referred to as equipment net 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, which 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 and administrative support. Wireless service revenue, costs to acquire subscribers, and variable network and interconnection costs fluctuate with the changes in our subscriber base and their related usage, but some cost elements do not fluctuate in the short term with the changes in our subscriber usage. The following table provides an overview of the results of operations of our Wireless segment for the years ended December 31, 2009, 2008 and 2007.

Wireless Earnings	2009	Year Ended December 31,	
		2008 <i>(in millions)</i>	2007
Post-paid	\$ 23,205	\$ 25,994	\$ 29,454
Prepaid	2,081	1,498	1,590
Retail service revenue	25,286	27,492	31,044
Wholesale, affiliate and other revenue	546	943	1,061
Total service revenue	25,832	28,435	32,105
Cost of services (exclusive of depreciation and amortization)	(8,384)	(8,745)	(8,612)
Service gross margin	17,448	19,690	23,493
Service gross margin percentage	68%	69%	73%
Equipment revenue	1,954	1,992	2,595
Cost of products	(5,545)	(4,859)	(5,023)
Equipment net subsidy	(3,591)	(2,867)	(2,428)
Equipment net subsidy percentage	(184)%	(144)%	(94)%
Selling, general and administrative expense	(8,659)	(10,047)	(11,151)
Wireless segment earnings	\$ 5,198	\$ 6,776	\$ 9,914

Service Revenue

Our Wireless segment generates revenues from the sale of wireless services, the sale of wireless devices and accessories and the sale of wholesale and other services. Service revenue consists of fixed monthly recurring charges, variable usage charges and miscellaneous fees such as activation fees, directory assistance, roaming, equipment protection, late payment and early termination charges and certain regulatory related fees, net of service credits. The ability of our Wireless segment to generate service revenues is primarily a function of:

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 charged for those services; and

the number of subscribers that we serve, which in turn is a function of our ability to acquire new and retain existing subscribers.

Table of Contents

The table below summarizes average number of retail subscribers and average revenue per subscriber for the years ended December 31, 2009, 2008 and 2007. Retail comprises those subscribers to whom Sprint directly provides wireless services on our networks, whether those services are provided on a prepaid or a post-paid basis. Wholesale and affiliates are those subscribers who are served through MVNO and affiliate relationships, and other arrangements through which wireless services are sold by Sprint to other companies that resell those services to their subscribers. More information about the number of subscribers, net additions to subscribers, and average rates of monthly post-paid and prepaid customer churn for each quarter since the first quarter 2007 may be found in the table on page 37.

	Year Ended December 31,		
	2009	2008	2007
	(subscribers in thousands)		
Average post-paid subscribers ⁽¹⁾	34,640	38,752	41,454
Average prepaid subscribers ⁽¹⁾	5,313	4,135	4,391
Average monthly service revenue per subscriber:			
Post-paid	\$ 56	\$ 56	\$ 59
Prepaid	33	30	30
Average retail	53	53	56

(1) Average subscribers include subscribers acquired through business combinations prospectively from the date of acquisition. Average subscribers for the year ended December 31, 2009 are inclusive of 4,539,000 prepaid subscribers and 835,000 post-paid subscribers acquired through our 2009 business combinations which were previously included with wholesale and affiliate subscribers. Average subscribers for the year ended December 31, 2007 are inclusive of 170,000 subscribers acquired through our 2007 business combination.

Retail service revenue decreased \$2.2 billion, or 8%, in 2009 as compared to 2008 and \$3.6 billion, or 11% in 2008 as compared to 2007. The majority of the decline is due to a \$2.8 billion and \$3.5 billion decrease in post-paid service revenue driven by a reduction in the Company's average number of post-paid subscribers of approximately 4.1 million and 2.7 million for the years ended December 31, 2009 and 2008, respectively. The decline in post-paid service revenue was partially offset by an increase of \$583 million in prepaid revenue for 2009 as compared to 2008, primarily driven by attracting subscribers to the Company's National Boost Monthly Unlimited plan, which launched in the first quarter of 2009. Prepaid revenue for 2008 decreased \$92 million as compared to 2007, primarily driven by a reduction of 256,000 in the average number of retail prepaid subscribers, primarily on the iDEN network.

Wholesale, affiliate and other revenues, in total, decreased \$397 million, or 42%, for 2009 as compared to 2008, and \$118 million, or 11%, for 2008 as compared to 2007. The decrease in 2009 was primarily due to a decrease in the number of subscribers with two of our large MVNO operators. Wholesale revenues include a growing number of devices under our open-device initiative, including machine-to-machine services through devices that utilize our network. Average revenue per subscriber for our open-device machine-to-machine services is significantly lower than revenue from other wholesale and affiliate subscribers; however, the cost to service these customers is also lower resulting in a higher profit margin as a percent of revenue. The decrease in 2008 was primarily due to a decline in average monthly service revenue per wholesale subscriber.

Table of Contents*Average Monthly Service Revenue per Subscriber*

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

	Quarter Ended											
	March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009	December 31, 2009
Average monthly service revenue per subscriber⁽¹⁾												
Post-paid	\$ 59	\$ 60	\$ 59	\$ 58	\$ 56	\$ 56	\$ 56	\$ 56	\$ 56	\$ 56	\$ 56	\$ 55
Prepaid	\$ 32	\$ 31	\$ 30	\$ 28	\$ 29	\$ 30	\$ 31	\$ 30	\$ 31	\$ 34	\$ 35	\$ 31

(1) Average monthly service revenue per subscriber for the quarter is calculated by dividing quarterly service revenue by the sum of the average number of subscribers for each month in the quarter. Changes in average monthly service revenue reflect subscribers who change rate plans, the level of voice and data usage during a quarter, the amount of service credits which are offered to 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 stable throughout 2008 and most of 2009 as a result of improved retention of higher revenue subscribers on bundled rate plans offset by lower overage and roaming revenues. During the fourth quarter 2009, the Company experienced a decline in average monthly post-paid service revenue per subscriber due to declines in overage revenues resulting from the increased popularity of fixed-rate bundled plans including the Any Mobile Anytime feature. The decline in average monthly retail post-paid service revenue per subscriber in 2007 was 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 per subscriber in 2007 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 2009 as compared to 2008 due to higher revenue from our National Boost Monthly Unlimited users combined with more stable average revenue per subscriber from our traditional prepaid users. During the fourth quarter 2009, average monthly prepaid service revenue per subscriber was reduced by the addition of Virgin Mobile subscribers which carry a lower average revenue per subscriber compared to Sprint's other prepaid subscribers.

Net Additions to (Losses of) 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 in customer care. Our retention efforts have been focused on improving the customer experience, including, but not limited to, our Simply Everything bundled plans that provide unlimited voice, data, text and Nextel Direct Connect® services; improved service levels from our customer care centers; and our Ready Now program.

As discussed above in Overview, 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 have taken other actions in an effort to improve our subscribers' experience including improving our network performance by adding capacity to our networks, broadening our device portfolio, and providing subscribers an excellent value proposition with our Simply Everything® pricing plans and our Everything Data plans which include our new Any Mobile, AnytimeSM feature. While certain indicators suggest that we are making progress with respect to these actions, we have continued to lose valuable post-paid wireless subscribers.

Table of Contents

The following table shows (a) net additions (losses) of wireless subscribers for the past twelve quarters, excluding subscribers obtained through business combinations, existing subscribers who have migrated between networks (b) our total subscribers as of the end of each quarterly period, and (c) our average rates of monthly post-paid and prepaid customer churn for the past twelve quarters.

March 31, 2007	June 30, 2007	September 30, 2007	December 31, 2007	Quarter Ended						
				March 31, 2008	June 30, 2008	September 30, 2008	December 31, 2008	March 31, 2009	June 30, 2009	September 30, 2009
(744)	(662)	(700)	(686)	(684)	(527)	(589)	(639)	(625)	(529)	(466)
524	678	363	3	(386)	(249)	(533)	(466)	(625)	(462)	(335)
(220)	16	(337)	(683)	(1,070)	(776)	(1,122)	(1,105)	(1,250)	(991)	(801)
272	70	(57)	(202)	(543)	(250)	(305)	(264)	764	938	801
3	99	124	257	343	112	(24)	(50)	(90)	(161)	(135)
275	169	67	55	(200)	(138)	(329)	(314)	674	777	666
513	188	210	520	183	13	130	146	394	(43)	(410)
16,535	15,472	14,355	13,246	12,179	11,330	10,466	9,609	8,890	8,292	7,762
25,050	26,129	27,079	27,505	27,502	27,575	27,317	27,069	26,538	26,145	25,874
41,585	41,601	41,434	40,751	39,681	38,905	37,783	36,678	35,428	34,437	33,636
4,284	4,354	4,297	4,095	3,552	3,302	2,997	2,733	3,497	4,435	5,236
3	102	226	483	826	938	914	864	774	613	478
4,287	4,456	4,523	4,578	4,378	4,240	3,911	3,597	4,271	5,048	5,714
6,825	6,980	7,175	7,676	7,841	7,831	7,939	8,063	9,384	9,341	8,931
2.30%	2.03%	2.30%	2.29%	2.45%	1.98%	2.15%	2.16%	2.25%	2.05%	2.17%
6.97%	6.76%	6.15%	7.47%	9.93%	7.36%	8.16%	8.20%	6.86%	6.38%	6.65%

Edgar Filing: SPRINT NEXTEL CORP - Form 10-K

- (1) *Includes subscribers with PowerSource devices, which operate seamlessly between our CDMA and iDEN networks.*
- (2) *Churn is calculated by dividing net subscriber deactivations for the quarter by the sum of the average number of subscribers for each month in the quarter. For post-paid accounts comprising 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 and Prepaid churn consists of both voluntary churn, where the subscriber makes his or her own determination to cease being a customer, and involuntary churn, where the customer's service is terminated due to a lack of payment or other reasons.*
- (3) *Reflects the transfer of 170,000 subscribers from Wholesale and affiliates to Post-paid due to a business combination in the quarter ended September 30, 2007 as well as the transfer of 4,539,000 Prepaid and 835,000 Post-paid subscribers from Wholesale and affiliates as a result of the business combinations completed in the fourth quarter 2009.*

Table of Contents

Retail Post-Paid Subscribers We lost 3.5 million net post-paid subscribers during 2009 as compared to losing 4.1 million and 1.2 million net post-paid subscribers during 2008 and 2007, respectively. The following table provides a reconciliation of reported net additions (losses) of retail post-paid subscribers and transfers of subscribers between network technologies during the years ended December 31, 2009, 2008 and 2007.

CDMA	Year Ended December 31,		
	2009	2008	2007
	<i>(in thousands)</i>		
Reported net additions (losses)	(1,512)	(1,634)	1,568
Net transfers from iDEN	321	1,199	1,563
Additions (losses) after transfers from iDEN	(1,191)	(435)	3,131
iDEN	Year Ended December 31,		
	2009	2008	2007
	<i>(in thousands)</i>		
Reported net losses	(2,034)	(2,439)	(2,792)
Net transfers to CDMA	(321)	(1,199)	(1,563)
Losses after transfers to CDMA	(2,355)	(3,638)	(4,355)

The Company expects that both post-paid and total subscriber full-year net losses should improve for the year 2010 as compared to 2009. However, our actual loss of post-paid subscribers in 2009 can be expected to cause wireless service revenue in 2010 to be approximately \$2.1 billion lower than it would have been had those subscribers not been lost. If we continue to experience significant loss of post-paid subscribers in 2010, it would have a significant negative impact on Sprint's financial condition, results of operations and liquidity in 2010 and beyond.

Prepaid Subscribers We added approximately 2.6 million net prepaid subscribers during 2009 as compared to losing 981,000 and adding 566,000 net prepaid subscribers in 2008 and 2007, respectively. Our net prepaid subscriber additions in 2009 were principally driven by the Company's National Boost Monthly Unlimited offering on the iDEN network which was launched in the first quarter 2009. The success achieved by the National Boost Monthly Unlimited offering has driven a significant prepaid market share gain. In conjunction with the changing economic environment, the Company's National Boost Monthly Unlimited offering continues to experience strong demand as prepaid decisions are becoming a larger portion of overall decisions in the marketplace. Net prepaid subscriber losses in 2008 as compared to net additions in 2007 were principally caused by our attracting fewer new subscribers on the iDEN network and total deactivations increasing year over year. End of period prepaid subscribers include subscribers engaged in certain retention programs that target qualifying subscribers to maintain ongoing service while providing additional time to make a replenishment prior to account deactivation. Subscribers targeted through retention programs are not included in the calculation of churn until their offer expires without a replenishment to their account.

Wholesale and Affiliate Subscribers Wholesale and affiliate subscribers represent customers that are served on our networks through companies that resell our services to their subscribers, customers residing in PCS Affiliate territories and a growing portion of subscribers from our open-device initiative primarily representing machine-to-machine devices that utilize our network. During 2009, wholesale and affiliate subscriber losses were 138,000, compared to net subscriber additions of 472,000 and 1.4 million for 2008 and 2007, respectively. Subscriber losses in 2009 were primarily due to a decrease in the number of subscribers with two of our large MVNO operators.

Table of Contents

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 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 fluctuate in relat